THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **COSCO SHIPPING Ports Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

(1) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN A CONSORTIUM TO ACQUIRE NOT MORE THAN 10% INTEREST IN CCCC DREDGING (GROUP) CO., LTD.* AND (2) RE-ELECTION OF RETIRING DIRECTOR

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

中國通海企業融資
CHINA TONGHAI CAPITAL

Unless the context requires otherwise, capitalised terms used in this circular (including this cover page) shall have the same meaning as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 24 of this circular and a letter from the Independent Board Committee is set out on page 25 of this circular. A letter from China Tonghai Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 58 of this circular.

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong at 2:30 p.m. on Tuesday, 8 October 2019 is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Friday, 4 October 2019. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 4 October 2019.

18 September 2019

* *For identification purpose only*

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "https://ports.coscoshipping.com" and Hong Kong Exchanges and Clearing Limited at "http://www.hkexnews.hk". To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Board"	the board of Directors
"CASBE"	China Accounting Standards for Business Enterprises
"CBEX"	China Beijing Equity Exchange, a comprehensive equity trading institution approved by the People's Government of Beijing Municipality
"CCCC"	China Communications Construction Company Limited, a joint stock limited company duly incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1800) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601800)
"CCCC's Announcement and Circular"	the announcement dated 18 June 2019 and the circular dated 10 July 2019 of CCCC
"CCCC Dredging"	CCCC Dredging (Group) Co., Ltd.* 中交疏浚(集團)股份有限公司, an enterprise established under the laws of the PRC and a subsidiary of CCCC
"CCCC Dredging Group"	CCCC Dredging and its subsidiaries
"CCCC Dredging Sale Shares"	the CCCC Dredging Shares to be transferred from CCCC to third parties under the Tender Process
"CCCC Dredging Share(s)"	share(s) in CCCC Dredging
"CCCG"	China Communications Construction Group (Limited)* 中國交通建設集團有限公司, a state-owned enterprise established under the laws of the PRC and the controlling shareholder of CCCC
"CCCG Subscription"	the proposed subscription of 2,024,291,498 CCCC Dredging Shares by CCCG as referred to in CCCC's Announcement and Circular

"CCCG Transfer"	the proposed transfer of 3,495,604,287 CCCC Dredging Shares by CCCC to CCCG as referred to in CCCC's Announcement and Circular
"Company"	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1199)
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consortium"	a consortium comprising Shanghai Terminal, COSCO SHIPPING Tianjin and the Other Investors
"Consortium Agreement"	the agreement proposed to be entered into among members of the Consortium, pursuant to which the Consortium will seek to acquire 4,580,082,373 CCCC Dredging Shares from CCCC on CBEX by way of participation in the Tender Process
"COSCO SHIPPING"	China COSCO Shipping Corporation Limited* 中國遠洋海運集團有限公司, a state-owned enterprise in the PRC and the ultimate controlling shareholder of the Company
"COSCO SHIPPING Holdings"	COSCO SHIPPING Holdings Co., Ltd.* 中遠海運控股股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601919), and an intermediate controlling shareholder of the Company
"COSCO SHIPPING Tianjin"	COSCO SHIPPING (Tianjin) Company Limited* 中遠海運(天津)有限公司, a wholly-owned subsidiary of COSCO SHIPPING
"CRBC"	China Road and Bridge Corporation 中國路橋工程有限責任公司, a subsidiary of CCCC

"Director(s)"	the director(s) of the Company
"Enlarged CCCC Dredging Issued Share Capital"	the issued share capital of CCCC Dredging as enlarged by the CCCG Subscription
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang and Prof. CHAN Ka Lok, being independent non-executive Directors
"Independent Financial Adviser" or "Tonghai Capital"	China Tonghai Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Consortium Agreement and the ST Acquisition
"Independent Shareholders"	Shareholders who are not prohibited or required to abstain from voting under the Listing Rules to approve the relevant transaction at a general meeting of the Company
"Joint Acquisition"	the proposed acquisition by the Consortium of 4,580,082,373 CCCC Dredging Shares (representing approximately 38.8952% of the existing issued share capital of CCCC Dredging and approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital) contemplated under the Consortium Agreement
"Latest Practicable Date"	16 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Other Investor"	an investor (other than Shanghai Terminal and COSCO SHIPPING Tianjin) which is to be a member of the Consortium and a party to the Consortium Agreement
"percentage ratios"	has the meanings ascribed to it under Rule 14.07 of the Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this circular and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held for considering and approving, if appropriate, the transactions under the Consortium Agreement and the re-election of retiring Director
"Shanghai Terminal"	Shanghai China Shipping Terminal Development Co., Ltd.* 上海中海碼頭發展有限公司, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"ST Acquisition"	the proposed acquisition by Shanghai Terminal of not more than 1,379,973,946 CCCC Dredging Shares contemplated under the Consortium Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tender Process"	a public tender process being conducted on CBEX by way of which CCCC will transfer not more than 4,580,082,373 CCCC Dredging Shares (representing approximately 38.8952% of the existing issued share capital of CCCC Dredging and approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital)
"US$" or "US dollar"	United States dollars, the lawful currency of the United States of America
"%"	per cent

For the purposes of this circular, the English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

Directors:
Mr. FENG Boming[1] *(Chairman)*
Mr. ZHANG Dayu[1] *(Managing Director)*
Mr. DENG Huangjun[1]
Mr. ZHANG Wei[2]
Mr. CHEN Dong[2]
Mr. WANG Haimin[2]
Dr. WONG Tin Yau, Kelvin[1]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. FAN Ergang[3]
Mr. LAM Yiu Kin[3]
Prof. CHAN Ka Lok[3]

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
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Principal Place of Business:
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

General Counsel & Company Secretary:
Ms. HUNG Man, Michelle

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-executive Director

18 September 2019

To the Shareholders

Dear Sir or Madam,

(1) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN A CONSORTIUM TO ACQUIRE NOT MORE THAN 10% INTEREST IN CCCC DREDGING (GROUP) CO., LTD.* AND (2) RE-ELECTION OF RETIRING DIRECTOR

1. INTRODUCTION

Reference is made to the announcements of the Company dated 23 August 2019 and 12 September 2019 in relation to the Consortium Agreement to be entered into by Shanghai Terminal (a wholly-owned subsidiary of the Company) with COSCO SHIPPING Tianjin (a wholly-owned subsidiary of COSCO SHIPPING, which is in turn the ultimate controlling shareholder of the Company) and one or more other investors, pursuant to which Shanghai Terminal will acquire not more than 1,379,973,946 CCCC Dredging Shares (representing approximately 10% of the Enlarged CCCC Dredging Issued Share Capital) from CCCC at a consideration not exceeding approximately RMB3,409 million if the Consortium is successful in the Tender Process. The transactions under the Consortium Agreement constitute a major and connected transaction of the Company which is subject to the announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is also made to the announcement of the Company dated 13 September 2019 in relation to the appointment of Mr. ZHANG Dayu as executive director and managing director of the Company with effect from 13 September 2019.

The purposes of this circular are:

(i) to provide you with further details of the Consortium Agreement and the ST Acquisition;

(ii) to provide you with information regarding the re-election of retiring Director;

(iii) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to transactions under the Consortium Agreement; and

(iv) to give the Shareholders the notice convening the SGM at which ordinary resolutions will be proposed to consider and approve, if appropriate, the transactions under the Consortium Agreement and the re-election of retiring Director.

As the entering into of the Consortium Agreement will be subject to Independent Shareholders' approval and approval of the independent shareholders of COSCO SHIPPING Holdings and the successful formation of the Consortium, the Consortium Agreement may or may not be entered into. Further, the ST Acquisition may or may not materialise depending on whether the Consortium is successful in bidding under the Tender Process. There is no assurance that the ST Acquisition will take place or as to when it may take place. Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.

2. THE CONSORTIUM AGREEMENT

Date

Shanghai Terminal proposed to enter into the Consortium Agreement after Independent Shareholders' approval and approval of the independent shareholders of COSCO SHIPPING Holdings of the transactions under the Consortium Agreement have been obtained. Although the identities of the Other Investors have not been confirmed yet, if the Consortium Agreement is successfully entered into, it will be on terms substantially the same as those disclosed herein, including the number of CCCC Dredging Shares to be acquired by Shanghai Terminal and COSCO SHIPPING Tianjin. Accordingly, the Board considered that the Independent Shareholders will have sufficient information to make an informed voting decision on the Consortium Agreement and the ST Acquisition notwithstanding that the Consortium Agreement has not been entered into at the time of this circular and the SGM. If the Group is not able to find suitable investors which are prepared to enter into the Consortium Agreement, the ST Acquisition will not proceed.

Parties

1. Shanghai Terminal, a wholly-owned subsidiary of the Company

2. COSCO SHIPPING Tianjin, a wholly-owned subsidiary of COSCO SHIPPING (which is in turn the ultimate controlling shareholder of the Company)

3. The Other Investors. The identities of the Other Investors are yet to be confirmed.

The Company will ensure that the Other Investors and their respective ultimate beneficial owners will be, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, third parties independent of the Company and connected persons of the Company.

There is no prior or existing relationship or arrangement (whether expressed or implied) among the members of the Consortium in respect of the Joint Acquisition, except for the proposed entering into of the Consortium Agreement.

Joint Acquisition

The Consortium will seek to acquire 4,580,082,373 CCCC Dredging Shares (representing approximately 38.8952% of the existing issued share capital of CCCC Dredging and approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital) from CCCC on CBEX through the Tender Process. If the Consortium is successful in the Tender Process, members of the Consortium will enter into a sale and purchase agreement with CCCC, pursuant to which members of the Consortium will acquire CCCC Dredging Shares as follows:

	Number of CCCC Dredging Shares	Approximate percentage of the Enlarged CCCC Dredging Issued Share Capital
Shanghai Terminal	1,379,973,946	10%
COSCO SHIPPING Tianjin	689,986,973	5%
Other Investors	2,510,121,454	18.1896%

Among the members of the Consortium, Shanghai Terminal will acquire the highest proportion of the CCCC Dredging Sale Shares.

Shanghai Terminal will be appointed as the contact person to assist in handling the relevant procedures in relation to the Joint Acquisition with CBEX. As at the Latest Practicable Date, no binding sale and purchase agreement had been entered into between the Consortium and CCCC in relation to the Joint Acquisition.

Proposed consideration

Unless agreed otherwise by all members of the Consortium in the event of more than one intended transferees of the CCCC Dredging Sale Shares arising in the Tender Process (i.e. when there are more than one qualified bidders), the consideration for the Joint Acquisition will not exceed RMB2.47 per CCCC Dredging Share. Accordingly, the consideration payable by Shanghai Terminal will not exceed approximately RMB3,409 million, which will be funded by the Group's internal resources and/or external financing (including bank borrowings). The Company currently expects the proportions of funding by internal resources and external financing to be 40% and 60% respectively, but the actual proportions will depend on the Group's financial situation and the market situation at around the time at which payments are to be made. The consideration will be payable in accordance with the terms and conditions of the Tender Process and the sale and purchase agreement to be entered into with CCCC by the members of the Consortium. As at 30 June 2019, the Group had cash and cash equivalents of approximately US$558 million and banking facilities available but unused of approximately US$993 million, and accordingly the Company expects that the Group will have sufficient financial resources to fulfil its payment obligation for the ST Acquisition. The Company will seek independent shareholders' approval again before agreeing on a new bidding price above RMB2.47 per CCCC Dredging Share.

The maximum consideration of RMB2.47 per CCCC Dredging Share is equal to the floor purchase price set by CCCC for the Tender Process, which is also equal to the price per CCCC Dredging Share payable by the controlling shareholder of CCCC for its acquisition of and subscription of CCCC Dredging Shares as referred to in the section headed "3. The Tender Process" below. As stated in the announcement of CCCC dated 18 June 2019, the price per CCCC Dredging Share, being RMB2.47 (rounded up to 2 decimal places), was calculated by dividing the appraised net assets value of CCCC Dredging as at 31 December 2018 of RMB28,969.953 million as set out in the valuation report prepared by China Tong Cheng Assets Appraisal Co. Ltd. (中通誠資產評估有限公司), which is a qualified valuer in the PRC, using the asset-based approach by the total number of CCCC Dredging Shares in issue as at the date of that announcement (i.e. 11,775,447,964 shares). According to the circular of CCCC dated 10 July 2019, such valuation was based on the assumption that the distribution of dividends of RMB4,080.96 million by CCCC Dredging approved on 30 April 2019 had been implemented by 31 December 2018.

The proposed maximum consideration for the ST Acquisition was determined taking into account, among other things, (1) the abovementioned valuation; (2) the future prospects of CCCC Dredging; and (3) the synergy between CCCC Dredging and the Group.

Members of the Consortium shall pay to CBEX the deposits in proportion to the number of CCCC Dredging Sale Shares to be acquired by them respectively in accordance with the terms of the Tender Process. Payment of the consideration for the Joint Acquisition will also be governed by the sale and purchase agreement to be entered into with CCCC if the Consortium is successful in the Tender Process.

Liabilities for breach

If any member of the Consortium purports to terminate the Consortium without cause, or breaches the Consortium Agreement, the sale and purchase agreement with CCCC or the rules of CBEX resulting in the Consortium failing to acquire the CCCC Dredging Sale Shares, the other non-defaulting members may claim against such member for the loss suffered, including claims made by third parties against the non-defaulting members, the deposits and consideration for the CCCC Dredging Shares paid by the non-defaulting members which cannot be recovered and the non-defaulting members' costs of financing or loss of interest in respect of the deposits and consideration. Accordingly, if Shanghai Terminal breaches the provisions of the Tender Process or the sale and purchase agreement to be entered into with CCCC, any deposit or purchase price paid by it may be forfeited and it will also be liable to the other members of the Consortium for any loss which may be suffered by them. However, the Consortium Agreement does not contain any provision for the non-defaulting member(s) to take up the portion of the CCCC Dredging Sale Shares not taken up by the defaulting member(s).

According to the PRC legal opinion of Commerce & Finance Law Offices (legal adviser to the Company as to PRC law) obtained by the Company, Shanghai Terminal will not have any liability to CCCC (including forfeiture of any deposit or purchase price paid by Shanghai Terminal or becoming obliged to take up any portion of the CCCC Dredging Sale Shares not taken up by any other member of the Consortium) for any breach by any other member of the Consortium of the provisions of the Tender Process (including those referred to in the section headed “3. The Tender Process” below) or the sale and purchase agreement to be entered into with CCCC, and Shanghai Terminal will be entitled to a refund of any deposit or purchase price paid by Shanghai Terminal if the ST Acquisition does not proceed as a result of any such breach by any other member of the Consortium.

3. THE TENDER PROCESS

According to CCCC’s Announcement and Circular, (a) CCCG (the controlling shareholder of CCCC) would acquire 3,495,604,287 CCCC Dredging Shares from CCCC and subscribe for 2,024,291,498 CCCC Dredging Shares both at a consideration of RMB2.47 per CCCC Dredging Share; and (b) CCCC proposed to further transfer not more than 5,519,895,784 CCCC Dredging Shares to third parties at the floor purchase price of RMB2.47 per CCCC Dredging Share on an equity exchange in the PRC by way of public tender, representing not more than 40% of the Enlarged CCCC Dredging Issued Share Capital. As far as the Company was aware, as at the Latest Practicable Date, completion of the CCCG Transfer and the CCCG Subscription had not taken place.

As stated in the announcement of CCCC dated 11 September 2019, the Tender Process was officially announced on CBEX on 12 September 2019. A summary of key provisions of the Tender Process is set out below:

(a) The number of CCCC Dredging Sale Shares available for bidding is 4,580,082,373 (representing approximately 38.8952% of the existing issued share capital of CCCC Dredging and approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital).

(b) The minimum bid price is RMB11,312,803,461.31 (equivalent to RMB2.47 per CCCC Dredging Share).

(c) The period for submission of bids is 20 business days commencing on 12 September 2019, to be extended by 5 business days at a time until a bid is received.

(d) The qualifications which a bidder will need to meet include (i) it shall be an enterprise legal person or other economic organisation in the PRC established and validly existing in accordance with laws; (ii) it shall have good business credit, financial status and ability to pay; and (iii) other conditions stipulated by the laws and administrative regulations of the PRC. If a bidder is a private equity fund (if any), it shall undertake that it has completed the filings in respect of the private equity fund and the fund manager.

(e) Bidders have the right to conduct due diligence on CCCC Dredging before the deadline for submission of bids.

(f) Each bidder shall pay a security deposit of RMB1,131,280,346.11 to CBEX within 3 business days after CBEX's confirmation of its qualification for bidding.

(g) In any of the following circumstances (unless caused by CCCC), 100% of the security deposit paid by a bidder will be forfeited as compensation to CCCC (and if it is insufficient to compensate CCCC, CCCC may continue to pursue the bidder in respect of its actual loss): (i) the bidder withdraws its bid unilaterally after being qualified and paid the security deposit; (ii) the bidder fails to participate in the subsequent bidding process when there are two or more qualified bidders; (iii) no bidder bids in the subsequent bidding process where the starting bid price is the listed floor purchase price; (iv) after being determined as the successful bidder, it fails to enter into a sale and purchase agreement with CCCC within 5 business days or fails to pay the balance of the purchase price or transaction service fee within 5 business days from the effective date of the sale and purchase agreement; or (v) breach of the relevant provisions in respect of the security deposit or other breaches by the bidder.

(h) Upon the expiry of the deadline for submission of bids, if there is only one qualified bidder, then the transaction will be implemented by way of agreement, otherwise an online bidding process will be used to determine the successful bidder.

(i) The successful bidder shall enter into a sale and purchase agreement with CCCC within 5 business days after CBEX's confirmation of successful bidder.

(j) The successful bidder shall pay the balance of the purchase price (that is, after deducting the security deposit) to CBEX within 5 business days from the effective date of the sale and purchase agreement.

(k) CCCC agreed that, following completion of the transfer of the CCCC Dredging Shares (i) the board of directors of CCCC Dredging shall comprise not more than 9 directors, and the successful bidder (or, if the successful bidder is a consortium, the member of the consortium holding the highest proportion of the CCCC Dredging Shares) is entitled to nominate 1 director; (ii) if the successful bidder is a consortium, (A) then if there are not more than 2 members in the consortium, the member of the consortium holding the second highest proportion of the CCCC Dredging Shares is entitled to nominate 1 supervisor of CCCC Dredging; and (B) otherwise, the members of the consortium holding the second and third highest proportions of the CCCC Dredging Shares are each entitled to nominate 1 supervisor of CCCC Dredging; and (iii) if the bidder is a single enterprise legal person or other economic organisation, it is not entitled to nominate any supervisor of CCCC Dredging.

(l) CCCC shall procure CCCC Dredging to complete the business registration or filing procedures in relation to the transaction with the competent registration authority(ies) within 30 days after payment of the purchase price by the successful bidder and issuance of the transaction certificate by CBEX (the date on which such procedures are completed is referred to below as the "**Completion Date**").

(m) As at 31 December 2018, non-operating payables in the amount of RMB5,227 million were due from CCCC Dredging to CCCC and its subsidiaries, which included dividends due from CCCC Dredging's 2015 distribution of accumulated profits (the balance of which as at 31 December 2018 was RMB3,972 million). CCCC Dredging will pay all non-operating payables to CCCC within 5 business days from the Completion Date.

According to CCCC's Announcement and Circular, in relation to CCCG's purchase of and subscription for CCCC Dredging Shares:

(a) The amount of the profit or loss during the transition period from 1 January 2019 (being the day immediately following the benchmark date of 31 December 2018 for appraisal of the net assets value of CCCC Dredging as referred to above) to and including the completion date (i.e. the date when the filing or registration procedures for the change with the competent authority for industry and commerce in relation to such purchase and subscription has been completed) shall be determined based on the auditor's report for the transition period prepared by the auditor within 60 days from the completion date.

(b) If CCCC Dredging records profit during the transition period pursuant to the auditor's report, CCCC Dredging shall pay such profit to the existing shareholders, i.e. CCCC and its subsidiary, CRBC, by way of dividend distribution in proportion to their shareholdings in CCCC Dredging.

(c) If CCCC Dredging records loss during the transition period pursuant to the auditor's report, CCCC guarantees that the existing shareholders, i.e. CCCC and its subsidiary, CRBC, will pay such loss to CCCC Dredging in cash in proportion to their shareholdings in CCCC Dredging.

(d) If the completion date falls on or before the 15th day of a month, the audit period will commence from 1 January 2019 and end at the end of the preceding month; otherwise, the audit period will commence from 1 January 2019 and end at the end of that month.

(e) CCCC expects that CCCC Dredging will not record loss during the transition period.

If the Consortium is successful in the Tender Process and CCCC requires a similar arrangement to be provided in the sale and purchase agreement for the Joint Acquisition, the Group is prepared to accept it, even if it does not include the arrangement referred to in paragraph (c) above since CCCC expected that CCCC Dredging would not record loss during the transition period. Given the relatively remote possibility of CCCC Dredging recording loss during the transition period, the Company considers that the terms of the sale and purchase agreement will still be fair and reasonable even if such similar arrangement (with or without the arrangement referred to in paragraph (c) above) is included therein. Accordingly, if the resolution to be proposed at the SGM to approve the transactions under the Consortium Agreement is approved by the Independent Shareholders, they will be taken to have approved the acceptance of such arrangement by the Group.

4. INFORMATION OF CCCC DREDGING

CCCC Dredging is an enterprise established under the laws of the PRC and a subsidiary of CCCC. The scope of CCCC Dredging's business mainly includes capital dredging, maintenance dredging, environmental dredging, and reclamation, as well as supporting projects related to dredging and land reclamation.

Set out below is certain consolidated financial information of CCCC Dredging and its subsidiaries (prepared in accordance with CASBE) for the two financial years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019 and as at 31 December 2018 and 30 June 2019.

	For the financial year ended 2017 *RMB'000* (audited)	For the financial year ended 2018 *RMB'000* (audited)	For the six months ended 30 June 2019 *RMB'000* (unaudited)
Net profit before taxation	2,518,693	1,552,583	570,170
Net profit after taxation	1,955,036	1,266,919	493,094

	As at 31 December 2018 *RMB'000* (audited)	As at 30 June 2019 *RMB'000* (unaudited)
Net assets	32,789,879	29,718,771

The decrease in the consolidated net assets of CCCC Dredging as at 30 June 2019 from that as at 31 December 2018 was mainly due to the distribution of dividends of RMB4,080.96 million by CCCC Dredging approved on 30 April 2019 (as referred to in the basis of the valuation as described above).

5. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSORTIUM AGREEMENT AND THE ST ACQUISITION

CCCC Dredging is the largest dredging company in the world and its dredging business accounts for approximately 70% of the market share in the domestic market. Leveraging the leading market position in the industry, CCCC Dredging's returns are relatively stable and its business enjoys strong scarcity. In addition, CCCC Dredging proactively develops its environmental protection and marine engineering business and meanwhile expands overseas business, which has great growth potential. It is expected that such businesses will contribute stable net profit and growth potential to the Group.

The proposed investment in CCCC Dredging by the Group would contribute to the carrying out of the Company's strategy of extending its global footprint to build a global terminal network with highly efficient and cost-effective services to serve shipping alliances globally.

CCCC Dredging's ports dredging business has strong synergy with the Group's ports business. The terminals acquired by the Group since 2017 are mainly greenfield terminals, which have strong demand for waterway dredging. Therefore, the Company expects that following the ST Acquisition the greenfield terminals of the Group will enhance its business cooperation with CCCC Dredging and could benefit from potential cost reduction in dredging due to better and more dredging services provided by CCCC Dredging as well as more effective communications and progress management. The strategic investment will enable the Group to leverage on the market leading position of CCCC Dredging to develop ports extended business. Therefore, it is expected that the ST Acquisition will allow the Group to get involved in upstream industrial services and enable the Group to leverage on the synergy of overseas expansion and optimise its investment portfolio.

The Company's current terminals portfolio covers the five main port regions in Mainland China, Southeast Asia, Middle East, Europe, South America and the Mediterranean. The Company believes that, with the proposed investment in CCCC Dredging, the Company could leverage on the brand and global recognition and the rich experience in overseas dredging projects of CCCC Dredging to further extend its international presence, align with the "Belt & Road Initiative" and strengthen its leading position as a global port operator.

Considering the flexibility of future capital expenditure of the Group in ports business and that the ports dredging business of CCCC Dredging is not a principal business of the Group, but only an extension of the upstream industrial chain of the ports business, the Company believes that it would be appropriate to acquire not more than 1,379,973,946 CCCC Dredging Shares (representing approximately 10% of the Enlarged CCCC Dredging Issued Share Capital) rather than all the 4,580,082,373 CCCC Dredging Shares available for purchase. As COSCO SHIPPING Tianjin and the Other Investors are also interested in acquiring CCCC Dredging Sale Shares, the Consortium is proposed to be formed so that the Group can participate in the Tender Process.

Taking into account the market leading position of CCCC Dredging and its synergy with the ports business of the Group, the Company believes that the ST Acquisition is in the interests of the Company and the Shareholders as a whole.

6. FINANCIAL EFFECT OF THE ST ACQUISITION

Earnings

After completion of the ST Acquisition, CCCC Dredging is expected to become an associate of the Company and the results of CCCC Dredging will be accounted for using the equity method in the consolidated financial statements of the Group.

Assets

Based on the unaudited pro forma financial information of the Group as set out in Appendix IV of this circular, the ST Acquisition would result in an increase in the total assets of the Group by an amount of approximately US$297.5 million.

Liabilities

Based on the unaudited pro forma financial information of the Group as set out in Appendix IV of this circular, the ST Acquisition would result in an increase in the total liabilities of the Group by an amount of approximately US$297.5 million.

7. INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

Shanghai Terminal

Shanghai Terminal is principally engaged in ports investment.

COSCO SHIPPING

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The scope of business of COSCO SHIPPING and its subsidiaries includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

COSCO SHIPPING Tianjin

COSCO SHIPPING Tianjin is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in the provision of, among others, an investment and operation platform for socialised industries in the Beijing-Tianjin-Hebei region, an incubation platform for new technology and new business form, as well as a service platform for group-wide localised management.

CCCC

CCCC is a leading transportation infrastructure enterprise in the PRC. It is primarily engaged in providing customers with integrated solutions services for each stage of the infrastructure projects leveraging on its extensive operating experience, expertise and knowhow accumulated from projects undertaken in a wide range of areas over the past six decades.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, CCCC and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

8. IMPLICATIONS UNDER THE LISTING RULES

As the highest of the applicable percentage ratios for the transactions under the Consortium Agreement exceeds 25% but is below 100% (assuming that 1,379,973,946 CCCC Dredging Shares are to be acquired by Shanghai Terminal at a consideration of RMB2.47 per CCCC Dredging Share, and if the Consortium is successful in its bidding in the Tender Process), they constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement and shareholders' approval requirements.

As COSCO SHIPPING Tianjin is a wholly-owned subsidiary of COSCO SHIPPING (which is in turn the controlling shareholder of the Company), it is a connected person of the Company. Accordingly, the transactions under the Consortium Agreement also constitute a connected transaction of the Company, and is therefore also subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As COSCO SHIPPING is also the controlling shareholder of COSCO SHIPPING Holdings, which is in turn an intermediate controlling shareholder of the Company, COSCO SHIPPING Tianjin is also a connected person of COSCO SHIPPING Holdings and accordingly the transactions under the Consortium Agreement constitute a connected transaction of COSCO SHIPPING Holdings and is subject to approval of the independent shareholders of COSCO SHIPPING Holdings.

9. WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on CCCC Dredging prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on CCCC Dredging must be prepared using accounting policies which should be materially consistent with those of the Company. In this regard, the Company is required under Chapter 4 of the Listing Rules to include an accountants' report on CCCC Dredging with the financial information of CCCC Dredging for the three years ended 31 December 2018 and a stub period ended not more than six months before the date of this circular, prepared in accordance with HKFRS (being the accounting standards adopted by the Company for preparation of its regular financial reports).

Waiver

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules based on the following reasons:

(a) CCCC Dredging is not and will not, as a result of the ST Acquisition, become the Company's subsidiary.

(b) Since:

  (i) CCCC Dredging has numerous subsidiaries, investment in joint ventures and associates;

(ii) the consolidated financial statements of CCCC Dredging were prepared in accordance with CASBE, whereas the Company adopted HKFRS;

(iii) as the consolidated financial statements of CCCC Dredging for 2016 was audited by PricewaterhouseCoopers Zhong Tian LLP whereas those for 2017 and 2018 were audited by Ernst & Young Hua Ming LLP, even if PricewaterhouseCoopers or Ernst & Young was to be the reporting accountants for the accountants' report, it is expected that additional audit work would need to be performed by the reporting accountants in relation to the year(s) in respect of which they were not auditors;

(iv) the Company is given to understand that the unaudited consolidated financial statements of CCCC Dredging for 30 June 2019 would not include a review opinion given by independent professional accountants; and

(v) while the Company has been given access to limited non-public information of CCCC Dredging for the conduct of due diligence and compliance with the Listing Rules by the Company, it is expected that the reporting accountants (if required to be engaged by the Company) would not be given access to all non-public information and underlying books and accounts of CCCC Dredging which may be required for preparation of an accountants' report given that (a) CCCC Dredging is a material asset of CCCC, which shares are listed on the Stock Exchange; (b) the financial information of CCCC Dredging which is not generally available to the public may be considered inside information or sensitive information of CCCC; and (c) as CCCC is subject to regulations in Hong Kong (including the Listing Rules), disclosure of such information may be considered to be inappropriate or in breach of applicable regulations,

it would require substantial time and resources to prepare an accountants' report based on HKFRS and therefore unduly burdensome for the Company, and without much additional benefit to the Shareholders, especially as CCCC Dredging will not become a subsidiary of the Company as a result of the ST Acquisition.

(c) The work involved in the preparation of an accountants' report will cause significant delay in the despatch of the circular (and accordingly the holding of the SGM for approval of the ST Acquisition), which may result in the Consortium missing the deadline for submitting a bid in the Tender Process.

(d) The consolidated financial statements of CCCC Dredging for the year ended 31 December 2016 were audited by PricewaterhouseCoopers Zhong Tian LLP (a firm with international name and reputation and a member firm of the PricewaterhouseCoopers network), and the consolidated financial statements of CCCC Dredging for the two years ended 31 December 2017 and 31 December 2018 were audited by Ernst & Young Hua Ming LLP (a firm with international name and reputation and a member firm of Ernst & Young Global Limited). Their audit opinions were unmodified.

Alternative disclosure

The Company has included the following information in this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

(a) the audited consolidated financial statements of CCCC Dredging for the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the unaudited consolidated financial statements of CCCC Dredging for the six months ended 30 June 2019, as set out in Section I of Appendix II of this circular;

(b) an explanation of the material differences in the consolidated financial information of CCCC Dredging arising from the differences between its accounting policies under CASBE and the Company's accounting policies under HKFRS, which has been reviewed by an independent accountant in Hong Kong in accordance with the Hong Kong Standard on Assurance Engagements 3000; and

(c) the reasons for not preparing an accountants' report on CCCC Dredging.

The Company confirms that, even without inclusion of the accountants' report as required under Rule 14.67(6)(a)(i), this circular still contains sufficient information as required under Rule 2.13 of the Listing Rules for Shareholders to make an informed decision for the ST Acquisition.

Based on the information provided by the Company and the alternative disclosure described above, the Stock Exchange granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules to the Company.

10. RE-ELECTION OF RETIRING DIRECTOR

In accordance with Clause 86(2) of the Bye-laws of the Company, Mr. ZHANG Dayu, who was appointed as executive director and managing director of the Company with effect from 13 September 2019 to fill a casual vacancy on the Board, shall hold office until the next following general meeting of the Company and, being eligible, has offered himself for re-election at the SGM.

Brief biographical and other details of Mr. ZHANG Dayu are set out in Appendix V of this circular.

11. SGM

In view of the interests of COSCO SHIPPING in the Consortium Agreement as a result of its wholly-owned subsidiary COSCO SHIPPING Tianjin being a party to the Consortium Agreement, China COSCO (Hong Kong) Limited and COSCO Investments Limited, which together are interested in an aggregate of approximately 48.4% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolution to be proposed at the SGM to approve the transactions under the Consortium Agreement. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the transactions under the Consortium Agreement that is required to abstain from voting on the resolution to be proposed at the SGM to approve the transactions under the Consortium Agreement.

A notice convening the SGM to be held at 2:30 p.m. on Tuesday, 8 October 2019, at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong is set out on pages N-1 to N-2 of this circular.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Friday, 4 October 2019. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 4 October 2019.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

12. RECOMMENDATION

None of the Directors has a material interest in the transactions under the Consortium Agreement. However, Mr. WANG Haimin has voluntarily abstained from voting on the relevant Board resolutions of the Company for the reason that he is a senior management of COSCO SHIPPING, the subsidiary of which COSCO SHIPPING Tianjin is a party to the Consortium Agreement. Mr. LAM Yiu Kin has also voluntarily abstained from voting on the relevant Board resolutions of the Company for the reason that he was an independent non-executive director of CCCC Dredging until 22 June 2018.

The Independent Board Committee, comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang and Prof. CHAN Ka Lok, has been established to advise the Independent Shareholders as to the terms of the transactions under the Consortium Agreement and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the independent financial adviser, in respect of such matters at the SGM. Mr. LAM Yiu Kin is not a member of the Independent Board Committee for the reason that he was an independent non-executive director of CCCC Dredging until 22 June 2018. A copy of the letter from the Independent Board Committee is in the section headed "Letter from the Independent Board Committee" of this circular.

Tonghai Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions under the Consortium Agreement. A copy of the letter from Tonghai Capital is set out in the section headed "Letter from Tonghai Capital" of this circular.

The Directors (including the members of the Independent Board Committee whose views are set out in the section headed "Letter from the Independent Board Committee" of this circular), save for Mr. WANG Haimin and Mr. LAM Yiu Kin (who have voluntarily abstained from voting on the relevant Board resolutions of the Company as referred to above), consider that the terms of the transactions under the Consortium Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the transactions under the Consortium Agreement.

In addition, the Directors believe that the proposed re-election of Mr. ZHANG Dayu as Director is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolution to be proposed at the SGM.

13. ADDITIONAL INFORMATION

Your attention is drawn to:

(a) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular;

(b) the letter from Tonghai Capital, the text of which is set out on pages 26 to 58 of this circular; and

(c) the additional information set out in the appendices of this circular.

Yours faithfully,
For and on behalf of
COSCO SHIPPING Ports Limited
FENG Boming
Chairman

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

18 September 2019

To the Independent Shareholders

Dear Sir or Madam,

POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN A CONSORTIUM TO ACQUIRE NOT MORE THAN 10% INTEREST IN CCCC DREDGING (GROUP) CO., LTD.*

The Independent Board Committee has been established to advise you in connection with the transactions under the Consortium Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 18 September 2019 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the terms of the transactions under the Consortium Agreement, and the advice of Tonghai Capital in relation thereto as set out on pages 26 to 58 of the Circular, we are of the opinion that the transactions under the Consortium Agreement are, while not in the ordinary and usual course of business of the Group, on normal commercial terms, their terms are fair and reasonable and they are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the transactions under the Consortium Agreement.

Yours faithfully,
Independent Board Committee of
COSCO SHIPPING Ports Limited

FAN HSU Lai Tai, Rita **Adrian David LI Man Kiu**
FAN Ergang **CHAN Ka Lok**
Independent non-executive Directors

* *For identification purpose only*

The following is the full text of a letter of advice from Tonghai Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Consortium Agreement, which has been prepared for the purpose of incorporation in this circular.

中國通海企業融資
CHINA TONGHAI CAPITAL

18 September 2019

To the Independent Board Committee and the Independent Shareholders

COSCO SHIPPING Ports Limited
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Dear Sir or Madam,

POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO PARTICIPATION IN A CONSORTIUM TO ACQUIRE NOT MORE THAN 10% INTEREST IN CCCC DREDGING (GROUP) CO., LTD.

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Consortium Agreement, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 18 September 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

It was announced on 23 August 2019 that Shanghai Terminal (a wholly-owned subsidiary of the Company) proposed to enter into the Consortium Agreement with COSCO SHIPPING Tianjin and the Other Investors, pursuant to which the Consortium will seek to acquire 4,580,082,373 CCCC Dredging Shares (representing approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital) from CCCC on CBEX through the Tender Process at a maximum consideration of RMB2.47 per CCCC Dredging Share. If the Consortium is successful in the Tender Process, members of the Consortium will enter into a sale and purchase agreement with CCCC, pursuant to which Shanghai Terminal, COSCO SHIPPING Tianjin and the Other Investors will acquire 1,379,973,946 CCCC Dredging Shares (representing approximately 10% of the Enlarged CCCC Dredging Issued Share Capital), 689,986,973 CCCC Dredging Shares (representing approximately 5% of the Enlarged CCCC Dredging Issued Share Capital) and the balance of the CCCC Dredging Sale Shares, respectively. Therefore, Shanghai Terminal will acquire not more than 1,379,973,946 CCCC Dredging Shares (representing approximately 10% of the Enlarged CCCC Dredging Issued Share Capital).

COSCO SHIPPING Tianjin is a wholly-owned subsidiary of COSCO SHIPPING, the controlling Shareholder, and is therefore a connected person of the Company. Accordingly, the entering into of the Consortium Agreement by Shanghai Terminal with, among others, COSCO SHIPPING Tianjin will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios for the transactions contemplated under the Consortium Agreement exceeds 25% but is below 100% (assuming that 1,379,973,946 CCCC Dredging Shares are to be acquired by Shanghai Terminal at a consideration of RMB2.47 per CCCC Dredging Share, and if the Consortium is successful in its bidding in the Tender Process), the entering into of the Consortium Agreement will also constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the entering into of the Consortium Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Independent Board Committee, comprising Dr. Fan Hsu Lai Tai, Rita, Mr. Adrian David Li Man Kiu, Mr. Fan Ergang and Prof. Chan Ka Lok, has been established to advise the Independent Shareholders as to whether (i) the terms of the Consortium Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Consortium Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the SGM to approve the Consortium Agreement. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

Other than being the Independent Financial Adviser, we also act as the independent financial adviser to the independent board committee and the independent shareholders of COSCO SHIPPING Holdings in respect of the Consortium Agreement. Apart from normal professional fees paid or payable to us in connection with the aforesaid appointments, no arrangements exist whereby we had received any fees or benefits from the Company, COSCO SHIPPING, CCCC and their respective subsidiaries. In the past two years and up to the Latest Practicable Date, a subsidiary of COSCO SHIPPING provided freight forwarding and customs clearance services to a subsidiary of a holding company of Tonghai Capital in an aggregate contract value of approximately RMB981,000. As the aggregate contract value of the services provided constituted only approximately 0.01% of total operating expenses of the holding company and its subsidiaries (including Tonghai Capital) on a consolidated basis for the year ended 31 December 2018, we consider the value to be immaterial and that the aforesaid relationship will not affect the objectivity of our advice. Save as the aforesaid, as at the Latest Practicable Date, we did not have any other relationships or interests with the Company, COSCO SHIPPING, CCCC and their respective subsidiaries. Accordingly, we are qualified to give independent advice in respect of the Consortium Agreement.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, CCCC Dredging and their respective subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. The Tender

(a) Background of the Tender

As stated in the announcement dated 18 June 2019 and the circular dated 10 July 2019 of CCCC:

(1) the controlling shareholder of CCCC agreed to acquire certain CCCC Dredging Shares from CCCC and subscribe for certain new CCCC Dredging Shares both at the same consideration of RMB2.47 per CCCC Dredging Share (i.e. the CCCG Transfer and the CCCG Subscription); and

(2) CCCC proposed to further transfer not more than 5,519,895,784 CCCC Dredging Shares to third parties (other than the controlling shareholder of CCCC and its subsidiaries) at the floor purchase price of RMB2.47 per CCCC Dredging Share on an equity exchange in the PRC by way of public tender, representing not more than 40% of the Enlarged CCCC Dredging Issued Share Capital (the "**Tender**").

The CCCG Transfer and the CCCG Subscription were approved by the independent shareholders of CCCC on 5 August 2019. As far as the Company was aware, as at the Latest Practicable Date, completion of the CCCG Transfer and the CCCG Subscription had not taken place.

(b) The Tender Process

As stated in the announcement of CCCC dated 11 September 2019, the Tender Process was officially announced on CBEX on 12 September 2019. Key provisions of the Tender Process include the following:

(1) the number of CCCC Dredging Sale Shares available for bidding is 4,580,082,373 (representing approximately 38.8952% of the existing issued share capital of CCCC Dredging and approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital);

(2) the minimum bid price is RMB11,312,803,461.31 (equivalent to RMB2.47 per CCCC Dredging Share);

(3) each bidder shall pay a security deposit of RMB1,131,280,346.11 to CBEX within three business days after CBEX's confirmation of its qualification for bidding;

(4) the successful bidder shall enter into a sale and purchase agreement with CCCC within five business days after CBEX's confirmation of successful bidder; and

(5) the successful bidder shall pay the balance of the purchase price (that is, after deducting the security deposit) to CBEX within five business days from the effective date of the sale and purchase agreement.

For details of other provisions of the Tender Process, please refer to the section headed "3. The Tender Process" in the Letter from the Board.

2. The Consortium Agreement

It was announced on 23 August 2019 that Shanghai Terminal (a wholly-owned subsidiary of the Company) proposed to enter into the Consortium Agreement with COSCO SHIPPING Tianjin and the Other Investors after the obtaining of the approval of the Independent Shareholders and the independent shareholders of COSCO SHIPPING Holdings in respect of the Consortium Agreement and the transactions contemplated thereunder. Set out below are the major terms of the Consortium Agreement to be entered into:

Subject matter	:	The Consortium will seek to acquire 4,580,082,373 CCCC Dredging Shares (representing approximately 33.1896% of the Enlarged CCCC Dredging Issued Share Capital) from CCCC on CBEX through the Tender Process. If the Consortium is successful in the Tender Process, members of the Consortium will enter into a sale and purchase agreement with CCCC, pursuant to which Shanghai Terminal, COSCO SHIPPING Tianjin and the Other Investors will acquire 1,379,973,946 CCCC Dredging Shares (representing approximately 10% of the Enlarged CCCC Dredging Issued Share Capital), 689,986,973 CCCC Dredging Shares (representing approximately 5% of the Enlarged CCCC Dredging Issued Share Capital) and the balance of the CCCC Dredging Sale Shares, respectively.
Consideration	:	A maximum of RMB2.47 per CCCC Dredging Share. The total consideration for the ST Acquisition will not exceed approximately RMB3,409 million. The consideration for the Joint Acquisition will be payable in accordance with the terms and conditions of the Tender Process and the sale and purchase agreement to be entered into with CCCC by the members of the Consortium if the Consortium is successful in the Tender Process. Members of the Consortium shall pay to CBEX the deposits in proportion to the number of CCCC Dredging Sale Shares to be acquired by them respectively in accordance with the terms of the Tender Process. Payment of the consideration for the Joint Acquisition will also be governed by the sale and purchase agreement to be entered into with CCCC if the Consortium is successful in the Tender Process.

Liabilities for breach	:	If any member of the Consortium purports to terminate the Consortium Agreement without cause, or breaches the Consortium Agreement, the sale and purchase agreement with CCCC or the rules of CBEX resulting in the Consortium failing to acquire the CCCC Dredging Sale Shares, the other non-defaulting members may claim against such member for the loss suffered, including claims made by third parties against the non-defaulting members, the deposits and consideration for the CCCC Dredging Shares paid by the non-defaulting members which cannot be recovered and the non-defaulting members' costs of financing or loss of interest in respect of the deposits and consideration. Accordingly, if Shanghai Terminal breaches the provisions of the Tender Process or the sale and purchase agreement to be entered into with CCCC, any deposit or purchase price paid by it may be forfeited and it will also be liable to the other members of the Consortium for any loss which may be suffered by them. The Consortium Agreement does not contain any provision for the non-defaulting member(s) to take up the portion of the CCCC Dredging Sale Shares not taken up by the defaulting member(s). According to the PRC legal opinion of Commerce & Finance Law Offices (legal adviser to the Company as to the PRC law) obtained by the Company, Shanghai Terminal will not have any liability to CCCC (including forfeiture of any deposit or purchase price paid by Shanghai Terminal or becoming obliged to take up any portion of the CCCC Dredging Sale Shares not taken up by any other member of the Consortium) for any breach by any other member of the Consortium of the provisions of the Tender Process (including those set out in the section headed "3. The Tender Process" in the Letter from the Board) or the sale and purchase agreement to be entered into with CCCC, and Shanghai Terminal will be entitled to a refund of any deposit or purchase price paid by Shanghai Terminal if the ST Acquisition does not proceed as a result of any such breach by any other member of the Consortium.

The Company currently expects to finance the consideration for the ST Acquisition as to 40% by the Group's internal resources and as to 60% by external financings (including bank borrowings). However, the actual proportions of funding will depend on the Group's financial situation and the market situation at around the time at which payments are to be made.

We have reviewed the major terms of the Consortium Agreement in draft form and no unusual terms were noted. We consider that the terms of the Consortium Agreement are on normal commercial terms. As stated in the Letter from the Board, if the Consortium Agreement is successfully entered into, it will be on terms substantially the same as those disclosed in the Circular, including the number of CCCC Dredging Shares to be acquired by Shanghai Terminal and COSCO SHIPPING Tianjin.

According to CCCC's Announcement and Circular, in relation to CCCG's purchase of and subscription for CCCC Dredging Shares:

(a) the amount of the profit or loss during the transition period from 1 January 2019 (being the day immediately following the benchmark date of 31 December 2018 for appraisal of the net assets value of CCCC Dredging) to and including the completion date (i.e. the date when the filing or registration procedures for the change with the competent authority for industry and commerce in relation to such purchase and subscription has been completed) shall be determined based on the auditor's report for the transition period prepared by the auditor within 60 days from the completion date;

(b) if CCCC Dredging records profit during the transition period pursuant to the auditor's report, CCCC Dredging shall pay such profit to the existing shareholders, i.e. CCCC and its subsidiary, CRBC, by way of dividend distribution in proportion to their shareholdings in CCCC Dredging;

(c) if CCCC Dredging records loss during the transition period pursuant to the auditor's report, CCCC guarantees that the existing shareholders, i.e. CCCC and its subsidiary, CRBC, will pay such loss to CCCC Dredging in cash in proportion to their shareholdings in CCCC Dredging;

(d) if the completion date falls on or before the 15th day of a month, the audit period will commence from 1 January 2019 and end at the end of the preceding month; otherwise, the audit period will commence from 1 January 2019 and end at the end of that month; and

(e) CCCC expects that CCCC Dredging will not record loss during the transition period.

If the Consortium is successful in the Tender Process and CCCC requires a similar arrangement to be provided in the sale and purchase agreement for the Joint Acquisition, the Group is prepared to accept it, even if it does not include the arrangement referred to in paragraph (c) above since CCCC expected that CCCC Dredging would not record loss during the transition period (collectively, the "**Arrangement**"). Taking into account (a) that the same arrangement will also be applied to the Other Investors in the Consortium; and (b) the profitable track record of CCCC Dredging in the last five financial years, we consider the Arrangement to be fair and reasonable.

3. Information on the Group

(a) Business

The Group is principally engaged in the businesses of managing and operating terminals and their related businesses. It is one of the leading port operators in the world and its terminals portfolio covers five main port regions in the PRC, Southeast Asia, Middle East, Europe and the Mediterranean. As at 30 June 2019, it operated and managed 288 berths at 37 ports worldwide, of which 197 were for containers, with a total designed annual handling capacity of approximately 110 million twenty-foot equivalent unit (TEU).

The Group strives to build a global terminal network with controlling stake that offers linkage effects on costs, services and synergies, a synergistic platform that offers mutual benefits to all in the shipping industry.

(b) Financial results

Set out below are the consolidated income statements of the Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 as extracted from the 2018 annual report (the "**2018 Annual Report**") and the 2019 interim report of the Company (the "**2019 Interim Report**"):

	For the six months ended 30 June		For the year ended 31 December	
	2019	**2018**	**2018**	**2017**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenues	517,915	495,457	1,000,350	634,710
Cost of sales	(364,536)	(337,963)	(706,659)	(425,435)
Gross profit	153,379	157,494	293,691	209,275
Administrative expenses	(58,050)	(60,458)	(110,871)	(114,290)
Other operating income	33,412	17,341	37,375	40,274
Other operating expenses	(27,233)	(3,346)	(7,001)	(5,056)
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	–	–	–	38,434
Gain on disposal of a joint venture	–	–	–	283,961
Operating profit	101,508	111,031	213,194	452,598
Finance income	5,348	5,681	12,342	12,668
Finance costs	(48,426)	(38,899)	(78,022)	(55,976)
Operation profit (after finance income and costs)	58,430	77,813	147,514	409,290
Share of profits less losses of				
– joint ventures	49,617	46,831	90,969	86,531
– associates	95,007	105,103	201,483	150,037
Profit before income tax	203,054	229,747	439,966	645,858
Income tax expenses	(30,927)	(33,833)	(66,042)	(94,709)
Profit for the period/year	172,127	195,914	373,924	551,149
Profit attributable to:				
Equity holders of the Company	147,794	168,988	324,583	512,454
Non-controlling interests	24,333	26,926	49,341	38,695
	172,127	195,914	373,924	551,149

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue of the Group comprises terminal operations income related to rendering of ports and related services. Revenue increased by approximately 57.6% from approximately US$634.7 million for the year ended 31 December 2017 to approximately US$1,000.4 million for the year ended 31 December 2018. This was primarily attributable to (1) the completion of the acquisition of 51% equity interests in COSCO SHIPPING Ports (Spain) Holding, S.L. (together with its subsidiaries, the "**CSP Spain Group**") and the additional equity interests in CSP Zeebrugge Terminal NV in Belgium ("**Zeebrugge Terminal**") in the fourth quarter of 2017, following which the revenues of the CSP Spain Group and Zeebrugge Terminal have been consolidated into the Group's revenue; (2) the increase in throughput of Piraeus Container Terminal S.A. ("**Piraeus Terminal**"); and (3) the strong performance of Xiamen Ocean Gate Container Terminal Co., Ltd. ("**Xiamen Ocean Gate Terminal**"). The CSP Spain Group and Zeebrugge Terminal recorded revenue of approximately US$292.1 million and US$17.6 million for the year ended 31 December 2018, respectively. Revenue generated from Piraeus Terminal and Xiamen Ocean Gate Terminal increased by approximately 26.0% and 41.8% for the year ended 31 December 2018, respectively, as compared to the previous year.

Cost of sales comprises the operating expenses of terminal companies in which the Group has controlling stakes. Cost of sales increased by approximately 66.1% from approximately US$425.4 million for the year ended 31 December 2017 to approximately US$706.7 million for the year ended 31 December 2018. This was mainly attributable to (1) the cost of sales attributable to the CSP Spain Group and Zeebrugge Terminal, which were acquired in the fourth quarter of 2017; (2) the increase in the cost of sales associated with Piraeus Terminal and Xiamen Ocean Gate Terminal resulting from the growth in throughputs; and (3) raised concession rates and higher fuel prices and labour costs for Piraeus Terminal. Accordingly, the gross profit margin of the Group decreased from approximately 33.0% for the year ended 31 December 2017 to approximately 29.4% for the year ended 31 December 2018.

As a result of the provisions for professional service fees resulting from the acquisition of equity interests in the CSP Spain Group, the increase in equity interests in Zeebrugge Terminal, the completion of the establishment of CSP Abu Dhabi Terminal L.L.C., the acquisition of equity interests in Nantong Tonghai Port Co., Ltd. ("**Nantong Tonghai Terminal**") and CSP Wuhan Company Limited in 2017, administrative expenses decreased slightly by approximately 3.0% from approximately US$114.3 million for the year ended 31 December 2017 to approximately US$110.9 million for the year ended 31 December 2018.

Net other operating income, being other operating income less other operating expenses, decreased by approximately 13.8% from approximately US$35.2 million for the year ended 31 December 2017 to approximately US$30.4 million for the year ended 31 December 2018. This was mainly attributable to the inclusion of gain on remeasurement of equity investments in Dalian Container Terminal Co., Ltd. of approximately US$7.3 million in 2017 which was partially offset by the fair value gain on investment in Beibu Gulf Port Co., Ltd. ("**Beibu Gulf Port**") of approximately US$4.3 million in 2018.

Finance costs increased by approximately 39.4% from approximately US$56.0 million for the year ended 31 December 2017 to approximately US$78.0 million for the year ended 31 December 2018, primarily attributable to additional bank loan interests arising from the terminals acquired by the Group in the fourth quarter of 2017.

The increase in the Group's share of profits less losses of joint ventures and associates by approximately 23.6% from approximately US$236.6 million for the year ended 31 December 2017 to approximately US$292.5 million for the year ended 31 December 2018 was primarily attributable to the increase in the share of the profits of Qingdao Port International Co., Ltd. ("**QPI**"), Euromax Terminal Rotterdam B.V. in the Netherlands and Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A.Ş. in Turkey.

Income tax expenses decreased by approximately 30.3% from approximately US$94.7 million for the year ended 31 December 2017 to approximately US$66.0 million for the year ended 31 December 2018. This was mainly attributable to the taxation related to exceptional items in the previous year including income tax provision in relation to the disposal of a joint venture, Qingdao Qianwan Container Terminal Co., Ltd. ("**Qingdao Qianwan Terminal**"), deferred income tax arising from the remeasurement gain of previously held interests of QPI at fair value upon further acquisition to become an associate as well as the reversal of dividend withholding income tax provision made in prior years in respect of the profit retained by Qingdao Qianwan Terminal, which were partially offset by (1) the addition in income tax expenses by the CSP Spain Group; and (2) the expiry of the 50% corporate income tax exemption for both Xiamen Ocean Gate Terminal and Guangzhou South China Oceangate Container Terminal Company Limited ("**Guangzhou South China Terminal**") at the end of 2017 resulting in the increase in their corporate income tax rates to 25% from 2018 onwards.

In May 2017, the Group completed the subscription of non-circulating domestic shares in QPI and the disposal of equity interests in Qingdao Qianwan Terminal, which recorded (1) a gain after tax from the disposal of equity interests in Qingdao Qianwan Terminal; (2) a reversal of dividend withholding income tax provision made in prior years in respect of the profit retained by Qingdao Qianwan Terminal; and (3) a gain after tax on remeasurement of previously held interests of QPI at fair value upon further acquisition to become an associate, in a total amount of approximately US$285.4 million (the "**One-off Exceptional Items**").

As a result of the above, excluding the gain from the One-off Exceptional Items in 2017, the Group recorded an increase in profit attributable to equity holders of the Company of approximately 42.9% from approximately US$227.1 million for the year ended 31 December 2017 to approximately US$324.6 million for the year ended 31 December 2018.

Six months ended 30 June 2019 compared to six months ended 30 June 2018

Revenue increased by approximately 4.5% from approximately US$495.5 million for the six months ended 30 June 2018 to approximately US$517.9 million for the six months ended 30 June 2019. This was primarily attributable to (1) the increase in throughputs of Piraeus Terminal, Guangzhou South China Terminal and the CSP Spain Group; and (2) the commencement of operation of Nantong Tonghai Terminal in the first half of 2019. Revenue generated from Piraeus Terminal, Guangzhou South China Terminal and the CSP Spain Group increased by approximately 14.8%, 5.5% and 3.0% for the six months ended 30 June 2019, respectively, as compared to the corresponding period in 2018.

Cost of sales increased by approximately 7.9% from approximately US$338.0 million for the six months ended 30 June 2018 to approximately US$364.5 million for the six months ended 30 June 2019. This was mainly attributable to (1) the higher cost of sales of Piraeus Terminal resulting from the increase in its throughput and the increased labour costs and depreciation charge due to completion of the construction of the western part of Pier 3; (2) the higher cost of sales of Xiamen Ocean Gate Terminal caused by the growth in container and bulk cargo throughputs and the higher depreciation charge for No. 14 berth and automatic equipment; (3) the cost of sales incurred by Nantong Tonghai Terminal which commenced operation in the first half of 2019; and (4) the increase in cost of sales of the CSP Spain Group. Accordingly, the gross profit margin of the Group decreased from approximately 31.8% for the six months ended 30 June 2018 to approximately 29.6% for the six months ended 30 June 2019.

As a result of the cost control measures implemented by the Group and the depreciation of RMB and Euro, administrative expenses decreased by approximately 4.0% from approximately US$60.5 million for the six months ended 30 June 2018 to approximately US$58.1 million for the six months ended 30 June 2019.

Other operating income, net decreased by approximately 55.8% from approximately US$14.0 million for the six months ended 30 June 2018 to approximately US$6.2 million for the six months ended 30 June 2019. This was mainly attributable to (1) the decrease in government subsidies by approximately US$4.5 million; (2) the exchange loss of approximately US$0.2 million recognised for the six months ended 30 June 2019 as compared to the exchange gain of approximately US$1.7 million for the corresponding period in 2018; and (3) the one-off dilution effect on equity interests in QPI of approximately US$22.6 million for the six months ended 30 June 2019, which was partially offset by the fair value gain of Beibu Gulf Port of approximately US$20.5 million for the six months ended 30 June 2019.

Finance costs increased by approximately 24.5% from approximately US$38.9 million for the six months ended 30 June 2018 to approximately US$48.4 million for the six months ended 30 June 2019, primarily attributable to the increase in the average balance of bank loans and the interest expense of operating lease liabilities incurred as a result of the new accounting standard on leases which took effect on 1 January 2019.

The decrease in the Group's share of profits less losses of joint ventures and associates by approximately 4.8% from approximately US$151.9 million for the six months ended 30 June 2018 to approximately US$144.6 million for the six months ended 30 June 2019 was primarily attributable to (1) the decrease in share of QPI's profit caused by the dilution of the equity interests of QPI held by the Company following the issuance of additional domestic shares by QPI; and (2) the decrease in share of profit of Shanghai Mingdong Container Terminals Limited resulting from the decrease in its throughput, the effect of the new accounting standard on leases and lower government subsidies.

Due to the decrease in profit from terminal companies in which the Group has controlling stakes and the depreciation of RMB and Euro, income tax expenses decreased by approximately 8.6% from approximately US$33.8 million for the six months ended 30 June 2018 to approximately US$30.9 million for the six months ended 30 June 2019.

As a result of the above, the Group recorded a decrease in profit attributable to equity holders of the Company of approximately 12.5% from approximately US$169.0 million for the six months ended 30 June 2018 to approximately US$147.8 million for the six months ended 30 June 2019.

(c) Financial position

Set out below are the extracts of the consolidated balance sheets of the Group as at 31 December 2018 and 2017 and 30 June 2019 as extracted from the 2018 Annual Report and the 2019 Interim Report:

	As at 30 June	As at 31 December	
	2019	**2018**	**2017**
	(US$'000)	*(US$'000)*	*(US$'000)*
	(unaudited)	(audited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	3,230,830	3,057,069	2,980,498
Joint ventures	1,283,877	1,269,250	1,196,648
Associates	2,544,361	2,578,830	2,579,493
Other non-current assets	1,999,710	1,283,943	1,345,299
	9,058,778	8,189,092	8,101,938
Current assets			
Restricted bank deposits	72,640	63,674	6,333
Cash and cash equivalents	557,870	543,015	560,067
Other current assets	340,392	249,671	285,742
	970,902	856,360	852,142
Total assets	10,029,680	9,045,452	8,954,080

	As at 30 June	As at 31 December	
	2019	2018	2017
	(US$'000)	*(US$'000)*	*(US$'000)*
	(unaudited)	(audited)	(audited)
LIABILITIES			
Current liabilities			
Trade and other payables and contract liabilities	641,972	565,209	502,440
Current portion of long term borrowings	85,598	87,824	33,858
Short term borrowings	98,186	108,550	476,721
Other current liabilities	53,958	19,225	18,760
	879,714	780,808	1,031,779
Non-current liabilities			
Long term borrowings	2,326,131	2,283,529	1,823,770
Other non-current liabilities	1,097,283	161,465	253,157
	3,423,414	2,444,994	2,076,927
Total liabilities	4,303,128	3,225,802	3,108,706
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	39,971	39,971	39,254
Reserves	4,886,550	5,125,241	5,149,313
	4,926,521	5,165,212	5,188,567
Non-controlling interests	800,031	654,438	656,807
	5,726,552	5,819,650	5,845,374

Total assets of the Group primarily consist of (1) property, plant and equipment which mainly represent buildings outside Hong Kong, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction in progress; (2) investments in joint ventures and associates; and (3) cash and cash equivalents (including restricted bank deposits). Total liabilities of the Group primarily consist of (1) borrowings; and (2) trade and other payables and contract liabilities.

31 December 2018 compared to 31 December 2017

As at 31 December 2018, total assets and total liabilities of the Group amounted to approximately US$9,045.5 million and US$3,225.8 million, representing an increase of approximately 1.0% and 3.8%, respectively, from those as at 31 December 2017. Property, plant and equipment, investments in joint ventures and associates and cash and cash equivalents (including restricted bank deposits) accounted for approximately 33.8%, 42.5% and 6.7% of total assets, whereas borrowings and trade and other payables and contract liabilities accounted for approximately 76.9% and 17.5% of total liabilities, as at 31 December 2018, respectively.

Net assets attributable to equity holders of the Company decreased slightly by approximately 0.5% to approximately US$5,165.2 million as at 31 December 2018 as compared to 31 December 2017. As at 31 December 2018, the Group had net current assets of approximately US$75.6 million with a current ratio of approximately 1.1 times.

The net debt to total equity ratio, defined as total bank borrowings less cash and cash equivalents (including restricted bank deposits) and divided by total equity, was approximately 32.2% as at 31 December 2018, as compared to approximately 30.2% as at 31 December 2017.

30 June 2019 compared to 31 December 2018

As at 30 June 2019, total assets and total liabilities of the Group amounted to approximately US$10,029.7 million and US$4,303.1 million, representing an increase of approximately 10.9% and 33.4%, respectively, from those as at 31 December 2018. Property, plant and equipment, investments in joint ventures and associates and cash and cash equivalents (including restricted bank deposits) accounted for approximately 32.2%, 38.2% and 6.3% of total assets, whereas borrowings and trade and other payables and contract liabilities accounted for approximately 58.3% and 14.9% of total liabilities, as at 30 June 2019, respectively.

Net assets attributable to equity holders of the Company decreased slightly by approximately 4.6% to approximately US$4,926.5 million as at 30 June 2019 as compared to 31 December 2018. As at 30 June 2019, the Group had net current assets of approximately US$91.2 million with a current ratio of approximately 1.1 times.

The net debt to total equity ratio, defined as total bank borrowings less cash and cash equivalents (including restricted bank deposits) and divided by total equity, was approximately 32.8% as at 30 June 2019, as compared to approximately 32.2% as at 31 December 2018.

4. Information on the CCCC Dredging Group

(a) Business

CCCC Dredging is an enterprise established under the laws of the PRC and is currently a subsidiary of CCCC. The CCCC Dredging Group is principally engaged in dredging business, land reclamation business, pre-dredging and post-dredging services, environmental and marine engineering business. The scope of dredging business mainly includes capital dredging, maintenance dredging, environment dredging and reclamation, as well as supporting projects related to dredging and land reclamation.

Dredging is the removal of sediments from harbours, lakes, rivers and water treatment settling ponds to permit the passage of ships and barges, to increase the capacity of water storage reservoirs, to improve waterways and to build and maintain beaches. Depending on its purposes, dredging can be largely classified into dredging for navigation, for reclamation and for environmental protection. Dredging for navigation can be further classified into capital dredging, which refers to the initial dredging works necessary for the construction of ports and navigation channels, and maintenance dredging, which refers to the dredging works later required of ports and navigation to ensure that they continue to provide adequate dimensions to permit the passage of ships.

As stated in the Letter from the Board, CCCC Dredging is the largest dredging company in the world and its dredging business accounts for approximately 70% of the market share in the PRC. As at 30 June 2019, CCCC Dredging's dredging capacity amounted to approximately 790 million cubic meters under standard operating conditions.

According to the prospectus dated 23 October 2018 issued by CCCC Dredging in relation to the issuance of corporate bonds in 2018, CCCC Dredging has the following competitive advantages:

(1) CCCC Dredging is the leading supplier of dredging and land reclamation services in the world in terms of dredging capacity, achieving economies of scale;

(2) the dredging vessels and equipment owned and used by CCCC Dredging have contributed to the efficient and safe operation of CCCC Dredging; and

(3) CCCC Dredging possesses strong survey, design and research and development capabilities.

(b) Financial results

Set out below is the consolidated financial information of the CCCC Dredging Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 prepared in accordance with CASBE:

	For the six months ended 30 June		For the year ended 31 December	
	2019	**2018**	**2018**	**2017**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	16,745	15,879	34,228	34,582
Cost of sales	(14,876)	(13,786)	(29,278)	(29,669)
Gross profit	1,869	2,093	4,950	4,913
Selling and marketing expenses	(65)	(56)	(128)	(89)
Administrative expenses	(872)	(849)	(2,249)	(2,316)
Research and development expenses	(310)	(310)	(695)	(515)
Net finance expenses	(199)	(250)	(427)	(384)
Other income and expenses, net	140	(86)	52	838
Operating profit	563	542	1,503	2,447
Other non-operating income	7	27	49	72
Profit before income tax	570	569	1,552	2,519
Income tax expenses	(77)	(142)	(285)	(564)
Profit for the period/year	493	427	1,267	1,955
Profit attributable to equity holders of CCCC Dredging	444	417	1,281	2,009

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue of the CCCC Dredging Group decreased slightly by approximately 1.0% from approximately RMB34,582 million for the year ended 31 December 2017 to approximately RMB34,228 million for the year ended 31 December 2018. Despite the slight decrease in revenue, the value of new contracts of the CCCC Dredging Group reached approximately RMB56,983 million in 2018, representing an increase of approximately 17.5%, as compared with the previous year.

Gross profit of the CCCC Dredging Group increased slightly by approximately 0.8% from approximately RMB4,913 million for the year ended 31 December 2017 to approximately RMB4,950 million for the year ended 31 December 2018. Gross profit margin increased from approximately 14.2% for the year ended 31 December 2017 to approximately 14.5% for the year ended 31 December 2018, mainly attributable to the undertaking of certain dredging projects with higher profit margins.

Administrative expenses including impairment losses on financial and contract assets for the dredging business were approximately RMB2,249 million for the year ended 31 December 2018, representing a decrease of approximately 2.9%, from approximately RMB2,316 million for the year ended 31 December 2017.

Profit attributable to equity holders of CCCC Dredging decreased by approximately 36.2% from approximately RMB2,009 million for the year ended 31 December 2017 to approximately RMB1,281 million for the year ended 31 December 2018, primarily due to higher investment gains resulted from disposal of certain financial assets in 2017 which was included in other income and expenses, net.

Based on the profit attributable to equity holders of CCCC Dredging of approximately RMB1,281 million for the year ended 31 December 2018 and 11,775,447,964 CCCC Dredging Shares as at 31 December 2018, the earnings per CCCC Dredging Share was approximately RMB0.1088.

Six months ended 30 June 2019 compared to six months ended 30 June 2018

Revenue of the CCCC Dredging Group increased by approximately 5.5% from approximately RMB15,879 million for the six months ended 30 June 2018 to approximately RMB16,745 million for the six months ended 30 June 2019.

Gross profit of the CCCC Dredging Group decreased by approximately 10.7% from approximately RMB2,093 million for the six months ended 30 June 2018 to approximately RMB1,869 million for the six months ended 30 June 2019. Gross profit margin decreased from approximately 13.2% for the six months ended 30 June 2018 to approximately 11.2% for the six months ended 30 June 2019, mainly attributable to the fluctuation of market environment, the increase in subcontracting costs and the increase in price of raw materials.

Administrative expenses including impairment losses on financial and contract assets for the dredging business were approximately RMB872 million for the six months ended 30 June 2019, representing an increase of approximately 2.7%, from approximately RMB849 million for the six months ended 30 June 2018.

Profit attributable to equity holders of CCCC Dredging increased by approximately 6.5% from approximately RMB417 million for the six months ended 30 June 2018 to approximately RMB444 million for the six months ended 30 June 2019, primarily attributable to the decrease in net finance expenses and the increase in other income and expenses, net, which were partially offset by the decrease in gross profit and the increase in administrative expenses.

Based on the profits attributable to equity holders of CCCC Dredging for the year ended 31 December 2018 and for the six months ended 30 June 2018 and 2019, the profit attributable to equity holders of CCCC Dredging for the twelve months ended 30 June 2019 was approximately RMB1,308 million (i.e. RMB1,281 million less RMB417 million plus RMB444 million) (the "**LTM Profit**"). Based on the LTM Profit of approximately RMB1,308 million and 11,775,447,964 CCCC Dredging Shares as at 30 June 2019, the earnings per CCCC Dredging Share was approximately RMB0.1111.

(c) Financial position

Set out below is the consolidated financial position of the CCCC Dredging Group as at 31 December 2017 and 2018 and 30 June 2019 prepared in accordance with CASBE:

	As at 30 June	As at 31 December	
	2019	**2018**	**2017**
	(RMB million)	*(RMB million)*	*(RMB million)*
	(unaudited)	(audited)	(audited)
ASSETS			
Non-current assets			
Fixed assets	13,560	15,396	14,701
Trade receivables	12,110	12,252	10,815
Long-term investment	6,299	5,662	4,691
Others	12,845	9,105	7,465
	44,814	42,415	37,672
Current assets			
Trade and bills receivables	16,381	16,836	13,185
Cash and cash equivalents	6,730	8,019	8,332
Contract assets	12,583	10,168	–
Others *(Note)*	17,159	17,601	26,868
	52,853	52,624	48,385
Total assets	97,667	95,039	86,057

	As at 30 June	As at 31 December	
	2019	2018	2017
	(RMB million)	*(RMB million)*	*(RMB million)*
	(unaudited)	(audited)	(audited)
LIABILITIES			
Current liabilities			
Trade and bills payables	24,885	25,963	22,171
Bank and other borrowings	7,174	4,451	6,253
Others	18,613	14,951	14,562
	50,672	45,365	42,986
Non-current liabilities			
Bond payable	9,946	9,981	5,987
Bank and other borrowings	3,132	2,931	3,377
Others	4,198	3,972	3,577
	17,276	16,884	12,941
Total liabilities	67,948	62,249	55,927
EQUITY			
Capital and reserves attributable to equity holders of CCCC Dredging	27,179	30,332	28,644
Non-controlling interests	2,540	2,458	1,486
	29,719	32,790	30,130

Note: Mainly included prepayments, other receivables, inventories and other current assets.

Total assets of the CCCC Dredging Group primarily consist of (1) fixed assets which are mainly dredgers, vessels and tankers for dredging; (2) trade and bills receivables; (3) contract assets; and (4) cash and cash equivalents. Total liabilities of the CCCC Dredging Group primarily consist of (1) trade and bills payables; (2) bond payable; and (3) bank and other borrowings.

31 December 2018 compared to 31 December 2017

As at 31 December 2018, total assets and total liabilities of the CCCC Dredging Group amounted to approximately RMB95,039 million and RMB62,249 million, representing an increase of approximately 10.4% and 11.3%, from those as at 31 December 2017, primarily due to the increase in trade and bills receivables and the issuance of corporate bonds of RMB4,000 million in 2018, respectively.

Fixed assets, trade and bills receivables, contract assets and cash and cash equivalents accounted for approximately 16.2%, 30.6%, 10.7% and 8.4% of total assets, whereas trade and bills payables, bond payable and bank and other borrowings accounted for approximately 41.7%, 16.0% and 11.9% of total liabilities, as at 31 December 2018, respectively.

Net assets attributable to equity holders of CCCC Dredging increased by approximately 5.9% to approximately RMB30,332 million as at 31 December 2018. After excluding the special dividends (the "**Dividends**") of approximately RMB4,081 million declared by CCCC Dredging on 30 April 2019, the net assets attributable to equity holders of CCCC Dredging would be approximately RMB26,251 million (the "**Adjusted NAV**") as at 31 December 2018. As at 31 December 2018, the CCCC Dredging Group had net current assets of approximately RMB7,259 million with a current ratio of approximately 1.2 times.

The net debt to total equity ratio, defined as the sum of bond payable and total borrowings less cash and cash equivalents and divided by total equity, was approximately 28.5% as at 31 December 2018, as compared to approximately 24.2% as at 31 December 2017, primarily due to the issuance of corporate bonds of RMB4,000 million in 2018.

30 June 2019 compared to 31 December 2018

As at 30 June 2019, total assets and total liabilities of the CCCC Dredging Group amounted to approximately RMB97,667 million and RMB67,948 million, representing an increase of approximately 2.8% and 9.2%, from those as at 31 December 2018.

Fixed assets, trade and bills receivables, contract assets and cash and cash equivalents accounted for approximately 13.9%, 29.2%, 12.9% and 6.9% of total assets, whereas trade and bills payables, bond payable and bank and other borrowings accounted for approximately 36.6%, 14.6% and 15.2% of total liabilities, as at 30 June 2019, respectively.

Net assets attributable to equity holders of CCCC Dredging decreased by approximately 10.4% to approximately RMB27,179 million as at 30 June 2019, primarily due to the distribution of the Dividends. As at 30 June 2019, the CCCC Dredging Group had net current assets of approximately RMB2,181 million with a current ratio of approximately 1.0 time.

The net debt to total equity ratio, defined as the sum of bond payable and total borrowings less cash and cash equivalents and divided by total equity, was approximately 45.5% as at 30 June 2019, as compared to approximately 28.5% as at 31 December 2018, primarily due to the increase in borrowings and the decrease in total equity.

(d) Outlook

CCCC Dredging is the largest dredging enterprise in the PRC and in the world. As disclosed in the 2018 annual report of CCCC, although the traditional dredging and reclamation business of CCCC Dredging has been affected by the upgrading of environmental policies and the implementation of strict control over sea reclamation by the PRC government, CCCC Dredging adopted several initiatives to seize opportunities in both traditional and emerging businesses. While CCCC Dredging obtained contracts of projects in the PRC to maintain its dominant position in the domestic coastal dredging and reclamation market, it has been actively developing emerging business in relation to ecological and environmental protection and water environment management such as inland waterway development and river basin improvement, with a view to creating new growth drivers. CCCC Dredging's environmental and marine engineering business recorded a significant growth from previous years. In the overseas market, CCCC Dredging managed to pursue its overseas development strategy with the value of contracts from overseas dredging business exceeding RMB5,000 million, accounting for approximately 10% of the value of new contracts from the business.

The dredging industry is related to the port construction and marine transportation industries and is driven by the general growth in population, trade and economy as a whole. Growing population places pressure on countries with limited land to carry out land reclamation. The growth in global economy creates a need for expanding existing ports and further maintaining the existing waterways as well as constructing new ports and waterways. The uncertainties in the global economy caused by the US-China trade war may affect the dredging industry. In face of the uncertainties in the global economy, the growth in the dredging industry may be restricted in the short run. Despite these challenges, the accelerated globalisation of trade is expected to continue to drive the demand for dredging services. Coupled with CCCC Dredging's leading market position and its initiatives in developing both traditional and emerging businesses and extending its international presence, we are of the view that the outlook of CCCC Dredging is optimistic in the long run.

5. Reasons for and benefits of the ST Acquisition

The CCCC Dredging Group is principally engaged in dredging business, land reclamation business, pre-dredging and post-dredging services, environmental and marine engineering business.

As stated in the Letter from the Board, CCCC Dredging is the largest dredging company in the world and its dredging business accounts for approximately 70% of the market share in the PRC. Given CCCC Dredging's dominant market position and the scarcity of its business, the Company considers that CCCC Dredging's returns are relatively stable. As CCCC Dredging proactively develops its environmental protection and marine engineering business and expands overseas business, the Company expects that the growth potential of such businesses will contribute stable profit to the Group.

We have discussed with the management of the Group in respect of the reasons for the ST Acquisition. The management of the Group is of the view that the Group's investment in CCCC Dredging aligns with its strategy of extending its global footprint to build a global terminal network with highly efficient and cost-effective services to serve shipping alliances globally.

As advised by the management of the Group, the dredging services provided by CCCC Dredging is complementary to the Group's business as a port operator. The CCCC Dredging Group has been providing dredging services to the Group. The ST Acquisition would extend the Group's upstream industrial services and support the Group's ports operation business given the fact that the terminals acquired by the Group since 2017 are mainly greenfield terminals with strong demand for waterway dredging.

The management of the Group also considers that with the investment in CCCC Dredging, the Group could leverage on the brand and global recognition as well as the rich experience in overseas dredging projects of CCCC Dredging to further extend its international presence.

As disclosed in the Letter from the Board, taking into account the flexibility of future capital expenditure of the Group in its ports business and that the business of CCCC Dredging is not a principal business of the Group, but only an extension of the Group's upstream industrial services to support its ports business, the Company considers that it would be appropriate to acquire not more than 10% of the Enlarged CCCC Dredging Issued Share Capital instead of the entire 33.1896% of the Enlarged CCCC Dredging Issued Share Capital available for purchase. As at 30 June 2019, the Group had cash and cash equivalents (excluding restricted bank deposits) of approximately US$558 million and unutilised banking facilities of approximately US$993 million. As such, we concur with the Company that it will have sufficient financial resources to fulfill its payment obligation for the ST Acquisition. We also consider that the acquisition of the entire 33.1896% of the Enlarged CCCC Dredging Issued Share Capital for a total consideration of approximately US$1,645.6 million would reduce the Group's financial resources and/or banking facilities otherwise available for the working capital requirement of its ports business.

Based on the aforesaid, we consider that the ST Acquisition is in line with the Group's strategy and would supplement the Group's existing business with the market potential and the brand and global recognition of CCCC Dredging. As such, we are of the view that the ST Acquisition is in the interests of the Company and the Shareholders as a whole.

6. Evaluation for the consideration for the Joint Acquisition

(a) Basis of the consideration

The consideration for the Joint Acquisition will not exceed RMB2.47 per CCCC Dredging Share which is:

(1) equal to the floor purchase price set by CCCC for the Tender;

(2) the same as the price per CCCC Dredging Share payable by the controlling shareholder of CCCC pursuant to the CCCG Transfer and the CCCG Subscription; and

(3) calculated by dividing the appraised net assets value of CCCC Dredging as at 31 December 2018 of RMB28,969.953 million as set out in the valuation report prepared by China Tong Cheng Assets Appraisal Co. Ltd. (中通誠資產評估有限公司), which is a qualified valuer in the PRC, by the total number of CCCC Dredging Shares in issue as at 18 June 2019, being the date of announcement of the CCCG Transfer, the CCCG Subscription and the Tender (i.e. 11,775,447,964 CCCC Dredging Shares). Such valuation was prepared in compliance with the relevant PRC regulatory requirements and professional standards.

(b) Comparable companies

For the purpose of assessing the fairness and reasonableness of the consideration for the ST Acquisition, we have considered the two most commonly used benchmarks in valuing a company, namely price-to-earnings multiple ("**P/E**") and price-to-book multiple ("**P/B**").

The CCCC Dredging Group is principally engaged in dredging business, land reclamation business, pre-dredging and post-dredging services, environmental and marine engineering business.

In assessing the fairness and reasonableness of the consideration for the ST Acquisition (i.e. RMB2.47 per CCCC Dredging Share), we have attempted to identify companies listed in Hong Kong or the PRC that derived a majority of their revenue from dredging and related businesses based on their latest published annual results. Based on the aforesaid criteria, we could identify only one such company, namely China Dredging Environment Protection Holdings Limited (stock code: 871) ("**China Dredging**").

Taking into account that there is only one comparable company listed in Hong Kong or the PRC, we have further considered overseas-listed companies which generated a majority of their revenue from dredging and related businesses based on their latest published annual results (together with China Dredging, the "**Comparable Companies**"). Although the businesses, scale of the operations or prospects of the Comparable Companies may not be the same as CCCC Dredging, we consider that this sample is fair and representative and is appropriate for the evaluation of the consideration for the ST Acquisition as the Comparable Companies operate in the same business sector as CCCC Dredging.

The following table sets out the details of the Comparable Companies as at 23 August 2019, being the date of announcement of the Joint Acquisition:

Company name	**Stock code**	**Principal businesses**	**Market capitalisation as at 23 August 2019** *(US$ million)*	**P/B** *(Note 1)* *(times)*	**P/E** *(Note 2)* *(times)*
Ackermans & van Haaren NV("**Ackermans**")	ACKB BB	Ackermans is an industrial holding company. The company's holdings are in the contracting-dredging environmental, financial, and staffing services, as well as private equity investing.	4,805.8	1.3	10.9
Royal Boskalis Westminster N.V.("**RBW**")	BOKA NA	RBW constructs and maintains ports, waterways, coastlines, and riverbanks. The company provides dredging services and also engages in land reclamation activities. RBW offers hydraulic engineering, coastal protection, and land reclamation solutions.	2,614.1	0.9	N/A *(Note 5)*
TOA CORPORATION ("**TOA**")	1885 JP	TOA is a general contractor operating nationwide and overseas. The company performs waterfront and land civil engineering works for harbour facilities. It also provides dredging, reclamation, and land improvement works.	270.0	0.4	8.7

Company name	Stock code	Principal businesses	Market capitalisation as at 23 August 2019 *(US$ million)*	P/B *(Note 1)* *(times)*	P/E *(Note 2)* *(times)*
National Marine Dredging Company ("**National Marine**")	NMDC UH	National Marine offers dredging services. The company operates ships that deepen waterways.	224.6	0.2	4.6
Wakachiku Construction Co., Ltd. ("**Wakachiku**")	1888 JP	Wakachiku performs waterfront civil engineering works for man-made island projects and dredging and reclamation works. It also constructs infrastructure such as dams, energy plants, and tunnels.	180.3	0.7	5.5
Dredging Corporation of India Ltd. ("**DCIL**")	DCIL IN	DCIL carries out dredging activities which include executing capital and maintenance dredging for ports to open new parts and to expand the existing ports.	118.3	0.5	19.0
China Dredging	871 HK	China Dredging provides capital dredging, reclamation dredging, maintenance dredging, environmental protection dredging services, and dredging-related construction services.	26.5	0.1	N/A *(Note 5)*
			Average	**0.6**	**9.7**
			Maximum	**1.3**	**19.0**
			Minimum	**0.1**	**4.6**
The ST Acquisition				**1.1** *(Note 3)*	**22.2** *(Note 4)*

Source: Bloomberg

Notes:

1. Calculated based on the market capitalisations of the respective Comparable Companies as at 23 August 2019, being the date of announcement of the Joint Acquisition, divided by the equity attributable to owners of the respective Comparable Companies disclosed in their respective latest published annual or interim results, as extracted from Bloomberg.

2. Calculated based on the closing prices of the respective Comparable Companies as at 23 August 2019 divided by the respective earnings per share for the latest published twelve-month period, as extracted from Bloomberg.

3. Calculated based on the consideration for the ST Acquisition of approximately RMB3,409 million, the Adjusted NAV of approximately RMB26,251 million and the proceeds from the CCCG Subscription of approximately RMB5,000 million. We noted the arrangement in relation to the profit or loss of CCCC Dredging subsequent to 31 December 2018 as set out in the section headed "3. The Tender Process" in the Letter from the Board and considered that this will not affect our assessment of the consideration for the ST Acquisition in this section.

4. Calculated based on the consideration for the ST Acquisition of RMB2.47 per CCCC Dredging Share and the earnings per CCCC Dredging Share of approximately RMB0.1111 for the twelve months ended 30 June 2019.

5. The companies incurred losses in their latest financial year. As a result, they were excluded for the purpose of analysing the P/E of the Comparable Companies.

The P/B of the Comparable Companies ranged from approximately 0.1 time to approximately 1.3 times, with an average of approximately 0.6 time. The P/B implied by the ST Acquisition of approximately 1.1 times is within the range of the P/B of the Comparable Companies.

The P/E of the Comparable Companies ranged from approximately 4.6 times to approximately 19.0 times with an average of approximately 9.7 times. The P/E implied by the ST Acquisition of approximately 22.2 times is above the highest P/E of the Comparable Companies of 19.0 times. Although the P/E implied by the ST Acquisition is above the highest P/E of the Comparable Companies, we consider that the difference is acceptable taking into account the following:

(1) the unique position of CCCC Dredging as the market leader in the dredging industry in the PRC and the world, which justifies the higher valuation of CCCC Dredging as compared to those of the Comparable Companies;

(2) the ST Acquisition represents an opportunity for the Group to invest in the dredging business, which is complementary to the Group's ports operation business;

(3) the consideration for the ST Acquisition of RMB2.47 per CCCC Dredging Share is the same as the minimum bid price of the Tender;

(4) all members of the Consortium (including Shanghai Terminal, COSCO SHIPPING Tianjin and the Other Investors) will acquire the CCCC Dredging Sale Shares at RMB2.47 per CCCC Dredging Share under the Joint Acquisition. The Other Investors and their respective ultimate beneficial owners will be, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, third parties independent of the Company and its connected persons; and

(5) the consideration of RMB2.47 per CCCC Dredging Share is also the same as the consideration for the CCCG Transfer and the CCCG Subscription, the agreement of which was executed on 18 June 2019. A comparable transaction is a basis for considering the valuation of a target company. The most recent transactions provide better indication on the fair value of the target company. The aforesaid transactions were related to the transfer of CCCC Dredging Shares, which involved the same target company under the ST Acquisition. As the CCCG Transfer and the CCCG Subscription were recent transactions on the transfer of CCCC Dredging Shares, this is a prominent reference for assessing the consideration for the ST Acquisition.

Based on the aforesaid, we consider that the consideration for the ST Acquisition to be fair and reasonable.

7. Financial effects of the ST Acquisition

Upon completion of the ST Acquisition, the Company is expected to have a significant influence over CCCC Dredging and CCCC Dredging is therefore expected to become an associate of the Company. The interests in an associate will be accounted for using the equity method from the date on which it becomes an associate in accordance with the relevant accounting standard. The Group's investment in CCCC Dredging is initially recognised at cost and the carrying amount is adjusted to recognise the Group's share of the profit or loss and other comprehensive income of CCCC Dredging after completion of the ST Acquisition. The unaudited pro forma financial information of the Group (the "**Unaudited Pro Forma Financial Information**") is set out in Appendix IV to the Circular.

(a) Earnings

Upon completion of the ST Acquisition, the Group's share of post-acquisition profit or loss of CCCC Dredging shall be recognised in the consolidated income statement of the Group. As CCCC Dredging recorded profits in recent years, the ST Acquisition might have a positive impact on the results of the Group after completion.

(b) Working capital

According to the Unaudited Pro Forma Financial Information, assuming the ST Acquisition was completed on 30 June 2019, cash and cash equivalents (including restricted bank deposits) would decrease from approximately US$630.5 million to approximately US$431.2 million, primarily due to the settlement of part of the consideration for the ST Acquisition given it is currently expected that 40% of the consideration for the ST Acquisition will be financed by the Group's internal resources.

As disclosed in Appendix I to the Circular, the Directors are of the opinion that, after taking into account the effect of the ST Acquisition and the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to meet its present requirement for at least twelve months following the date of the Circular and in absence of unforeseen circumstances.

Upon completion of the ST Acquisition, the gearing ratio of the Group, being total borrowings less cash and cash equivalents (including restricted bank deposits) and divided by total equity, would increase to approximately 41.5%, from approximately 32.8% as at 30 June 2019 since the ST Acquisition will be financed by the Group's internal resources and/or external financing (including bank borrowings).

Based on the aforesaid, we consider that there is no material adverse impact on the working capital position of the Group upon completion of the ST Acquisition.

(c) Assets and liabilities

As stated in the Letter from the Board, after completion of the ST Acquisition, CCCC Dredging is expected to become an associate of the Company. As set out in the Unaudited Pro Forma Financial Information, assuming the ST Acquisition had completed on 30 June 2019, given that the ST Acquisition is currently expected to be financed as to 40% by the Group's internal resources and as to 60% by external financing, (1) total assets of the Group would have increased from approximately US$10,029.7 million to approximately US$10,327.2 million; and (2) total liabilities of the Group would have increased from approximately US$4,303.1 million to approximately US$4,600.6 million. The ST Acquisition would have no material effect on the net assets value of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be upon completion of the ST Acquisition.

RECOMMENDATION

Having considered the principal factors and reasons described above, we consider that the terms of the Consortium Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the entering into of the Consortium Agreement, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Consortium Agreement.

Yours faithfully
For and on behalf of
China Tonghai Capital Limited

Noelle Hung	**Larry Choi**
Managing Director	*Director*

Ms. Noelle Hung is a licensed person and a responsible officer of China Tonghai Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has about 20 years of experience in corporate finance.

Mr. Larry Choi is a licensed person and a responsible officer of China Tonghai Capital Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has about eight years of experience in corporate finance.

I. FINANCIAL REPORTS AND RESULTS

The audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018 are disclosed in the annual reports of the Company for each of such three financial years respectively, and the unaudited financial information of the Group for the six months ended 30 June 2019 is disclosed in the interim report of the Company. All of the above financial information has been published on the website of the Company (https://ports.coscoshipping.com) and the website of the Stock Exchange (www.hkexnews.hk) and can be accessed by the direct hyperlinks below:

(i) in respect of the interim report of the Company for the six months ended 30 June 2019 published on 12 September 2019 (pages 28 to 63):

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0912/ltn20190912595.pdf

(ii) in respect of the annual report of the Company for the year ended 31 December 2018 published on 12 April 2019 (pages 117 to 214):

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0412/ltn20190412850.htm

(iii) in respect of the annual report of the Company for the year ended 31 December 2017 published on 13 April 2018 (pages 131 to 238):

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0413/ltn20180413305.htm

(iv) in respect of the annual report of the Company for the year ended 31 December 2016 published on 12 April 2017 (pages 114 to 200):

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0412/ltn20170412586.htm

II. INDEBTEDNESS

As at the close of business on 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately US$3,492.4 million. Details of the total indebtedness are summarised below:

	As at 31 July 2019
	US$ million
Current:	
Short term borrowings	98.1
Current portion of long term borrowings	102.5
Loans from a joint venture	32.7
Loan from an associate	14.5
Loans from non-controlling shareholders of subsidiaries	138.9
Current portion of lease liabilities	23.2
Non-current:	
Long term borrowings	2,050.4
Notes payables	298.9
Loan from a non-controlling shareholder of subsidiary	0.7
Lease liabilities	732.5
Total	**3,492.4**

Apart from a secured bank loan of US$1,050.8 million, all other indebtedness are unsecured and unguaranteed.

At the close of business on 31 July 2019, the Group pledged its restricted bank deposit and certain other property, plant and equipment with a total carrying amount of approximately US$242.0 million and its interest in subsidiaries as securities for banking facilities granted to the Group.

Save as disclosed above and apart from intra group liabilities, as at the close of business on 31 July 2019, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, lease liabilities, mortgages, charges, contingent liabilities or guarantees.

III. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the ST Acquisition and the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to meet its present requirement for at least 12 months following the date of publication of this circular and in the absence of unforeseen circumstances.

IV. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2019, the global capital market was overshadowed by the potential concern over economic prospects amidst global macroeconomic uncertainties such as the China-US trade frictions. The International Monetary Fund announced its latest projections of global economic growth in July 2019 when it lowered the expected global economic growth rate for 2019 to 3.2%.

The first half of 2019 saw a momentum of steady growth in Chinese foreign trade. According to the statistics from the General Administration of Customs of the PRC, China recorded RMB14.67 trillion in total import and export value of foreign trade for the first half of 2019, which represented a 3.9% increase compared with the corresponding period last year, while exports and imports increased by 6.1% and 1.4% respectively.

Backed by the increased calls by the shipping alliances at the Group's container terminals and the contributions from newly acquired terminals, total throughput of the Group increased by 5.4% to 59,764,100 TEU (1H2018: 56,708,750 TEU) for the six months ended 30 June 2019. The Group's total equity throughput rose by 7.7% to 19,347,304 TEU in the first half of 2019 (1H2018: 17,967,186 TEU).

For the six months ended 30 June 2019, the unaudited consolidated revenue of the Group increased by 4.5% to US$517,915,000 (1H2018: US$495,457,000). The unaudited consolidated net profit attributable to equity holders of the Company decreased by 12.5% to US$147,794,000 (1H2018: US$168,988,000). Excluding the one-off dilution effect on equity interests in Qingdao Port International Co., Ltd.* 青島港國際股份有限公司 of US$22,553,000 and the financial impact of US$6,011,000 from HKFRS 16 "Leases" which is effective from 1 January 2019, the adjusted net profit attributable to equity holders of the Company increased by 4.4% to US$176,358,000 (1H2018: US$168,988,000).

CCCC Dredging is the largest dredging company in the world, focusing on providing one-stop service for domestic and overseas customers, including dredging, landfilling, pre and post-dredging services, environmental protection and ocean engineering, which enjoys synergy with the Group's business. The ST Acquisition will leverage the synergy between the Group's ports operation and CCCC Dredging's dredging business, in order to maximise value.

After completion of the ST Acquisition, the Group will continue to carry out the strategy of "globalisation" and build global terminal network. As the pioneer of the "Belt and Road Initiative" for CCCC, CCCC Dredging's strategy is highly in line with the Group's strategy of globalisation. The ST Acquisition will help nurture the co-operative relationship between the Group and CCCC, which will benefit the Group in building overseas terminal network, expansion in overseas market and enhancing international image.

I. FINANCIAL INFORMATION OF CCCC DREDGING FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND FOR THE SIX MONTHS ENDED 30 JUNE 2019

The followings are the English translations of the texts of (i) the audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2016; (ii) the audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2017; (iii) the audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2018; and (iv) the unaudited consolidated financial statements of CCCC Dredging for the six months ended 30 June 2019 ((i), (ii), (iii) and (iv) above collectively, the "Financial Information of CCCC Dredging"). For the avoidance of doubt, references in the Financial Information of CCCC Dredging to the "Company" are to CCCC Dredging and not to the Company.

The Financial Information of CCCC Dredging was originally prepared in Chinese. Its English translation in this Appendix is prepared for information purposes only. To the extent of any discrepancy or inconsistency between the Chinese version and its English translation, the Chinese version shall prevail.

The Financial Information of CCCC Dredging was not prepared for the Company or the Shareholders, nor for the purpose of incorporation in this circular. Neither CCCC Dredging, PricewaterhouseCoopers Zhong Tian LLP nor Ernst & Young Hua Ming LLP shall take or assume any responsibility or liability for the contents of the Financial Information of CCCC Dredging as reproduced in this circular towards the Company, the Shareholders or any other persons making use of this circular.

The contents of the Financial Information of CCCC Dredging have not been independently verified by the Group or any of its affiliates, advisers, agents, directors, employees, officers or representatives. Neither the Group nor any of its affiliates, advisers, agents, directors, employees, officers or representatives make any representation as to the accuracy, completeness or fairness of the contents of the Financial Information of CCCC Dredging, nor shall take or assume any responsibility for the contents of the Financial Information of CCCC Dredging.

1. The unaudited consolidated financial statements of CCCC Dredging for the six months ended 30 June 2019 which were prepared in accordance with CASBE.

CCCC Dredging (Group) Co., Ltd.

Interim Financial Statements

For the six months ended 30 June 2019

Important Notice

This set of financial statements is translated from the Chinese version. In the case where the English version does not conform to the Chinese version, the Chinese version shall prevail.

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CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM CONSOLIDATED BALANCE SHEET
30 June 2019 **Expressed in Renminbi Yuan**

ASSETS	**Note V**	**30 June 2019 (Unaudited)**	**31 December 2018**
Current assets			
Cash and bank balance	1	6,729,912,152	8,018,675,283
Notes receivable	2	521,174,017	1,483,346,329
Accounts receivable	3	15,230,842,340	14,662,363,586
Receivable financing	4	628,575,831	690,118,036
Prepayments	5	1,392,902,898	1,654,586,206
Other receivables	6	5,297,976,125	4,447,345,496
Inventories	7	2,340,901,108	2,232,017,060
Contract assets	8	12,583,457,992	10,167,848,506
Current portion of non-current assets	10/20	6,861,618,229	7,136,022,192
Other current assets	9	1,265,328,739	2,131,677,339
Total current assets		52,852,689,431	52,624,000,033
Non-current assets			
Long-term receivables	10	12,109,563,074	12,252,081,771
Long-term equity investments	11	6,298,507,540	5,662,022,818
Investment in other equity instruments	12	5,224,751,415	4,537,721,617
Other non-current financial assets	13	133,650,000	133,650,000
Investment properties	14	490,712,009	420,439,783
Fixed assets	15	13,560,376,196	15,396,071,789
Construction in progress	16	220,484,503	597,949,646
Right-of-use assets	17	3,090,619,488	-
Intangible assets	18	1,598,539,981	1,507,124,934
Development expenditure		2,457,092	2,561,758
Goodwill		30,420,616	30,420,616
Long-term prepayments		95,379,230	179,802,091
Deferred tax assets	19	389,016,475	378,981,863
Other non-current assets	20	1,569,865,997	1,316,385,008
Total non-current assets		44,814,343,616	42,415,213,694
Total assets		97,667,033,047	95,039,213,727

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)
30 June 2019 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Note V	30 June 2019 (Unaudited)	31 December 2018
Current liabilities			
Short-term borrowings	22	7,173,640,441	4,451,010,518
Notes payable	23	3,568,354,237	3,860,775,407
Accounts payable	24	21,316,425,006	22,102,473,638
Contract liabilities	25	2,601,899,084	3,538,542,376
Employee benefits payable	26	85,859,786	79,206,782
Taxes and surcharges payable	27	400,045,376	522,259,045
Other payables	28	10,852,988,529	6,934,396,866
Current portion of non-current liabilities	29	2,878,763,895	2,158,040,320
Other current liabilities	30	1,794,482,301	1,718,519,507
Total current liabilities		50,672,458,655	45,365,224,459
Non-current liability			
Long-term borrowings	22	3,131,583,747	2,931,236,975
Bonds payable	31	9,946,241,382	9,981,238,196
Lease liabilities	32	1,365,594,914	-
Long-term payable	33	2,005,172,786	3,214,034,129
Long-term employee benefits payable	34	179,236,580	187,370,000
Provisions		16,104,409	36,718,767
Deferred income	35	88,054,869	87,778,769
Deferred tax liabilities	19	440,810,938	318,287,737
Other non-current liabilities	36	103,004,178	127,446,105
Total non-current liabilities		17,275,803,803	16,884,110,678
Total liabilities		67,948,262,458	62,249,335,137

The accompanying notes form part of the financial statements.

30 June 2019 Expressed in Renminbi Yuan

LIABILITIES AND EQUITY	Note V	30 June 2019 (Unaudited)	31 December 2018
Equity			
Share capital	37	11,775,447,964	11,775,447,964
Capital reserves	38	6,667,548,742	6,666,793,069
Other comprehensive income	39	2,699,954,977	2,177,181,704
Special reserves	40	827,280,769	866,322,579
Surplus reserves	41	167,272,198	167,272,198
Unappropriated profit	42	5,041,696,121	8,678,549,118
Total equity attributable to owners of the parent		27,179,200,771	30,331,566,632
Non-controlling interests		2,539,569,818	2,458,311,958
Total equity		29,718,770,589	32,789,878,590
Total liabilities and equity		97,667,033,047	95,039,213,727

The accompanying notes form part of the financial statements.

This financial statements have been signed by:

Legal representative: Financial controller: Accounting supervisor:

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2019 **Expressed in Renminbi Yuan**

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Revenue	43	16,744,694,467	15,878,806,873
Less: Cost of sales	43	14,876,434,714	13,786,104,311
Taxes and surcharges	44	40,201,185	52,662,913
Selling expenses		64,590,672	56,012,607
Administrative expenses	45	872,132,634	848,504,402
Research and development expenses	46	309,550,542	309,924,693
Finance expenses	47	272,158,205	151,787,606
Including: Interest expenses		347,622,464	326,204,954
Interest income		148,868,123	76,482,092
Add: Other income	49	14,046,439	4,521,300
Investment income	50	359,074,247	140,448,885
Including: Share of profits of associates and joint ventures		54,100,078	104,571,262
Derecognition loss from financial assets at amortized cost		(51,303,014)	(64,968,672)
Impairment of credit losses	51	(122,790,628)	(175,070,949)
Impairment losses of assets	52	-	(104,599,719)
Gains on disposal of assets	53	3,529,875	2,884,804
Operating profit		563,486,448	541,994,662
Add: Non-operating income	54	12,051,604	26,980,504
Less: Non-operating expenses	54	5,367,992	274,553
Profit before income taxes		570,170,060	568,700,613
Less: Income tax expenses	55	77,076,413	142,403,620
Net profit		493,093,647	426,296,993
Classified by continuity of operations			
Profit for the year from continuing operations		493,093,647	426,296,993
Classified by ownership			
Profit attributable to owners of the parent		444,104,779	417,421,855
Profit attributable to non-controlling interests		48,988,868	8,875,138

The accompanying notes form part of the financial statements.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Other comprehensive income, net of tax		522,914,422	34,699,279
Other comprehensive income, net of tax, attributable to owners of the parent	39	522,773,273	34,522,781
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurement gains or losses of a defined benefit plan		544,212	(5,767,500)
Losses from changes in fair value of other equity instrument investments		521,921,830	633,311
		522,466,042	(5,134,189)
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign currency financial statements		307,231	39,656,970
Other comprehensive income, net of tax, attributable to non-controlling interests	39	141,149	176,498
Total comprehensive income		1,016,008,069	460,996,272
Including:			
Total comprehensive income attributable to owners of the parent		966,878,052	451,944,636
Total comprehensive income attributable to non-controlling interests		49,130,017	9,051,636

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

Expressed in Renminbi Yuan

		Attributable to owners of the parent								
	NoteV	Share capital	Capital reserves	Other Comprehensive income	Specialized reserves	Surplus reserves	Unappropriated profit	Subtotal	Non-controlling interests	Total equity
I. Opening balance		11,775,447,964	6,666,793,069	2,177,181,704	866,322,579	167,272,198	8,678,549,118	30,331,566,632	2,458,311,958	32,789,878,590
II. Changes for the period										
(1) Total comprehensive income										
1. Net profit		-	-	-	-	-	444,104,779	444,104,779	48,988,868	493,093,647
2. Other comprehensive income	39	-	-	522,773,273	-	-	-	522,773,273	141,149	522,914,422
(2) Owners' contributions and reduction in capital										
1. Capital contributions by owners		-	-	-	-	-	-	-	113,782,305	113,782,305
2. Others		-	755,673	-	-	-	-	755,673	(255,643)	500,030
(3) Profit distribution										
1. Distribution to owners		-	-	-	-	-	(4,080,957,776)	(4,080,957,776)	(27,099,050)	(4,108,056,826)
2. Appropriating interest on perpetual medium-term notes		-	-	-	-	-	-	-	(54,900,000)	(54,900,000)
(4) Specialized reserves										
1. Appropriation for the period		-	-	-	79,734,359	-	-	79,734,359	842,614	80,576,973
2. Utilization for the period		-	-	-	(118,776,169)	-	-	(118,776,169)	(242,383)	(119,018,552)
III. Closing balance (unaudited)		11,775,447,964	6,667,548,742	2,699,954,977	827,280,769	167,272,198	5,041,696,121	27,179,200,771	2,539,569,818	29,718,770,589

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the six months ended 30 June 2018

Expressed in Renminbi Yuan

	NoteV	Equity attributable to owners of the Company								
		Share capital	Capital reserves	Other Comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Subtotal	Non-controlling interests	Total equity
I. Balance at end of prior year		11,775,447,964	6,665,992,434	1,417,360,253	857,536,175	158,508,179	7,768,843,991	28,643,688,996	1,486,252,686	30,129,941,682
Add: Changes in accounting policies		-	-	1,189,886,246	-	-	(6,083,944)	1,183,802,302	(3,596,831)	1,180,205,471
II. Opening balance		11,775,447,964	6,665,992,434	2,607,246,499	857,536,175	158,508,179	7,762,760,047	29,827,491,298	1,482,655,855	31,310,147,153
III. Changes for the period										
(1) Total comprehensive income										
1. Net profit		-	-	-	-	-	417,421,855	417,421,855	8,875,138	426,296,993
2. Other comprehensive income	39	-	-	34,522,781	-	-	-	34,522,781	176,498	34,699,279
(2) Owners' contributions and reduction in capital										
1. Capital contributions by owners		-	-	-	-	-	-	-	2,779,750	2,779,750
2. Others		-	676,318	-	-	-	-	676,318	-	676,318
(3) Profit distribution										
1. Distribution to owners		-	-	-	-	-	(346,288,426)	(346,288,426)	-	(346,288,426)
2. Others		-	-	-	-	-	(234,541)	(234,541)	-	(234,541)
(4) Specialized reserves										
1. Appropriation for the period		-	-	-	218,208,338	-	-	218,208,338	461,438	218,669,776
2. Utilization for the period		-	-	-	(161,870,503)	-	-	(161,870,503)	(192,357)	(162,062,860)
IV. Closing balance (unaudited)		11,775,447,964	6,666,668,752	2,641,769,280	913,874,010	158,508,179	7,833,658,935	29,989,927,120	1,494,756,322	31,484,683,442

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019 **Expressed in Renminbi Yuan**

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from the sale of goods and the rendering of services		15,834,521,650	15,812,739,337
Cash received from tax refund		911,987	637,376
Other cash receipts relating to operating activities	56(1)	639,298,087	514,194,445
Total cash inflows from operating activities		16,474,731,724	16,327,571,158
Cash payments for goods and services		(16,054,754,680)	(14,200,597,941)
Cash payments to and on behalf of employees		(1,509,290,861)	(1,249,587,247)
Payments of all types of taxes and surcharges		(487,422,575)	(1,021,351,213)
Other cash payments relating to operating activities	56(2)	(1,411,019,746)	(2,230,970,250)
Total cash outflows from operating activities		(19,462,487,862)	(18,702,506,651)
Net cash flows from operating activities	57(1)	(2,987,756,138)	(2,374,935,493)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from returns of investments		654,059,322	-
Cash receipts from investment income		115,507	14,320,647
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		43,896,542	12,261,297
Other cash receipts relating to investing activities		162,000,000	129,426,997
Total cash inflows from investing activities		860,071,371	156,008,941
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(245,993,171)	(1,045,448,366)
Cash payments for investments		(941,079,572)	(429,446,948)
Total cash outflows from investing activities		(1,187,072,743)	(1,474,895,314)
Net cash flows from investing activities		(327,001,372)	(1,318,886,373)

The accompanying notes form part of the financial statements.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

	Note V	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		113,782,305	2,979,750
Including: Cash received from non-controlling shareholders of subsidiaries		113,782,305	2,979,750
Cash receipts from borrowings		5,615,769,660	5,059,497,238
Other cash receipts relating to financing activities		275,167,874	-
Total cash inflows from financing activities		6,004,719,839	5,062,476,988
Cash repayments for debts		(2,785,253,466)	(3,166,562,719)
Cash payments for distribution of dividends or profit and interest expenses		(747,199,489)	(476,023,287)
Other cash payments relating to financing activities	56(3)	(384,410,606)	(210,312,703)
Total cash outflows from financing activities		(3,916,863,561)	(3,852,898,709)
Net cash flows from financing activities		2,087,856,278	1,209,578,279
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		19,051,003	15,515,708
V. NET DECREASE IN CASH AND CASH EQUIVALENTS	57(2)	(1,207,850,229)	(2,468,727,879)
Add: Cash and cash equivalents at beginning of period		7,787,383,813	8,157,100,059
VI. CASH AND CASH EQUIVALENTS AT END OF PERIOD	57(3)	6,579,533,584	5,688,372,180

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM COMPANY BALANCE SHEET
30 June 2019 **Expressed in Renminbi Yuan**

ASSETS	**Note XIV**	**30 June 2019 (Unaudited)**	**31 December 2018**
Current assets			
Cash and cash balance	1	3,719,286,568	5,342,110,843
Accounts receivable		44,792,551	39,335,133
Prepayments		63,365,493	71,560,914
Other receivables	2	17,538,400,705	13,161,141,862
Contract assets		11,955,424	1,945,534
Other current aseets		-	141
Total current assets		21,377,800,741	18,616,094,427
Non-current assets			
Long-term equity investments	3	26,631,236,832	26,543,128,320
Fixed assets		40,215,468	41,459,171
Construction in progress		3,307,998	-
Right-of-use assets		30,573,802	-
Intangible assets		13,662,559	15,480,345
Long-term prepaid expenses		1,513,129	590,295
Deferred tax aseets		175,670	150,053
Other non-current assets		95,565,880	85,173,225
Total non-current assets		26,816,251,338	26,685,981,409
Total assets		48,194,052,079	45,302,075,836

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM COMPANY BALANCE SHEET (CONTINUED)
30 June 2019 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Note XIV	30 June 2019 (Unaudited)	31 December 2018
Current liabilities			
Short-term borrowings		500,000,000	-
Accounts payable		213,351,948	160,060,610
Contact liabilities		138,747,400	266,435,222
Employee benefits payable		4,180,717	2,798,594
Taxes and surcharges payable		2,556,383	3,037,072
Other payables	4	12,891,505,578	11,122,390,508
Current portion of non-current liabilities		261,082,448	-
Total current liabilities		14,011,424,474	11,554,722,006
Non-current liabilities			
Bonds payable		9,946,241,382	9,981,238,196
Lease liabilities		18,234,496	-
Total non-current liabilities		9,964,475,878	9,981,238,196
Total liabilities		23,975,900,352	21,535,960,202
Equity			
Share capital		11,775,447,964	11,775,447,964
Capital reserves		11,745,491,507	11,745,491,507
Accumulated other comprehensive loss		(1,434,237)	(215,134)
Specialized reserves		10,958	3,598
Surplus reserves		167,272,198	167,272,198
Unappropriated profit		531,363,337	78,115,501
Total equity		24,218,151,727	23,766,115,634
Total liabilities and equity		48,194,052,079	45,302,075,836

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM COMPANY INCOME STATEMENT
For the six months ended 30 June 2019 **Expressed in Renminbi Yuan**

	Note XIV	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Revenue	5	959,641,707	330,874,441
Less: Cost of sales	5	945,959,573	317,828,156
Taxes and surcharges		338,933	366,685
Administrative expenses	6	66,234,431	45,957,130
Finance expenses	7	(2,911,434)	(21,316,417)
Including: Interest expense		124,254,550	58,534,479
Interest income		128,261,895	92,481,889
Add: Other income		101,632	-
Investment income	8	4,585,945,579	(19,718,189)
Including: Income from investments in associates		(3,890,459)	4,676,547
Derecognition loss from financial assets at amortized cost		(24,435,386)	(24,394,736)
Impairment of credit losses		(816,414)	23,266,169
Operating profit/(loss)		4,535,251,001	(8,413,133)
Add: Non-operating income		60,000	-
Less: Non-operating expenses		1,130,000	-
Profit/(loss) before income taxes		4,534,181,001	(8,413,133)
Less: Income tax expenses		(24,611)	-
Net profit/(loss)		4,534,205,612	(8,413,133)
Other comprehensive loss, net of tax		(1,219,103)	(210,078)
Other comprehensive loss that may be reclassified to profit or loss			
Exchange differences on translation of foreign currency financial statements		(1,219,103)	(210,078)
Total comprehensive income/(loss)		4,532,986,509	(8,623,211)

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM COMPANY STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2019

Expressed in Renminbi Yuan

	Share capital	Capital reserves	Other comprehensive loss	Specialized reserves	Surplus reserves	Unappropriated profit	Total equity
I. Opening balance	11,775,447,964	11,745,491,507	(215,134)	3,598	167,272,198	78,115,501	23,766,115,634
II. Changes for the period							
1. Total comprehensive income							
(i) Net profit	-	-	-	-	-	4,534,205,612	4,534,205,612
(ii) Other comprehensive loss	-	-	(1,219,103)	-	-	-	(1,219,103)
2. Profit distribution							
(i) Distribution to owners	-	-	-	-	-	(4,080,957,776)	(4,080,957,776)
3. Specialized reserves							
(i) Appropriation for the period	-	-	-	115,776	-	-	115,776
(ii) Utilisation for the year	-	-	-	(108,416)	-	-	(108,416)
III. Closing balance (Unaudited)	11,775,447,964	11,745,491,507	(1,434,237)	10,958	167,272,198	531,363,337	24,218,151,727

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM COMPANY STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the six months ended 30 June 2018

Expressed in Renminbi Yuan

	Share capital	Capital reserves	Other comprehensive loss	Specialized reserves	Surplus reserves	Unappropriated profit	Total equity
I. Balance at end of prior year	11,775,447,964	11,745,491,507	(261,800)	3,011	158,508,179	374,919,123	24,054,107,984
Add: Changes in accounting policies	-	-	-	-	-	(18,912,968)	(18,912,968)
II. Opening balance	11,775,447,964	11,745,491,507	(261,800)	3,011	158,508,179	356,006,155	24,035,195,016
III. Changes for the period							
(i) Total comprehensive loss							
1. Net loss	-	-	-	-	-	(8,413,133)	(8,413,133)
2. Other comprehensive loss	-	-	(210,078)	-	-	-	(210,078)
(ii) Profit distribution							
1. Distribution to owners	-	-	-	-	-	(346,288,427)	(346,288,427)
(iii) Specialized reserves							
1. Appropriation for the period	-	-	-	767	-	-	767
IV. Closing balance (Unaudited)	11,775,447,964	11,745,491,507	(471,878)	3,778	158,508,179	1,304,595	23,680,284,145

The accompanying notes form part of the financial statements.

CCCC DREDGING (GROUP) COMPANY LIMITED
INTERIM COMPANY STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019 **Expressed in Renminbi Yuan**

	Note XIV	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		807,913,644	1,723,490
Receipts of taxes and surcharges refunds		101,632	-
Other cash receipts relating to operating activities		726,541,278	92,481,890
Total cash inflows from operating activities		1,534,556,554	94,205,380
Cash payments for goods and services		(875,254,383)	(5,857,746)
Cash payments to and on behalf of employees		(21,825,692)	(31,326,740)
Payments of all types of taxes and surcharges		(6,846,745)	(3,263,631)
Other cash payments relating to operating activities		(3,323,934,659)	(2,576,379,973)
Total cash outflows from operating activities		(4,227,861,479)	(2,616,828,090)
Net cash flows from operating activities	9(1)	(2,693,304,925)	(2,522,622,710)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Other cash receipts relating to investing activities		162,000,000	-
Total cash inflows from investing activities		162,000,000	-
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(4,837,837)	(1,568,657)
Cash payments for investments		(91,998,971)	(20,000,000)
Net cash payments for acquisition of subsidiaries and other business units		-	(91,806,330)
Total cash outflows from investing activities		(96,836,808)	(113,374,987)
Net cash flows from investing activities		65,163,192	(113,374,987)

The accompanying notes form part of the financial statements.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

	Note XIV	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from borrowings		1,000,000,000	2,200,000,000
Other cash receipts relating to financing activities		592,645,656	298,531,024
Total cash inflows from financing activities		1,592,645,656	2,498,531,024
Cash repayments for debts		(539,000,000)	(1,800,000,000)
Cash payments for distribution of dividends or profit and interest expenses		(42,692,378)	(73,466,871)
Other cash payments relating to financing activities		(5,635,820)	-
Total cash outflows from financing activities		(587,328,198)	(1,873,466,871)
Net cash flows from financing activities		1,005,317,458	625,064,153
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,622,824,275)	(2,010,933,544)
Add: Cash and cash equivalents at beginning of period		5,342,110,843	4,698,568,853
V. CASH AND CASH EQUIVALENTS AT END OF PERIOD	9(2)	3,719,286,568	2,687,635,309

The accompanying notes form part of the financial statements.

I. General information

CCCC Dredging (Group) Co., Ltd. (the "Company") is a joint stock limited company with limited liability initiated by China Communications Construction Co., Ltd. ("CCCC") and its subsidiary, China Road & Bridge Corporation ("China Road & Bridge") on 7 May 2015. The registered address of the Company is located at Room 201, No.1296 Xuchang Road, Yangpu District, Shanghai, PRC. The Company's head office is located at No.85, Deshengmenwai Street, Xicheng District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly consist of channel dredging, port and waterway construction, international ship transportation, domestic waterway transportation, international maritime auxiliary business, domestic ship management business, water conservancy and hydropower construction project construction, geotechnical engineering survey, soil and water geological survey, engineering survey, mineral resources mining; technology development, technology service, technology transfer, technology consultation, professional construction of offshore petroleum construction engineering, port operation, environmental protection construction engineering, municipal public construction engineering, project investment management, equity investment management, etc.

The Company's parent company is CCCC, and ultimate holding company is China Communications Construction Group Ltd. ("CCCG").

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

II. Basis of preparation of the financial statements

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "ASBEs").

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant requirements.

III. Significant accounting policies and estimates

The Group has formulated specific accounting policies and accounting estimates based on actual production and operation characteristics.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements are in compliance with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the financial position of the Company and the Group as of June 30, 2019 and the operating results and cash flows for the six months ended June 30, 2019.

2. Accounting year

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year.

3. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan unless otherwise stated.

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

<u>Business combinations involving entities under common control</u>

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing entity, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

III. Significant accounting policies and estimates (continued)

4. Business combinations (continued)

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving entities under common control, the entity that, on the acquisition date, obtains control of another combining entity is the acquirer, while that other combining entity is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's net identifiable assets. Where the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. If after that reassessment, the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

5. Consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In the preparation of the consolidated financial statements, the financial statements of subsidiaries are prepared for the same accounting year as the Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

III. Significant accounting policies and estimates (continued)

5. Consolidated financial statements (continued)

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against the non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

6. Classification of joint arrangement and joint operation

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint operators have rights to the net assets of the arrangement.

A joint operator recognises the following items in relation to its interest in a joint operation: its solely-held assets, and its share of any assets held jointly; its solely-assumed liabilities, and its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its solely-incurred expenses, and its share of any expenses incurred jointly.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

III. Significant accounting policies and estimates (continued)

8. Foreign currency transactions and foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions, and the amount denominated in the functional currency is not changed. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates their functional currency amounts into RMB when preparing the financial statements as follows: as at the balance sheet date, the assets and liabilities are translated using the spot exchange rate at the balance sheet date, and equity items other than "unappropriated profit" are translated at the spot exchange rates at the dates of transactions; revenue and expense items in profit or loss are translated using the average exchange rates prevailing on the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rates prevailing on the dates of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

9. Financial instruments

Financial instruments refer to contracts that form the financial assets of a company and form financial liabilities or equity instruments of other units.

Recognition and derecognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

III. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Recognition and derecognition (continued)

Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting. Regular way purchases and sales of financial assets refers to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trade date is the date that the Group committed to purchase or sell a financial asset.

Classification and measurement of financial assets

The financial assets of the Group are classified at the initial recognition based on the business model of the Group's corporate management financial assets and the contractual cash flow characteristics of financial assets: financial assets at fair value through profit or loss, financial assets at amortised cost, financial assets at fair value through other comprehensive income. Financial assets are measured at fair value at initial recognition. However, if the accounts receivable or notes receivable arising from the sale of goods or services provided do not contain significant financing components or do not take into account financing components not exceeding one year, they are initially measured at the transaction price.

For financial assets at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss for the current period. For other types of financial assets, the related transaction expense is included in their initial recognition amount.

Subsequent measurement of financial assets depends on their classification:

Debt instrument investment at amortized cost
Financial assets classified as financial assets measured at amortized cost if they meet the following conditions: The business model for managing the financial assets is aimed at collecting contractual cash flows; The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets are recognized for interest income using the effective interest method. The gains or losses arising from the derecognition, modification or impairment are recognised in profit or loss. Such financial assets mainly include monetary funds, accounts receivable, other receivables, debt investment and long-term receivables. The Group will report the debt investment and long-term receivables due within one year from the balance sheet date as non-current assets due within one year. The debt investment with the original maturity within one year is reported as other current assets.

Debt instrument investment at fair value through in other comprehensive income
Financial assets classified as financial assets at fair value through other comprehensive income it they meeth the following conditions: The business model of the Group's management of this financial asset is to target both the collection of contractual cash flows and the sale of financial assets; The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount. Such financial assets are recognized for interest income using the effective interest method. Except for interest income, impairment losses and exchange differences, which are recognised in profit or loss for the period, other changes in fair value are included in other comprehensive income. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and recognised in profit or loss. The financial assets are classified as “receivable financing”, except for those receivables that are measured at fair value and whose changes are included in other comprehensive income. Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year, and other debt investments with original maturities within one year are presented as other current assets.

III. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Equity instrument investment at fair value through other comprehensive income
The Group irrevocably chooses to designate certain non-trading equity instrument investments as financial assets at fair value through other comprehensive income, and only related dividend income (except for dividend income recovered as part of investment cost) are recognized in the current profit and loss, and subsequent changes in fair value are included in other comprehensive income, and no impairment provision is required. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and recognised in retained earnings. Such financial assets are presented as investments in other equity instruments.

A transactional financial asset that satisfies one of the following conditions: The purpose of obtaining the relevant financial asset is mainly for the purpose of selling or repurchasing in the near future; it is part of a portfolio of identifiable financial instruments that are centrally managed, and there is objective evidence that the company has recently adopted Short-term profit-making mode; is a derivative, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts.

Financial assets at fair value through profit or loss
Other than the above-mentioned financial assets at amortized cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss. Such financial assets are presented as transactional financial assets and are presented as other non-current financial assets which are due more than one year from the balance sheet date and are expected to be held for more than one year.

Classification and measurement of financial liabilities

The Group's financial liabilities are classified in the initial recognition: financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss. The related transaction expense of other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss, including financial liabilities (including derivatives that are financial liabilities) and financial liabilities that are designated at fair value through profit or loss.

A transaction financial liability is satisfied if one of the following conditions is met: the purpose of the relevant financial liability is mainly for the sale or repurchase in the near future; it is part of a centralized management of the identifiable financial instrument portfolio, and there is objective evidence that the company has recently adopted Short-term profit-making mode; is a derivative, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are recognised in profit or loss.

Other financial liabilities
Such financial liabilities are initially recognised at fair value less any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

III. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Impairment of financial instruments

On the basis of expected credit losses, the Group performs impairment treatment on financial assets at amortized cost, debt instrument investment at fair value through other comprehensive income, lease receivables and contract assets and confirms loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depreciated by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For accounts receivable and contract assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss preparations based on the amount of expected credit losses equivalent to the entire duration of the life.

For lease receivables, accounts receivable with significant financing components, and contractual assets, the Group has chosen to use a simplified measurement method to measure loss preparations based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to the above-mentioned financial assets other than the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition, it is in the first stage. The Group measures the loss according to the amount of expected credit loss in the next 12 months, and calculates the interest income according to the book balance and the actual interest rate. If the credit risk has increased significantly since the initial confirmation but the credit impairment has not occurred, it is in the second stage, the Group measures the loss preparation according to the amount of expected credit loss during the whole life period, and calculates the interest income according to the book balance and the actual interest rate; if the credit impairment occurs after the initial confirmation, it is in the third stage, the amount of expected credit losses over the entire duration is measured for loss, and interest income is calculated based on amortized cost and actual interest rate. For financial instruments with only low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

The Group assesses the expected credit losses of financial instruments based on individual items and portfolios. The Group considered the credit risk characteristics of different customers and assessed the expected credit losses based on the combination of ageing and overdue ageing.

In assessing expected credit losses, the Group considers reasonable and evidenced information about past events, current conditions and future economic forecasts.

For the disclosure of the Group's judgment on the significant increase in credit risk, the definition of credit impaired assets, and the assumption of expected credit loss, please refer to Note VIII 3.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

III. Significant accounting policies and estimates (continued)

9. Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swap contracts to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Except for the hedge accounting, the gains or losses arising from changes in the fair value of derivatives are recognised directly in profit or loss.

Transfer of financial assets

A financial asset is derecognised when the Group has transferred substantially all the risks and rewards of the financial asset to the transferee. A financial asset is not derecognised when the Group retains substantially all the risks and rewards of the financial asset.

When the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, it either (i) derecognises the financial asset and recognises the assets and liabilities created in the transfer when it has not retained control of the asset; or (ii) continues to recognise the financial asset to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability.

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

10. Inventories

Inventories include raw materials, work in progress, development costs, development products, inventory goods, and turnover materials, which are measured at the lower of cost and net realizable value.

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. Cost is determined on the weighted average basis. The costs of inventory goods and in-process products include raw materials, direct labor, and manufacturing costs that are systematically distributed under normal production capacity; Development costs and costs of developing products include land costs associated with real estate development, construction costs, capitalized interest, and other direct and indirect development costs. The development cost is carried forward to the development product according to the actual cost after completion, and the actual cost is calculated when the product is carried forward.

The project-specific materials in the turnover materials are amortized evenly during the project period, and are included in the current cost or expense. Other turnover materials are amortized according to the estimated number of uses in the period of no more than three years, and are included in the current cost or expense; low-value consumables and packaging are amortized using the one-off write-off method.

The Group uses a perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. The inventories are written down below cost to net realisable value and the write-down is recognised in profit or loss if the cost is higher than the net realisable value. When the circumstances that previously caused the inventories to be written down below cost no longer exist, in which case the net realisable value of inventories becomes higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount of the original write-down, and is recognised in profit or loss.

III. Significant accounting policies and estimates (continued)

10. Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

11. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For the long-term equity investment obtained through the business combination involving entities under common control, the share of the book value of the owner's equity in the final controlling party's consolidated financial statements is obtained as the initial investment cost on the combination date; the difference between the initial investment cost and the book value of the merger consideration, the capital reserve is adjusted (retained earnings are offset when the capital reserve is insufficient to offset); other comprehensive income before the merger date shall be treated on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment. Shareholders' equity recognized as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, transferred to the current profit and loss on a pro-rata basis when the investment is still recognized as long-term equity investments after disposal, or transferred to the current profit or loss in its entirety when the investment is recognized as financial instruments after disposal. Long-term equity investment obtained through business combination not involving entities under common control, its initial investment cost is recognized as combination cost (if the business combination not envolving entities under common control is realized step by step through multiple transactions, the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost on the purchase date is taken as the initial investment cost). The cost of the merger includes the assets paid by the purchaser, the liabilities incurred or assumed, and the fair value of the issued equity securities; Other comprehensive income held prior to the purchase date as recognized by the equity method is accounted for using the same basis as the investee directly disposes related assets or liabilities. Shareholders' equity recognized as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, transferred to the current profit and loss on a pro-rata basis when the investment is still recognized as long-term equity investments after disposal, or transferred to the current profit or loss in its entirety when the investment is recognized as financial instruments after disposal; the changes in the accumulated fair value of the equity investment held before the date of purchase as other equity instruments are included in other comprehensive income and are transferred to retained earnings when the cost method is accounted for.

For the long-term equity investment obtained in addition to the long-term equity investment formed by the business combination, the initial investment cost is determined according to the following methods: the long-term equity investment obtained by paying cash, its initial investment costs include the actual investment purchase price, the expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment; The long-term equity investment obtained through the issuance of equity securities, the fair value of the issued equity securities is taken as its initial investment cost.

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company’s individual financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

III. Significant accounting policies and estimates (continued)

11. Long-term equity investments (continued)

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after it has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures (except for assets that constitute a business) (However, any loss arising from such transactions which are attributable to an impairment loss shall be recognised at its entirety). [For any long-term equity investment differences (debit side) arising from investments in joint ventures and associates held before the first-time adoption of ASBEs, the investment income or loss is recognised after deducting the debit balance to be amortised over the remaining period on a straight-line basis.] The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume further losses. The Group's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.

Upon disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the equity method due to disposal, all amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss in its entirety. When the Group continues to use the equity method, the amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities and reclassified to profit or loss on a pro-rata basis. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss on a pro-rata basis.

12. Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both. Investment properties include land use rights leased out, buildings for rental purposes, and buildings that will be used for rental during construction or development.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

III. Significant accounting policies and estimates (continued)

12. Investment properties (continued)

The Group uses the cost model for the subsequent measurement of its investment properties. Investment properties are depreciated or amortized for buildings and land use rights based on their estimated useful lives and net residual value rates. The useful lives, estimated net residual value rate and annual depreciation/ amortization rate of investment properties are as follows:

	Useful life	Estimated net residual value rate	Annual depreciation/ amortization rate
Buildings	30 years	-	3.3%
Land use rights	50 years	-	2%

When the use of investment properties is changed to self-use, the investment properties are converted into fixed assets or intangible assets from the date of change. When the use of self-use real estate changes to earn rent or capital appreciation, the fixed assets or intangible assets are converted into investment properties from the date of change. When a conversion occurs, the book value before conversion is used as the recorded value after conversion.

The Group reviews the estimated useful life, estimated net residual value and depreciation or amortization method of the investment properties at least at the end of each year, and adjusts if necessary.

The investment properties are derecognized when the investment properties are disposed of, or permanently withdrawn from use and are not expected to obtain economic benefits from their disposal. Disposal income from the sale, transfer, retirement or damage of investment properties is charged to the current profit and loss after deducting its carrying amount and related taxes.

13. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

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III. Significant accounting policies and estimates (continued)

13. Fixed assets (continued)

Depreciation is calculated using the straight-line method, except for safety production funds. The useful lives, estimated residual value rates and annual depreciation rates of each category of the fixed assets are as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	20-40 years	-	2.5%-5%
Ships	10-25 years	5%-10%	3.6%-9.5%
Vehicles	5 years	-	20%
Machinery	5-20 years	-	5%-20%
Office and electronic equipment	3-5 years	-	20%-33.3%
Temporary facilities	2-3 years	-	33.3%-50%

Where parts of a fixed asset have different useful lives or provide benefits to the Group in different patterns, different depreciation rates are applied.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and make adjustments if necessary.

14. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction is ready for its intended use, and other relevant expenditures.

An item of construction in progress is transferred to fixed assets or intangible assets when the asset is ready for its intended use.

15. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:
(1) Expenditures for the asset have been incurred;
(2) Borrowing costs have been incurred; and
(3) Activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised in profit or loss.

III. Significant accounting policies and estimates (continued)

15. Borrowing costs (continued)

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows:

(1) Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
(2) Where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

16. Intangible assets

The Group's intangible assets include land use rights, franchise rights, software, and patents.

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and initially measured at the fair value at the date of acquisition.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Intangible assets with a finite useful life other than the franchise are amortized using the straight-line method over their useful lives.

Land use rights are amortized on average over their estimated useful lives. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; they are accounted for as fixed assets if they cannot be reasonably allocated.

Franchise rights refer to intangible assets recognized during the construction period in accordance with the intangible assets model under construction, operation and transfer contracts (“BOT” contracts). The franchise project is amortized using the straight-line method based on the expected realization of the economic benefits associated with the project during operations.

The software is recognized at the actual price paid at the time of acquisition and is amortized on average over the estimated useful life of 1 to 10 years.

The patent rights are recognized at the value confirmed by the investing parties or the price actually paid, and are amortized on average over the estimated useful life or the useful life specified in the contract.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

III. Significant accounting policies and estimates (continued)

16. Intangible assets (continued)

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

17. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets, and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for their intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups unless it is impossible to allocate to the related asset groups, in which case it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When testing an asset group (a set of asset groups) to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group (set of asset groups), excluding the amount of goodwill allocated, for impairment, i.e., the Group determines and compares the recoverable amount with the related carrying amount and recognises any impairment loss. After that, the Group tests the asset group (set of asset groups), including goodwill, for impairment, the carrying amount of the related asset group (set of asset groups) is compared to its recoverable amount. If the carrying amount of the asset group (set of asset groups) is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group (set of asset groups), and then used to reduce the carrying amount of other assets (other than the goodwill) within the asset group (set of asset groups), on a pro-rata basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

III. Significant accounting policies and estimates (continued)

18. Long-term prepaid expenses

The long-term prepaid expenses include the improvement of operating lease fixed assets and other expenses that have occurred but should be borne by the current and future periods, and the amortization period is more than one year. The long-term prepaid expenses are amortized evenly according to the expected benefit period, and are recognized as the net amount after the expenditure minus the accumulated amortization.

19. Employee benefits

Employee benefits refer to all forms of consideration or compensation other than share-based payments given by the Group in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits given by the Group to an employee’s spouse, children and dependents, family members of deceased employees and other beneficiaries are also employee benefits.

Short-term employee benefits

During the accounting period in which employees provide services, the actual short-term remuneration is recognized as a liability and recognised in profit or loss or related asset costs.

Post-employment benefits

The Group classifies post-employment benefit plans into defined contribution plans and defined benefit plans. The defined contribution plan is a post-employment benefit plan in which the Group no longer assumes further payment obligations after depositing a fixed fee with an independent fund; The defined benefit plan is a post-employment benefit plan other than the defined contribution plan. During the reporting period, the Group's post-employment benefits included basic endowment insurance, unemployment insurance and enterprise annuity plans established for employees retiring after 31 December 2005, which are defined contribution plans; supplementary retirement benefits provided by employees who retired before 31 December 2005 are a defined benefit plan.

Basic retirement insurance
The employees of the Group participated in the basic social endowment insurance organized and implemented by the local labor and social security departments. The Group pays the endowment insurance premiums to the local basic pension insurance agency on a monthly basis based on the local basic social pension insurance contribution base and ratio. After the employees’ retirement, the local labor and social security department has the responsibility to pay the social basic pension to the retired employees. During the accounting period in which employees provide services, the Group recognises the amount to be paid according to the above social security regulations as liabilities and is included in the current profit and loss or related asset costs.

III. Significant accounting policies and estimates (continued)

19. Employee benefits (continued)

Post-employment benefits (continued)

Supplementary retirement benefits
For employees who retired before December 31, 2005, in addition to the insurance system stipulated by the state, the Group also provides supplementary retirement benefits, which are defined benefit plans. The present value of the defined benefit plan obligation is calculated annually by an independent actuary, and is calculated using the projected cumulative unit credit method based on the interest rate of the government bond which is similar to defined benefit plans. The net present liabilities of the present value of the defined benefit plan minus the fair value of the planned assets are shown as long-term payable employee benefits in the balance sheet. The Group included changes in the net defined benefit obligation in the current profit and loss or related asset costs. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. The supplementary retirement benefits provided by the Group for the employees retiring before December, 31 2005 are defined benefit plan.

For employees who retired after December 31, 2005, in addition to the basic endowment insurance, the Group establishes an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The Group makes an annuity according to a certain proportion of the total wages and the annuity is included in the current profit or loss. This supplementary retirement benefit is a defined contribution plan.

Termination benefits

The Group provides termination benefits to employees and recognises an employee benefits liability for termination benefits, with a corresponding charge to profit or loss, at the earlier of when the Group can no longer withdraw the offer of those benefits resulting from an employment termination plan or a curtailment proposal and when the Group recognise costs involving the payment of termination benefits.

Internal retirement benefits

The Group provides internal retirement benefits to employees who accept internal retirement arrangements. Internal retirement benefits refer to wages and social insurance premiums paid to employees who have not reached the retirement age specified by the state, or who have been voluntarily withdrawn from work. The Group pays internal retirement benefits to employees who have retired from the date of the internal retirement arrangement until the employee reaches the normal retirement age. For the internal retirement benefits, the Group performs accounting treatment based on the termination benefits. When the conditions for the recognition of the termination benefits are met, the wages of the retired employees and the social insurance premiums to be paid during the period from the employee's cessation of service to the normal retirement date are recognized as liabilities and are included in profit or loss for the current period. Changes in actuarial assumptions of changes in benefits and changes in welfare standards are recognised in profit or loss when incurred.

The termination benefits expected to be paid within one year from the balance sheet date are presented as current liabilities.

III. Significant accounting policies and estimates (continued)

20. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control:

(1) The obligation is a present obligation of the Group;
(2) It is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
(3) A reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

A contingent liability recognised in a business combination not involving entities under common control is initially measured at fair value. Subsequently, it is measured at the higher of (1) the amount that would be recognised in accordance with the general guidance for provisions above; and (2) the amount initially recognised less cumulative amortisation recognised in accordance with the guidance for revenue recognition.

21. Other equity instruments

The perpetual bonds issued by the Group have no maturity date. The Group has the right to deferred payment for the face value of perpetual bonds. The Group has no contractual obligation to pay cash or other financial assets and is classified as an equity instrument.

22. Revenue

The Group has fulfilled its performance obligations in the contract, that is, the revenue is recognized when the customer obtains control of the relevant goods or services. Gaining control of a related good or service means being able to dominate the use of the good or the provision of the service and obtain almost all of its economic benefits.

<u>Revenue from construction contracts</u>

The construction contract between the Group and the customer usually includes the performance obligation for infrastructure construction. As the customer can control the goods under construction during the performance of the Group, the Group recognizes it as a performance obligation performed within a certain period of time and is confirmed according to the progress of the performance. Except for income and performance schedule that cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. If the performance of the Group is expected to be compensated if the performance of the performance cannot be reasonably determined, the revenue will be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

<u>Revenue from the rendering of services</u>

The service contract between the Group and its customers is mainly for performance obligations such as engineering design. As the services provided during the performance of the Group have irreplaceable uses and the Group has the right to accumulate part of the income from the performance of the performance to date, the Group treats it as a performance obligation during a certain period of time. The revenue is recognized according to the progress of the performance, except for the performance cannot be reasonably determined. If the performance of the Group is expected to be compensated if the performance of the performance cannot be reasonably determined, the revenue will be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

III. Significant accounting policies and estimates (continued)

22. Revenue (continued)

Revenue from the sales of goods

The contract for the sale of goods between the Group and the customer usually only includes the performance obligations of the transferred goods. The Group usually recognizes the income at the time of transfer of control based on the following factors: obtaining the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical goods and the customer accepts the goods.

Variable considertaions

Where there is a variable consideration in the contract, the Group determines the best estimate of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the most likely amount of reversal of accumulated recognized income when the relevant uncertainty is eliminated. On each balance sheet date, the Group re-estimates the variable consideration amount that should be included in the transaction price.

Major financing component

In the case of a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash, assuming that the customer pays control of the commodity, and discounts the nominal amount of the contract consideration to the discount rate of the commodity's current selling price. The difference between the determined transaction price and the consideration amount of the contract commitment is amortized using the effective interest method over the contract period.

The Group did not consider the significant financing components existing in the contract for the expectation that the customer's control over the acquisition of the goods and the payment of the customer's payment did not exceed one year.

Warranty obligation

According to the contractual agreement, legal provisions, etc., the Group provides quality assurance for the assets it constructs. For the assurance of quality assurance to the customer to ensure that the assets constructed meet the established standards, the Group performs accounting treatment in accordance with Note III 20. For the quality assurance of a service that provides a separate service for the customer to ensure that the assets constructed meet the established standards, the Group treats it as a single performance obligation, based on the individual selling price of the construction asset and service quality assurance. In the relative proportion, part of the transaction price is allocated to the service quality assurance, and the revenue is recognized when the customer obtains control of the service. In assessing whether the quality assurance provides a separate service in addition to ensuring that the assets constructed meet the established standards, the Group considers whether the quality assurance is a statutory requirement, a quality assurance period and the nature of the Group's commitment to perform its tasks.

Primary owner/agent

After the Group acquires control over traded goods or other assets from a third party and then transfers it to the customer, the Group has the right to determine the price of the goods traded, that is, the Group can control the goods before transferring the trade goods to the customers. The Group is the primary responsible person and recognizes revenue based on the total amount received or receivable. Otherwise, the Group is an agent and recognizes the income according to the amount of the commission or handling fee that it is expected to receive. The amount shall be deducted from the total amount received or receivable, after deducting the amount payable to other related parties, or determined by the amount or proportion of the established commission.

III. Significant accounting policies and estimates (continued)

22. Revenue (continued)

Contract changes

When the contract for the construction contract between the Group and the customer changes:

(1) If the contract change adds a clearly distinguishable construction service and contract price, and the new contract price reflects the separate selling price of the new construction service, the Group will recognize the contract change as a separate contract;
(2) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred between the contract change date and the untransferred construction service can be clearly distinguished, the Group regards it as the original contract termination, and at the same time, the non-compliance part of the contract and the contract change part are merged into a new contract for accounting treatment;
(3) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred on the contract change date and the non-transfer construction service, the Group will account for the change of the contract as part of the original contract. The resulting impact on the recognized revenue is adjusted for current income on the contract change date.

Franchise contract ("BOT contract")

Franchise activities under BOT contracts typically include construction, operations, and transfers. During the construction phase, contract revenue and costs for construction services are recognized in accordance with the accounting policies of the construction contract. The construction contract income is measured at the fair value of the consideration received or receivable, and the financial assets or intangible assets are recognized at the same time as the revenue is recognized in the following cases:

(1) Within a certain period after the contract stipulates that the infrastructure is completed, the Group may unconditionally receive the determined amount of monetary funds or other financial assets from the contract awarding party, and confirm the financial assets while confirming the income;
(2) According to the contract, the Group has the right to charge the recipient of the service within a certain period of time after the completion of the relevant infrastructure. However, if the amount of the fee is uncertain, the right does not constitute a right to receive cash unconditionally. The Group recognizes the intangible assets while recognizing the revenue. It is amortized on the straight-line method from the date of completion of the project to the end of the period of the operation and the period in which the extension period or the term of the franchise is terminated.

When the Group distributes infrastructure construction to other parties instead of providing actual construction services, the Group does not recognize the construction service revenue. The Group considers the contractual provisions in accordance with the construction price paid during the construction process, and recognize financial assets or intangible assets.

During the operating period, the Group recognises the corresponding revenue when providing services; the current maintenance or repair expenses incurred by the Group are recognized as current expenses.

According to the contract, the Group will recognize the current obligations of the expenses expected to be incurred to maintain the certain infrastructure capacity of the relevant infrastructure or to maintain a certain use status before transferring to the contract grantor, as a provision.

BT Contract (Build and Transfer)

Activities under the BT contract usually include building and transferring. During the construction phase, the Group recognises the revenue and costs of the relevant construction service contracts in accordance with the accounting policies described in above. The Group measures construction contract revenue based on the fair value attributable to the consideration. The Group recognizes the long-term receivables while confirming the construction contract revenue, and offsets the long-term receivables after receiving the payment from the owner.

III. Significant accounting policies and estimates (continued)

23. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments.

Contract assets

The Group's unconditional (ie, only time-dependent) right to receive consideration from customers is presented as receivables; the Group’s right to receive consideration for the transfer of goods or services to customers, which are subject to other factors beyond the passage of time, are listed as contractual assets.

For details of how to determine the expected credit losses of contract assets and accounting treatment methods, please refer to Note III.9.

Contract liabilities

The Group's obligation to transfer goods or services to customers based on the consideration received or receivable is presented as contractual liabilities, such as payments received by the enterprise prior to the transfer of the promised goods or services.

The Group will offset the contract assets and contract liabilities under the same contract and present them on a net basis.

24. Assets related to contract costs

The Group's assets related to contract costs include contract acquisition costs and contract performance costs. According to its liquidity, it is presented separately in inventory, other current assets and other non-current assets.

The cost of the contract for the performance of the contract, if it does not apply to the scope of the relevant standards such as inventory, fixed assets or intangible assets, and meets the following conditions, is recognized as an asset as the contract performance cost:

(1) The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs borne by the customer, and other costs incurred solely for the contract;
(2) This cost increases the resources that the company will use to fulfill its performance obligations in the future;
(3) This cost is expected to be recovered.

The Group's assets related to the cost of the contract are amortized on the same basis as the revenue recognition related to the asset and are recognised in profit or loss.

III. Significant accounting policies and estimates (continued)

24. Assets related to contract costs (continued)

If the book value of an asset related to the cost of the contract is higher than the difference between the following two items, the Group will recognize the provision for impairment and recognize the asset impairment loss.

(1) The remaining consideration that the enterprise is expected to obtain due to the transfer of goods related to the asset;
(2) Estimating the cost to be incurred for the transfer of the relevant commodity.

The factors of impairment in the previous period have changed, so that the difference between (1) minus (2) is higher than the book value of the asset, the provision for impairment of the assets that have been accrued should be reversed, and be included in the current profit and loss. However, the book value of the subsequent asset shall not exceed the book value of the asset on the date of reversal, assuming no provision for impairment.

25. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets pursuant to government provisions. When government provisions are not stated clearly, subsidiary conditions restricting the fundamental conditions of acquiring the grant may also be attached. Grants related to income are government grants other than those related to assets.

A government grant related to income is accounted for as follows: (1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; (2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses.

A government grant relating to an asset shall be recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

III. Significant accounting policies and estimates (continued)

26. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss, or recognised directly in equity if it arises from a business combination or relates to a transaction or event which is recognised directly in equity.

Current tax liabilities or assets arising from the current and prior periods at the amount expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the tax bases and the carrying amounts of the items, which have a tax base according to related tax laws but are not recognised as assets and liabilities.

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

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

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

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

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

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

III. Significant accounting policies and estimates (continued)

26. Income tax (continued)

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

27. Leases (Applicable from January 1, 2019)

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have the right to dominate the use of identified assets.

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

(1) The tenant can profit from using the asset alone or using it with other resources that are readily available;
(2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

<u>As a lessee</u>

The categories of assets leased by the Group mainly include buildings, ships, vehicles, machinery and equipment, and other equipment.

Initial measurement
On the commencement date of the lease term, the Group recognises its right to use the leased asset over the lease term as the right-of-use asset, and recognizes the present value of the lease payments that have not been paid as the lease liability, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and it is reasonable to determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset, but it is reasonable to determine that the option will not be exercised, the lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the option will be exercised, the Group reassesses whether it will reasonably exercise the option to renew the lease, purchase option or terminate the lease option.

III. Significant accounting policies and estimates (continued)

27. Leases (Applicable from January 1, 2019) (continued)

As a lessee (continued)

Subsequent measurement
The Group uses the straight-line method to depreciate the right-of-use assets. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group will depreciate the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate, and is included in the current profit and loss, except for the asset cost.

The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option changes, the Group re-measures the lease liability according to the present value of the changed lease payment, and adjusts the book value of the right-of-use asset accordingly. The carrying amount of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

Lease change
The lease change is the lease scope, lease consideration, and lease term change other than the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will recognize the lease change as a separate lease:

(1) The lease change expands the lease by increasing the right to use one or more leased assets;
(2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not recognized as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; if the lease interest rate of the remaining lease period cannot be determined, the incremental borrowing rate of the lease change effective date is adopted as a discount rate.

In view of the above effects of the adjustment of the lease liability, the Group distinguishes between the following cases for accounting treatment:

(1) If the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognises the related gains or losses arised from partially terminated or completely terminated leases into the current profits and losses;
(2) Other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

III. Significant accounting policies and estimates (continued)

27. Leases (Applicable from January 1, 2019) (continued)

As a lessee (continued)

Short-term leases and low-value asset leases
The Group recognizes a lease with a lease term of no more than 12 months and without a purchase option as a short-term lease; and recognizes the lease with a value of not more than RMB 50,000 when the single leased asset is a new asset as a low-value asset lease. If the Group subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease. The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. The rental is included in the relevant asset cost or current profit and loss on a straight-line basis over the period of the lease term, and the contingent rental is recognised in profit or loss in the period in which it is incurred.

As a lessor

Leases that transfer substantially all of the risks and rewards associated with the ownership of the leased asset on the lease start date are financial leases, others are operating leases. When the Group acts as a sub-lease lessor, it classifies the sub-leasing based on the right-of-use assets generated by the original lease.

As an operating lease lessor
Rental income from operating leases is recognized in profit or loss on the straight-line method, and contingent rental is recognized in profit or loss when it is incurred.

In the event of a change in the operating lease, the Group shall treat it as a new lease from the effective date of the change, and the advance or receivables related to the lease before the change shall be regarded as the collection amount of the new lease.

Sale and leaseback transaction

The Group determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with Note III.22.

As a lessee

When the transfer of assets in the sale and leaseback transaction is a sale, the Group, as the lessee, measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's book value that is related to the use rights obtained from the leaseback, and only confirms gain or loss related to the right transferred to the lessor; if the asset transfer in the sale and leaseback transaction is not a sale, the Group continues to recognize the transferred asset as the lessee, and at the same time recognizes a financial liability equal to the transfer income, and accounts for the financial liability in accordance with Note III.9.

III. Significant accounting policies and estimates (continued)

28. Leases (Applicable for 2018)

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset. An operating lease is a lease other than a finance lease.

As lessee of an operating lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss. Contingent rents are charged to profit or loss as incurred.

As lessor of an operating lease

Rent income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss as incurred.

As lessee of a finance lease

For an asset that is held under a finance lease, at the commencement of the lease term, the leased asset is recognised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, and the minimum lease payment is recognised as the carrying amount of the long-term payables; the difference is accounted for as unrecognised finance charge, which is amortised using the effective interest method over each period during the lease term. Contingent rents are charged to profit or loss as incurred.

The fixed assets leased by means of finance leases are depreciated using the same policy as their own fixed assets. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the depreciation shall be made within the useful life of the leased asset. If it is not reasonable to determine that the leased asset can be acquired at the expiration of the lease term, the depreciation is provided for the shorter of the lease term and the useful life of the leased asset.

29. Profit Distribution

The Company's cash dividends are recognized as liabilities after approval by the shareholders' meeting.

30. Safety production funds

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation <CaiQi [2012]No.16> and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation, issued by the Ministry of Finance and the State Administration of Work Safety.

Safety production funds provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialised reserves. They are treated differently when being utilised: (1) the specialised reserves are offset against for those attributable to the expense nature; (2) the cumulative expenditures are recognised as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialised reserves are offset against with the full depreciation of the fixed asset, at the same amount.

III. Significant accounting policies and estimates (continued)

31. Fair value mearsurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at each balance sheet date.

32. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the financial statements:

III. Significant accounting policies and estimates (continued)

32. Significant accounting judgements and estimates (continued)

Judgements (continued)

Whether the contract is a lease or includes a lease
The Group has entered into equipment lease agreements for certain construction projects. The Group believes that according to the lease agreement, there is no identified asset or the asset supplier has substantial replacement rights to the general equipment. Therefore, the lease agreement does not include leases and the Group treat it as an acceptance service.

Lease period - a lease contract that includes the option to renew the lease
The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. If there is an option to renew the lease and it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Group's lease contracts have the option to renew the lease for the next few years. In assessing whether it is reasonable to determine whether the option to renew the lease will be exercised, the Group will consider all relevant facts and circumstances that bring economic benefits to the exercise of the option of renewal, including the facts from the commencement date of the lease term to the date of exercise of the option and expected changes in the situation. The Group believes that due to the more favorable terms and conditions of the contract during the renewal of the option period compared with the market price, and the possibility of exercising the option and the possibility of meeting the relevant conditions, the Group can reasonably determine that the Group will exercise the option of renewal. Therefore, the lease period includes the period covered by the renewal option.

Method for determining the progress of construction contract performance
The Group determines the progress of the performance of the construction contract in accordance with the input method. Specifically, the Group determines the performance of the contract based on the cumulative actual construction cost to the estimated total cost. The accumulated actual costs include the Group's direct and indirect costs incurred during the transfer of goods to customers. The Group believes that the construction contract price with the customer is determined on the basis of the construction cost, and the actual construction cost as a percentage of the estimated total cost can accurately reflect the progress of the construction service. The Group determines the performance of the contract based on the cumulative actual construction cost as a percentage of the estimated total cost, and recognizes the revenue accordingly. In view of the long duration of construction contracts, which may span several accounting periods, the Group will review and revise the budget as the construction contract progresses, and adjust the revenue recognition amount accordingly.

Judgement on whether the Group control the investee
The Group is involved in investing in multiple infrastructure construction project companies. The Group mainly judges whether to actually control the invested company according to "Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements" and "Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment". In the event that the Group has actual control rights, the Group will include the investee enterprise in the scope of the consolidated financial statements. In the case that the Group does not actually control the invested company but implements joint control with other parties or can only exert significant influence on the invested enterprise, the Group accounts for the invested enterprise as a joint venture or an associate.

III. Significant accounting policies and estimates (continued)

32. Significant accounting judgements and estimates (continued)

Judgements (continued)

Equity instruments
The equity instruments issued by the Group are not subject to settlement by the Group's own equity instruments, and do not include the obligation to deliver cash or other financial assets to other parties or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions. Therefore, the Group recognizes it as other equity instruments.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment of financial instruments
The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimates, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimates, the Group infers the expected changes in the debtor's credit risk based on historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

Construction and service contracts
Confirmation of revenue and expenses for construction and service contracts requires management to make relevant estimates. If a loss is expected to be incurred in the construction and service contract, such loss shall be recognized as the current cost. The management of the Group estimates the possible losses based on the construction and service contract budget. Due to the nature of infrastructure, design and dredging, the contract signing date and project completion date are often attributed to different accounting periods. During the progress of the contract, the Group continued to review and revise the estimated total revenue of the contract and the estimated total cost of the contract.

The Group continuously monitors the payment progress of the owners according to the terms of the contract and regularly evaluates the creditworthiness of the owners. If there is a situation indicating that the owner is likely to default on the payment of all or part of the contract price, or the owner is unable to perform the relevant obligations stipulated in the contract terms, the Group will reassess the impact of the matter on the consolidated financial statements and may modify the contract and the expected amount of the loss. This modification will be reflected in the current financial statements.

III. Significant accounting policies and estimates (continued)

32. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Impairment of franchise
The Group assesses whether there is any indication of impairment on the franchise at the balance sheet date. If there is any indication of impairment, the Group will carry out an impairment test and make provision for impairment on the difference between the recoverable amount and the carrying amount. The recoverable amount of the franchise is determined based on the higher of fair value less disposal expenses and usable value. The usable value is generally based on the present value of the future cash flows of the franchise period, that is, the estimated future cash flows generated during the continuous use of the franchise and discounted at an appropriate discount rate. It is expected that future cash flows will be estimated based on the estimated franchise service income and other franchise revenues, net of necessary maintenance and operating costs.

Fair value of unlisted equity investments
The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

Development expenditures
Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash flows from the assets, discount rates to be applied and the expected period of benefits.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value mearsurement of financial instruments
The fair value of financial instruments traded on an active market is based on quoted market prices on the balance sheet date. A market is considered active if it is readily and regularly available to get quotations from exchanges, securities firms, brokers, industry groups, quoting service providers or regulatory agencies, and the quotation represents actual or regular market transactions on an arm's length basis market. The fair value of financial instruments that do not have an active market is determined using valuation methods. The Group selects a number of methods at its discretion and makes assumptions based primarily on the prevailing market conditions at each balance sheet date.

The judgment of the Group based on the market conditions at the balance sheet date and the valuation method adopted may be affected by changes in market conditions, which may result in different results from the actual results of the next year.

III. Significant accounting policies and estimates (continued)

32. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Depreciation of fixed assets
The depreciation of the Group's fixed assets is accrued on the straight-line method over the estimated useful lives less the estimated net residual value. The Group regularly evaluates the estimated useful life and estimated net residual value to ensure that the depreciation method and depreciation rate are consistent with the expected economic benefits realization model of fixed assets. The Group's estimates of the estimated useful lives and net residual values of fixed assets are based on historical experience and taking into account expected technical updates. When there is a significant change in the estimated useful life and estimated net residual value, the depreciation expense may need to be adjusted accordingly. Therefore, the estimation based on existing experience may be different from the actual result in the next year, which may result in the book value of the fixed asset and a significant adjustment to the accumulated depreciation amount.

Supplementary benefits for retired employees
The supplementary benefit expenses of retired employees undertaken by the Group, that is, the responsibility of the defined benefit plan. Its present value depends on a number of actuarial assumptions, including the discount rate. Any change in these assumptions will affect the book value of the retirees' benefits payable.

The Group reassesses the discount rate used to calculate the present value of the retired employee benefit liabilities each year. When reassessing the discount rate, the Group refers to the currency used in the future payment of the retired employee's supplementary benefits and the interest rate of the government bond equivalent to the payment period.

The formulation of other actuarial assumptions is based on market conditions at the time, please refer to Note V.34 for details.

33. Changes in accounting policies

New accounting standard for leases
In 2018, the Ministry of Finance promulgated the revised “Enterprise Accounting Standards No. 21 – Leases” (referred to as “new leasing standard”). The new leasing standard adopt a single model similar to the current financial leasing accounting treatment, requiring the lessee to recognized right-of-use assets and lease liabilities and depreciation and interest expenses for all leases other than leases and low-value asset leases. In the cash flow statement, the cash paid for the repayment of the principal and interest of the lease liability shall be included in the cash outflow from the financing activities; The short-term lease payments that are simplified by the new lease criteria, the low-value asset lease payments, and the variable lease payments that are not included in the lease liability are included in the cash outflow from operating activities. The Group began accounting treatment according to the newly revised leasing standard on January 1, 2019. For contracts that existed before the first implementation date, the Group choose not to reassess whether it is a lease or includes a lease, and did not adjust the information of the comparable period according to the convergence rules. The difference between the first implementation of the new lease standard and the current lease standard was retrospectively adjusted in earnings retained at the beginning of the period:

(1) For the finance leases before the first implementation date, the Group measures the right-of-use assets and lease liabilities separately according to the original book value of the finance leased assets and the finance lease payables.
(2) For operating leases prior to the first execution date, the Group measures the lease liability based on the present value of the residual lease payments at the incremental borrowing rate on the first execution date; and right-of-use asset is recognized at the amount equal to the lease liability after the necessary adjustments based on the prepaid rent.
(3) The Group conducts impairment test on the right-of-use assets in accordance with Note III.17 and conducts corresponding accounting treatment.

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III. Significant accounting policies and estimates (continued)

33. Changes in accounting policies (continued)

New accounting standard for leases (continued)
The Group's operating leases, which are classified as low-value assets before the first implementation date, or operating leases that will be completed within 12 months, are simplified, and the right-of-use assets and lease liabilities are not recognized. In addition, the Group has adopted the following simplified treatment for operating leases prior to the first implementation date:

(1) When measuring lease liabilities, leases with similar characteristics may use the same discount rate; the measurement of right-of-use assets may not include initial direct costs;
(2) If there is a renewal option or the termination of the lease option, the Group determines the lease period based on the actual exercise of the option before the first execution date and other recent developments;
(3) As an alternative to the impairment test of the right-of-use asset, the Group assesses whether the contract including the lease is a loss contract before the first execution date according to Note III.17, and adjusts the right-of-use asset based on the loss preparation amount included in the balance sheet before the first execution date;
(4) For the first implementation of the previous lease change, the Group performs accounting treatment based on the final arrangement of the lease change.

For the sale and leaseback transactions that existed before the first implementation date, the Group does not reassess whether the asset transfer meets the requirements of Note III 22 as accounting for sales. For the sale and leaseback transactions that are accounted for as sales and finance leases for the first time, the Group acts as the seller (lessee) to account for the leaseback in the same way as other finance leases and continues to amortize deferred gains or losses during the lease term. For the sale and leaseback transactions that are accounted for as sales and operating leases for the first time, the Group's seller (lessee) will account for the leaseback in the same way as other existing operating leases and will be included in the assets based on the first execution date. The related deferred income or loss of the balance sheet are adjusted in the right-of-use asset.

The difference between the minimum lease payments that have not been paid for the significant operating leases disclosed in the 2018 financial statements and the lease liability included in the balance sheet on January 1, 2019, is shown as follows:

Minimum lease payments for major operating leases as of December 31, 2018	**1,046,212,682**
Less: Minimum lease payments with simplified treatment	
Of which: Short-term lease	25,473,118
Lease with a remaining lease term of less than 12 months	236,688,023
Low-value asset lease with a remaining lease term of more than 12 months	1,233,736
Plus: Minimum lease payments for finance leases as of December 31, 2018	1,151,975,658
Minimum lease payments under the new lease standard on January 1, 2019	1,934,793,463
Weighted average of incremental borrowing rates on January 1, 2019	4.80%
Lease liability on January 1, 2019 (including the current portion of lease liabilities)	1,512,942,524

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III. Significant accounting policies and estimates (continued)

33. Changes in accounting policies (continued)

The impact of the implementation of the new leasing standard on the balance sheet on January 1, 2019 is as follows:

Consolidated balance sheet

	The amount according to the new standard	The amount according to the original standard	Amount of influence
Prepayments	1,587,419,547	1,654,586,206	(67,166,659)
Fixed assets	13,336,915,028	15,396,071,789	(2,059,156,761)
Right-of-use assets	2,595,251,409	-	2,595,251,409
Long-term prepaid expenses	73,044,083	179,802,091	(106,758,008)
Current portion of non-current liabilities	2,345,961,168	2,158,040,320	187,920,848
Lease liabilities	909,649,097	-	909,649,097
Long-term payables	2,478,634,166	3,214,034,129	(735,399,963)

Company balance sheet

	The amount according to the new standard	The amount according to the original standard	Amount of influence
Right-of-use assets	25,035,496	-	25,035,496
Current protion of non-current liabilities	8,962,110	-	8,962,110
Lease liabilities	16,073,386	-	16,073,386

The impact of the implementation of the new leasing standard on the financial statements for January to June 2019 is as follows:

Consolidated balance sheet

	The amount according to the new standard	The amount according to the original standard	Amount of influence
Prepayments	1,392,902,898	1,587,419,547	(194,516,649)
Fixed assets	13,560,376,196	15,395,179,582	(1,834,803,386)
Right-of-use assets	3,090,619,488	-	3,090,619,488
Long-term prepaid expenses	95,379,230	126,545,024	(31,165,794)
Current portion of non-current liabilities	2,878,763,895	2,227,148,458	651,615,437
Lease liabilities	1,365,594,914	-	1,365,594,914
Long-term payables	2,005,172,786	2,952,796,987	(947,624,201)
Unappropriated profit	5,041,696,121	5,081,148,612	(39,452,491)

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III. Significant accounting policies and estimates (continued)

33. Changes in accounting policies (continued)

The impact of the implementation of the new leasing standard on the financial statements for January to June 2019 is as follows (continued):

Consolidated income statement

	The amount according to the new standard	The amount according to the original standard	Amount of influence
Cost of sales	14,876,434,714	14,879,829,022	(3,394,308)
Administrative expenses	872,132,634	877,435,444	(5,302,810)
Finance expenses	272,158,205	224,008,596	48,149,609

Company balance sheet

	The amount according to the new standard	The amount according to the original standard	Amount of influence
Right-of-use assets	30,573,802	-	30,573,802
Current portion of non-current liabilities	261,082,448	249,172,678	11,909,770
Lease liabilities	18,234,496	-	18,234,496
Unappropriated profit	531,363,337	530,933,801	429,536

The impact of the implementation of the new leasing standard on the financial statements for January to June 2019 is as follows (continued):

Company income statement

	The amount according to the new standard	The amount according to the original standard	Amount of influence
Administrative expenses	66,234,431	67,496,296	(1,261,865)
Finance expenses	(2,911,434)	(3,743,763)	832,329

Changes in presentation of financial statements

To meet the requirements of the Notice on Revising and Issuing Format of 2019 Annual Financial Statements for General Business Enterprises (Cai Kuai [2019] No.6), in the balance sheet, the amounts previously presented in “notes receivable and accounts receivable” shall be presented in “notes receivable” and “accounts receivable” separately, and the amounts previously presented in “notes payable and accounts payable” shall be presented in “notes payable” and “accounts payable” separately. The “accounts receivable financing” account is added to reflect the notes receivable and accounts receivable that are measured at fair value on the balance sheet date and whose changes are included in other comprehensive income. In the income statement, under the “unvestment uncome” subject, the “derecognition gains on financial assets measured at amortised cost” item is added to reflect the gains and losses arising from the termination of recognition of financial assets measured at amortized cost. The Group has retrospectively adjusted the comparative amounts correspondingly. The changes in accounting policies have had no impact on the net profit and equity in the consolidated and company financial statements.

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III. Significant accounting policies and estimates (continued)

33. Changes in accounting policies (continued)

The cumulative effect of retrospective adjustments caused by the above changes in accounting policies are stated as follows:

The Group

	Before changes Opening balance 31 December 2018	Changes in accounting policies	Changes in presentation of financial statements	After changes Opening balance 1 January 2019
Notes receivable and accounts receivable	16,835,827,951	-	(16,835,827,951)	-
Notes receivable	-	-	1,483,346,329	1,483,346,329
Accounts receivable	-	-	14,662,363,586	14,662,363,586
Accounts receivable financing	-	-	690,118,036	690,118,036
Prepayments	1,654,586,206	(67,166,659)	-	1,587,419,547
Fixed assets	15,396,071,789	(2,059,156,761)	-	13,336,915,028
Right-of-use assets	-	2,595,251,410	-	2,595,251,410
Long-term prepaid expenses	179,802,091	(106,758,008)	-	73,044,083
Notes payble and accounts payable	25,963,249,045	-	(25,963,249,045)	-
Notes payable	-	-	3,860,775,407	3,860,775,407
Accounts payable	-	-	22,102,473,638	22,102,473,638
Current protion of non-current liabilities	2,158,040,320	187,920,848	-	2,345,961,168
Lease liabilities	-	909,649,097	-	909,649,097
Long-term payables	3,214,034,129	(735,399,963)	-	2,478,634,166

The Company

	Before changes Opening balance 31 December 2018	Changes in accounting policies	Changes in presentation of financial statements	After changes Opening balance 1 January 2019
Notes receivable and accounts receivable	39,335,133	-	(39,335,133)	-
Accounts receivable	-	-	39,335,133	39,335,133
Right-of-use assets	-	25,035,496	-	25,035,496
Notes payable and accounts payable	160,060,610	-	(160,060,610)	-
Accounts payable	-	-	160,060,610	160,060,610
Current protion of non-current liabilities	-	8,962,110	-	8,962,110
Lease liabilities	-	16,073,386	-	16,073,386

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IV、 Taxes

1. Taxes and tax rates

Value-added tax (VAT)	-	For general taxpayers, VAT payable is the difference between VAT output and less deductible VAT input for the current period. VAT output has been calculated by applying a rate of 6%, 9% or 13% to the taxable income since 1 April 2019 (6%, 10% or 16% before 1 April 2019). For small-scale taxpayers, VAT is levied at 3% of the taxable value.
Urban maintenance and construction tax	-	It is levied at 7%, 5% or 1% on the turnover taxes paid.
Corporate income tax	-	Except for some subsidiaries established in China that are subject to tax concessions and subsidiaries established overseas that are required to make corporate income tax in accordance with their registered local income tax regulations, corporate income tax is levied at 25% on the taxable profit. The Company uses the legal entity as the enterprise income taxpayer and pays the enterprise income tax at the registered place of the enterprise.
Property tax	-	The ad valorem property is based on 70% or 80% of the original value of the property, and the tax rate is 1.2%; From the rental property, the rental income is the tax base, and the tax rate is 12%. The property tax is declared and paid by the Company and its subsidiaries in accordance with regulations.

All overseas subsidiaries of the Company (including the Hong Kong Special Administrative Region of the People's Republic of China) calculate and pay taxes in accordance with the taxes and tax rates applicable to local tax laws.

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IV、 Taxes (continued)

2. Tax incentives

The corporate income tax benefits offered by the major subsidiaries of the Group are summarized as follows:

	Preferential tax rate		
	For the six-month ended 30 June 2019	For the six-month ended 30 June 2018	Corporate income tax preferential policy
CCCC Guangzhou Dredging Company Limited ("CCCC-GDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies; valid until 2019
CCCC Guangzhou Water Transport Engineering Design and Consultants Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC Tianjin Dredging Company Limited ("CCCC-TDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2021
CCCC TDC Environmental Protection Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC TDC Southern Traffic Construction Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC TDC Harbour Construction Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC TDC Binhai Environmental Protection Harbour Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC (Tianjin) Ecological Design Institute Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2021
CCCC-TDC Yantai Environmental Protection Dredging Co.,Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC Shanghai Dredging Company Limited ("CCCC-SDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020
Shanghai Dahua Surveying and Mapping Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2021
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020
Zhonggang Dredging Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020
CCCC Shanghai Waterway Engineering Design and Consultants Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020

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V. Notes to key items of the consolidated financial statements

1. Cash and bank balance

	30 June 2019 (Unaudited)	31 December 2018
Cash	6,646,333	7,216,589
Cash at banks	6,519,874,554	7,727,219,558
Others	203,391,265	284,239,136
	6,729,912,152	8,018,675,283

Other cash and bank balance mainly include bank drafts deposits, foreign currency deposits, credit card deposits, etc.; restricted deposits (Notes V 59) are mainly used as guarantee deposits, acceptance deposits, letter of credit deposits and so on.

At 30 June 2019, the Group's cash and bank balance deposited abroad are RMB1,282,166,564 (December 31, 2018: RMB1,216,812,856). Some of the cash and bank balance deposited by the Group outside the country are subject to foreign exchange controls in the countries in which they are located and are not freely convertible into foreign currencies or remitted from these countries or regions. At June 30, 2019, the Group's foreign currency-denominated cash and bank balance deposited in these countries accounted for less than 3% of the Group's consolidated balance sheet currency balance (December 31, 2018: less than 3%).

Bank demand deposits earn interest income according to the bank demand deposit rate. The term of the short-term time deposits is divided into one to six months, depending on the Group's cash requirements, and interest income is earned at the corresponding bank time deposit rate.

2. Notes receivable

	30 June 2019 (Unaudited)	31 December 2018
Commercial acceptance bills	521,174,017	1,483,346,329

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V. Notes to key items of the consolidated financial statements (continued)

2. Notes receivable (continued)

The notes receivable that have been endorsed or discounted but not due on the balance sheet date are as follows:

	30 June 2019 (Unaudited)		31 December 2018	
	Derecognition	Recognition	Derecognition	Recognition
Commercial acceptance bills	-	45,080,412	-	71,820,714

Transfer from notes receivables to accounts receivables due to default of drawer :

	30 June 2019 (Unaudited)	31 December 2018
Commercial acceptance bills	130,000,000	200,000,000

3. Accounts receivable

Accounts receivables of the Group is mainly from construction project contract business. Term of credit of receivables varies from 1 to 3 month. Accounts receivable are non-interest-bearing.

The quality guarantee deposit for construction contract would due within 1 to 3 years after completion of construction. Accounting as other non-current assets, the guarantee deposit which shall be due within one year will be listed in current portion of non-current assets.

An ageing analysis of accounts receivable is as follows:

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year (inclusive)	11,507,235,496	11,902,817,471
1 to 2 years	2,756,074,452	1,967,629,756
2 to 3 years	839,035,923	832,377,866
3 to 4 years	880,803,256	964,577,092
4 to 5 years	753,490,655	698,641,152
Over 5 years	1,394,414,737	1,155,772,914
	18,131,054,519	17,521,816,251
Less: Provision for bad debts	2,900,212,179	2,859,452,665
	15,230,842,340	14,662,363,586

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

3. Accounts receivable (continued)

The movements in provision for bad debts of accounts receivable are as follows:

	Opening balance	Provision	Reversal	Write-off	Others	Closing balance
For the six months ended 30 June 2019 (Unaudited)	2,859,452,665	284,290,528	(223,044,642)	(19,310,730)	(1,175,642)	2,900,212,179

	Year-end balance at the end of last year	Changes in accounting policies	Opening balance	Provision	Reversal	Others	Closing balance
2018	2,911,999,759	(283,869,254)	2,628,130,505	709,899,498	(478,564,668)	(12,670)	2,859,452,665

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

3. Accounts receivable(continued)

	30 June 2019 (Unaudited)			
	Carrying amount		Provision for bad debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Subject to separate provision for bad debts	2,432,835,931	13	(1,120,869,551)	46
Provision for bad debts based on credit risk characteristics	15,698,218,588	87	(1,779,342,628)	11
Including: CCCC and its fellow subsidiaries	5,541,440,736	-	-	-
	18,131,054,519	100	(2,900,212,179)	

	31 December 2018			
	Carrying amount		Provision for bad debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Subject to separate provision for bad debts	2,488,393,628	14	(1,147,502,491)	46
Provision for bad debts based on credit risk characteristics	15,033,422,623	86	(1,711,950,174)	11
Including: CCCC and its fellow subsidiaries	4,974,305,650	-	-	-
	17,521,816,251	100	(2,859,452,665)	

As at 30 June 2019, accounts receivables which are subject to separate provision for bad debts are as follows:

	Carrying amount	Provision for bad debt	Expected credit loss rate	Reason
Company 1	231,273,023	(231,273,023)	100%	Note
Company 2	626,338,780	(177,620,162)	28%	Note
Company 3	120,846,780	(115,845,144)	96%	Note
Company 4	86,511,438	(86,511,438)	100%	Note
Company 5	118,615,379	(76,433,110)	64%	Note

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

3. Accounts receivable (continued)

As at 31 December 2018, accounts receivables which are subject to separate provision for bad debts are as follows:

	Carrying amount	Provision for bad debt	Expected credit loss rate	Reason
Company 1	231,273,023	(231,273,023)	100%	Note
Company 2	626,338,780	(177,620,162)	28%	Note
Company 3	120,846,780	(102,093,407)	84%	Note
Company 4	86,511,438	(86,511,438)	100%	Note
Company 5	150,000,000	(76,433,110)	51%	Note

Note: The Group provides engineering construction services or sales materials to the above customers. Due to financial constraints or operational difficulties, or the existence of default records, the Group expects that all or part of the accounts receivable are difficult to recover, and recognized the provision for bad debts accordingly.

The Group's accounts receivable with provision for bad debts using the ageing analysis method are as follows:

	30 June 2019 (Unaudited)		
	Estimated book value of default	Expected credit loss rate(%)	Expected credit loss for the entire life
Within 1 year (inclusive)	5,776,424,600	1.81	(104,624,830)
1 to 2 years	1,647,927,103	13.50	(222,394,106)
2 to 3 years	706,316,137	24.73	(174,661,811)
3 to 4 years	455,988,286	39.07	(178,172,546)
4 to 5 years	630,767,295	55.09	(347,497,384)
Over 5 years	939,354,431	80.05	(751,991,951)
	10,156,777,852		(1,779,342,628)

	31 December 2018		
	Estimated book value of default	Expected credit loss rate(%)	Expected credit loss for the entire life
Within 1 year (inclusive)	5,602,240,654	1.00	(55,907,414)
1 to 2 years	1,623,539,787	13.51	(219,399,981)
2 to 3 years	766,235,411	24.72	(189,443,604)
3 to 4 years	839,211,162	39.06	(327,689,106)
4 to 5 years	254,196,572	55.13	(140,133,526)
Over 5 years	973,693,387	80.04	(779,376,543)
	10,059,116,973		(1,711,950,174)

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

3. Accounts receivable (continued)

For the six months ended 30 June 2019, the Group recognized provision for bad debts of RMB 284,290,528 (2018: RMB709,899,498) and reversed provision for bad debts of RMB 223,044,642 (2018: RMB478,564,668), of which the amount of important provision for bad debts reversal is listed below:

	Reason of reversal	Basis of recognition of provision for bad debts	Amount of reversal	Method of recovering accounts receivable
Company 1	Recover of receivable	Possibility of recovering	26,305,500	Bank acceptance bill
Company 2	Recover of receivable	Possibility of recovering	23,000,000	Bank deposit
Company 3	Recover of receivable	Possibility of recovering	14,265,505	Bank deposit
Company 4	Recover of receivable	Possibility of recovering	9,956,354	Bank deposit
Company 5	Recover of receivable	Possibility of recovering	7,866,996	Bank deposit

For the six months ended 30 June 2019, the amount of accounts receivable written off are RMB 19,310,730 (2018: Nil), and the accounts receivable that are written off are not related to transactions.

Accounts receivable from the five largest customers are as follows:

30 June 2019 (Unaudited)

	Amount	Provision for bad debt	Percentage of total accounts receivable (%)
Accounts receivable from the five largest customers	4,329,142,491	(282,869,849)	24

31 December 2018

	Amount	Provision for bad debt	Percentage of total accounts receivable (%)
Accounts receivable from the five largest customers	4,344,506,098	(329,558,593)	25

In the current period, the Group's receivables measured at amortized cost are transferred to financial institutions in the form of non-recourse factoring and asset securitization. The book balance of the derecognised receivables is RMB1,199,875,301 (2018: RMB1,571,895,737), and the loss of RMB47,728,234 (2018: RMB48,233,042) are confirmed and included in investment income.

For accounts receivable transfer, please refer to Note VIII 2.

For notes receivable and accounts receivable with restricted ownership of the Group, please refer to Note V 59.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

4. Receivable financing

	30 June 2019 (Unaudited)	31 December 2018
Receivable financing	628,575,831	690,118,036

The notes receivable that have been endorsed or discounted but not due on the balance sheet date are as follows:

	30 June 2019 (Unaudited)		31 December 2018	
	Derecognition	Recognition	Derecognition	Recognition
Bank acceptance bills	84,093,779	139,100,000	142,146,366	112,367,056

For receivable financing transfer, please refer to Note VIII 2.

For the six months ended 30 June 2019, there is no case where the receivables are converted into receivable financing due to the failure of the drawer (2018: Nil).

5. Prepayments

An ageing analysis of prepayments is as follows:

	30 June 2019 (Unaudited)		31 December 2018	
	Carrying amount	Percentage (%)	Carrying amount	Percentage (%)
Within 1 year	1,215,909,795	87	1,546,275,734	93
1 to 2 years	158,199,007	11	58,922,065	4
2 to 3 years	8,265,335	1	26,798,133	2
Over 3 years	10,528,761	1	22,590,274	1
	1,392,902,898	100	1,654,586,206	100

As at 30 June 2019, the prepayments aged over one year are RMB176,993,103 (31 December 2018: RMB108,310,472), which are mainly prepayments for subcontracted construction and materials.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

5. Prepayments (continued)

Prepayments from the five largest customers are as follows:

30 June 2019 (Unaudited)	Amount	Percentage
Prepayments from the five largest customers	468,472,068	34%

31 December 2018	Amount	Percentage
Prepayments from the five largest customers	527,162,947	32%

6. Other receivables

Other receivables are classified by nature as follows

	30 June 2019 (Unaudited)	31 December 2018
Dividends receivable	420,637,919	60,857,199
Interest receivable	564,246	564,246
Performance bond receivable	923,559,892	940,175,083
Advance payment and deposit	711,267,038	542,910,311
Funds deposited at CCCC Settlement Center	421,408,665	1,075,467,987
Other deposits receivable	412,697,195	541,325,837
Bid bond receivable	277,143,827	347,330,717
Receivable reserve	75,566,969	54,443,760
Exchanges with CCCC and related subsidiaries	709,610,982	537,052,090
Others	1,708,804,709	674,202,049
	5,661,261,442	4,774,329,279
Less：Provision for bad debts	363,285,317	326,983,783
	5,297,976,125	4,447,345,496

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

6. Other receivables (continued)

Dividends receivable

	30 June 2019 (Unaudited)	31 December 2018
Hong Kong International Construction Investment Management Group	222,634,476	-
China Merchants Bank Co., Ltd.	75,687,746	-
China Harbour Engineering Co., Ltd.	65,194,601	7,652,374
CCCC Kunming Construction and Development Co., Ltd.	27,455,440	27,148,090
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd	25,079,493	25,079,493
Guangdong CCCC Longsha Logistics Co.,Ltd.	977,242	977,242
Foreign currency translation difference	3,608,921	-
Total	420,637,919	60,857,199

An ageing analysis of other receivables is as follows:

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year	3,594,055,609	3,017,041,997
1 to 2 years	1,284,379,902	1,083,258,782
2 to 3 years	162,718,018	51,403,994
Over 3 years	620,107,913	622,624,506
	5,661,261,442	4,774,329,279
Less：Provision for bad debts	363,285,317	326,983,783
	5,297,976,125	4,447,345,496

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

6. Other receivables (continued)

The changes in bad debt provision for other receivables based on 12-month expected credit losses and the entire lifetime expected credit losses are as follows:

For the six months ended 30 June 2019(Unaudited)

	Stage 1	Stage 2	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire life (Individually)	Expected credit loss for the entire life (Combined)	Financial assets that have suffered credit impairment (Entire duration)	
Balance at 1 January 2019	11,302,637	164,400,000	144,581,017	6,700,129	326,983,783
During the period					
—Transfer to Stage 2	(189,503)	-	189,503	-	-
Provision	2,012,481	40,046	41,676,363	5,319	43,734,209
Reverse	(3,564,795)	-	(3,657,468)	(200,000)	(7,422,263)
Write-off	-	-	(3,375)	-	(3,375)
Others	(285)	-	(6,752)	-	(7,037)
	9,560,535	164,440,046	182,779,288	6,505,448	363,285,317

2018

	Stage 1	Stage 2	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire life (Individually)	Expected credit loss for the entire life (Combined)	Financial assets that have suffered credit impairment (Entire duration)	
Balance at 1 January 2018	20,271,015	164,400,000	135,545,997	316,535	320,533,547
During this year					
—Transfer to Stage 2	(716,183)	-	716,183	-	-
—Transfer to Stage 3	-	-	(4,425,875)	4,425,875	-
Provision	4,588,176	-	35,627,715	1,957,719	42,173,610
Reverse	(12,849,744)	-	(22,954,086)	-	(35,803,830)
Write-off	-	-	(2,500)	-	(2,500)
Others	9,373	-	73,583	-	82,956
	11,302,637	164,400,000	144,581,017	6,700,129	326,983,783

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

6. Other receivables (continued)

The changes in the book balance of other receivables that affect the change in loss provisions are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Stage 1	Stage 2	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire life (Individually)	Expected credit loss for the entire life (Combined)	Financial assets that have suffered credit (Entire duration)	
Balance at 1 January 2019	3,741,554,992	274,000,000	752,074,158	6,700,129	4,774,329,279
During this period					
—Transfer to Stage 2	(13,253,551)	-	13,253,551	-	-
Addition	908,663,753	40,046	252,685,974	909,168	1,162,298,941
Derecognization	(275,141,778)	-	-	(200,000)	(275,341,778)
Write-off	-	-	(25,000)	-	(25,000)
	4,361,823,416	274,040,046	1,017,988,683	7,409,297	5,661,261,442

2018

	Stage 1	Stage 2	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire life (Individually)	Expected credit loss for the entire life (Combined)	Financial assets that have suffered credit impairment (Entire duration)	
Balance at 1 January 2018	3,381,030,571	274,000,000	653,781,825	316,535	4,309,128,931
During this year					
—Transfer to Stage 2	(9,588,243)	-	9,588,243	-	-
—Transfer to Stage 3	-	-	(6,383,594)	6,383,594	-
Addition	1,387,630,707	-	95,114,421	-	1,482,745,128
Derecognization	(1,017,518,043)	-	-	-	(1,017,518,043)
Write-off	-	-	(26,737)	-	(26,737)
	3,741,554,992	274,000,000	752,074,158	6,700,129	4,774,329,279

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

6. Other receivables (continued)

For the six months ended June 30, 2019, the Group made provision for bad debts of RMB 43,734,209 (2018: RMB 42,173,610) and recovered or transferred back bad debt provision of RMB7,422,263 (2018: RMB35,803,830). The main recoveries or reversal amounts are as follows:

	Reason of reversal	Basis of recognition of provision for bad debts	The amount of reversal or transferred back	Method of recovering other receivables
Company 1	Collection	Possibility of recovering	942,450.00	Bank deposits
Company 2	Collection	Possibility of recovering	1,320,000.00	Bank deposits

For the six months ended June 30, 2019, the other receivables written off by the Group are RMB3,375 (2018: RMB2,500), and other receivables written off are not related to transactions.

The five largest other receivables are as follows:

	Amount	Provision for bad debts	Percentage of total other receivables
30 June 2019 (Unaudtied)	959,937,803	(168,854,178)	17%

	Amount	Provision for bad debts	Percentage of total other receivables
31 December 2018	1,051,159,376	(169,529,252)	22%

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

7. Inventories

	30 June 2019 (Unaudited)		
	Gross carrying amount	Provision	Carrying amount
Raw materials	870,274,082	-	870,274,082
Work in progress	31,782,880	-	31,782,880
Finished goods	385,812,656	-	385,812,656
Turnover materials	559,666,808	-	559,666,808
Development costs(1)	463,602,665	-	463,602,665
Properties under development(2)	29,762,017	-	29,762,017
	2,340,901,108	-	2,340,901,108

	31 December 2018		
	Gross carrying amount	Provision	Carrying amount
Raw materials	906,745,106	-	906,745,106
Work in progress	31,872,924	-	31,872,924
Finished goods	250,710,868	-	250,710,868
Turnover materials	558,770,712	-	558,770,712
Development costs(1)	454,155,433	-	454,155,433
Properties under development(2)	29,762,017	-	29,762,017
	2,232,017,060	-	2,232,017,060

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

7. Inventories (continued)

(1) Development costs are listed below：

	For the six months ended 30 June 2019 (Unaudited)	31 December 2018
Opening balance	454,155,433	304,888,552
Addition	9,447,232	149,266,881
Closing balance	463,602,665	454,155,433

(2) Properties under development are listed below：

	For the six months ended 30 June 2019 (Unaudited)	31 December 2018
Opening balance	29,762,017	31,402,969
Sales	-	(1,640,952)
Closing balance	29,762,017	29,762,017

The movements in provision for write-down of inventories are as follows:

During the six month period ended 30 June 2019, there is no provision for inventory (2018: Nil).

The net realizable value is recognized by the estimated selling price of inventories minus the estimated cost of completion, estimated selling expenses and related taxes. The inventory depreciation reserve is transferred when the inventory is sold or the construction contract revenue is confirmed based on the performance progress.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

8. Contract assets

The contract assets are mainly generated by the Group's engineering contracting business. The Group provides construction services based on the engineering contract construction contract signed with the customer, and recognizes the income during the contract period according to the performance progress. The customers of the Group settled with the Group on the progress of the performance of the construction services according to the contract, and paid the project price according to the credit period stipulated in the contract after settlement. Contract assets are recognized when the amount of revenue recognized by the Group based on the progress of the performance is more than the portion of the settlement price that has been settled. Contract liabilities are recognized when the amount of settlement price is more than the amount of revenue recognized by the Group based on the progress of the performance.

	30 June 2019 (Unaudited)		
	Gross carrying amount	Provision	Carrying amount
Completed but unsettled	12,672,655,756	(89,197,764)	12,583,457,992

	31 December 2018		
	Gross carrying amount	Provision	Carrying amount
Completed but unsettled	10,241,145,515	(73,297,009)	10,167,848,506

The movements in provision for write-down of contract assets are as follows:

For the six months ended 30 June 2019 (Unaudited)

Opening balance	Provision	Reversal	Others	Closing balance
73,297,009	33,766,164	(17,109,632)	(755,777)	(89,197,764)

2018

Year-end balance at the end of last year	Changes in accounting policies	Opening balance	Provision	Reversal	Closing balance
-	76,451,615	76,451,615	31,155,306	(34,309,912)	(73,297,009)

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

8. Contract assets (continued)

The provision for bad debts of the contract assets based on the ageing combination is as follows:

For the six months ended 30 June 2019 (Unaudited):

	30 June 2019 (Unaudited)			
	Carrying amount		Provision for bad debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision for impairment based on credit risk portfolio	12,672,655,756	100	89,197,764	0.70

	31 December 2018			
	Carrying amount		Provision for bad debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision for impairment based on credit risk portfolio	10,241,145,515	100	73,297,009	0.72

9. Other current assets

	30 June 2019 (Unaudited)	31 December 2018
Deductible input taxes	1,212,927,512	2,093,876,617
Prepaid taxes	52,401,227	37,800,722
	1,265,328,739	2,131,677,339

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

10. Long-term receivables

	30 June 2019 (Unaudited)	31 December 2018
Construction receivable and project deposit	9,747,460,428	10,463,813,661
PPP project receivables	8,409,701,173	7,904,793,739
	18,157,161,601	18,368,607,400
Less: Provision for long-term receivables	247,737,708	248,840,912
	17,909,423,893	18,119,766,488
Less: Current portion of long-term receivables	5,799,860,819	5,867,684,717
	12,109,563,074	12,252,081,771

For the six months ended 30 June 2019, long-term receivables are presented in accordance with the net value after discounting, with a discount rate of 4.75%-4.90% (2018: 4.75%-4.90%).

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

10. Long-term receivables (continued)

The changes in bad debt provision for long-term receivables based on the expected lifetime credit loss are as follows:

For the six months ended 30 June 2019 (Unaudited):

	Opening balance	Provision	Others	Reverse	Closing balance
Expected credit loss for the duration	248,840,912	9,696,066	20,390	(10,819,660)	247,737,708

2018

	Year-end balance at the end of last year	Changes in accounting policies (Note III. 33)	Opening balance	Provision	Other increase	Reverse	Write-off	Other decrease	Closing balance
2018	94,671,979	71,913,162	166,585,141	109,499,858	5,138,117	(32,382,204)	-	-	248,840,912

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

10. Long-term receivables (continued)

For long-term receivables, the changes in credit impairment provision are made according to the 12-month expected credit loss and the entire lifetime expected credit loss, as follows:

For the six months ended 30 June 2019 (Unaudited)

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit loss for the entire life (Individually)	Stage 3 Financial assets that have suffered credit impairment (Entire duration)	Total
Balance at 1 January 2019	96,795,151	152,045,761	-	248,840,912
Provision	9,696,066	-	-	9,696,066
Reverse	(10,819,660)	-	-	(10,819,660)
Others	20,390	-	-	20,390
	95,691,947	152,045,761	-	247,737,708

2018

	Stage 1 Expected credit losses in the next 12 months	Stage 2 Expected credit loss for the entire life (Individually)	Stage 3 Financial assets that have suffered credit impairment (Entire duration)	Total
Balance at 1 January 2018	71,913,162	94,671,979	-	166,585,141
Provision	52,126,076	57,373,782	-	109,499,858
Reverse	(32,382,204)	-	-	(32,382,204)
Others	5,138,117	-	-	5,138,117
	96,795,151	152,045,761	-	248,840,912

For long-term receivables with restricted ownership of the Group, please refer to Note V.59.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

10. Long-term receivables (continued)

The changes in the book balance of long-term receivables that affect changes in loss provisions are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire life (Individually)	Financial assets that have suffered credit impairment (Entire duration)	
Balance at 1 January 2019	16,135,510,810	2,233,096,590	-	18,368,607,400
During this period Changes	(212,929,793)	1,483,994	-	(211,445,799)
Balance at 30 June 2019	15,922,581,017	2,234,580,584	-	18,157,161,601

2018

	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire life (Individually)	Financial assets that have suffered credit impairment (Entire duration)	
Balance at 1 January 2018	16,283,702,310	2,433,096,590	-	18,716,798,900
During this year Changes	(148,191,500)	(200,000,000)	-	(348,191,500)
Balance at 31 December 2018	16,135,510,810	2,233,096,590	-	18,368,607,400

11. Long-term equity investments

	30 June 2019 (Unaudited)	31 December 2018
Joint ventures(1)	2,201,159,064	1,960,913,941
Associates(2)	4,098,348,476	3,702,108,877
	6,299,507,540	5,663,022,818
Less: Provision for impairment(3)	1,000,000	1,000,000
	6,298,507,540	5,662,022,818

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(1) Joint ventures

	For the six months ended 30 June 2019 (Unaudited)					
			Movement for this period			
	Cost of investment	Opening balance	Addition	Gain/(loss) under equity method	Others	Closing balance
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	975,000,000	980,061,457	-	3,263,607	-	983,325,064
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.(Note 1)	6,000,000	265,048,717	-	846,948	-	265,895,665
Cangzhou Bohai New Area TDC Construction Port Construction Management Co., Ltd.	203,464,300	203,464,300	-	-	-	203,464,300
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	113,574,861	135,145,360	-	3,102,735	191,646	138,439,741
Tangshan Jinhang Dredging Engineering Co., Ltd.	35,000,000	78,644,707	-	209,503	-	78,854,210
Tangshan Caofeidian Dredging Co., Ltd.	30,006,000	77,673,755	-	(4,211,831)	-	73,461,924
CCCC Hemei Environmental Ecology Construction Co., Ltd. (Note 2)	51,123,300	62,413,560	-	1,164,692	-	63,578,252
Chifeng CCCC Investment Construction Development Co., Ltd.	28,275,000	51,000,000	-	-	-	51,000,000
Cangzhou Bohai New Area Jinyu Port Construction Engineering Co., Ltd.	10,000,000	44,492,582	-	-	-	44,492,582
Guigang CCCC Investment Development Co., Ltd. (Note 3)	35,000,000	35,000,000	28,000,000	-	-	63,000,000
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	5,445,000	16,335,000	-	-	-	16,335,000
Zhoushan CCCC Qiandao Central Business District Industrial Co., Ltd. (Note 4)	9,800,000	9,551,975	-	(167,217)	-	9,384,758
Hui'an CCCC Chongfa Fishing Port Investment o., Ltd.	1,500,000	2,082,528	-	539	-	2,083,067
CCCC (Yangjiang) Construction Investment Co., Ltd. (Notes 5)	7,200,000	-	7,200,000	-	-	7,200,000
CCCC Fenhe Investment Holdings Co., Ltd. (Note 6)	201,960,000	-	201,960,000	(1,315,499)	-	200,644,501
		1,960,913,941	237,160,000	2,893,477	191,646	2,201,159,064

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(1) Joint ventures (continued)

	2018							
			Movement for the year					
	Cost of investment	Opening balance	Addition	Gain/(loss) under equity method	Joint venture transfer to subsidiary	Declared dividend	Others	Closing balance
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	975,000,000	975,500,699	-	4,560,758	-	-	-	980,061,457
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	263,640,000	167,766,098	97,275,000	7,619	-	-	-	265,048,717
Cangzhou Bohai New Area TDC Construction Port Construction Management Co., Ltd.	203,464,300	203,464,300	-	-	-	-	-	203,464,300
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	113,574,861	133,014,392	-	9,109,631	-	(6,978,663)	-	135,145,360
Tangshan Jinhang Dredging Engineering Co., Ltd.	35,000,000	77,381,186	-	1,262,242	-	-	1,279	78,644,707
Tangshan Caofeidian Dredging Co., Ltd.	30,006,0007	88,948,606	-	(11,274,851)	-	-	-	77,673,755
CCCC Hemei Environmental Ecology Construction Co., Ltd.	51,123,300	-	51,123,300	11,290,260	-	-	-	62,413,560
Chifeng CCCC Investment Construction Development Co., Ltd.	51,000,000	28,275,000	22,725,000	-	-	-	-	51,000,000
Cangzhou Bohai New Area Jinyu Port Construction Engineering Co., Ltd.	10,000,000	45,691,978	-	(1,197,305)	-	-	(2,091)	44,492,582
Guigang CCCC Investment Development Co., Ltd.	35,000,000	-	35,000,000	-	-	-	-	35,000,000
CCCC (Jiaocheng) Investment and Construction Co., Ltd.	22,000,000	22,000,000	82,218,400	7,933	(104,226,333)	-	-	-
Yuxi CCCC Xingyun Lake Environmental Treatment Co., Ltd.	18,000,000	18,000,000	102,280,000	(1,043,961)	(119,236,039)	-	-	-
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	16,335,000	5,445,000	10,890,000	-	-	-	-	16,335,000
Zhoushan CCCC Qiandao Central Business District Industrial Co., Ltd.	9,800,000	-	9,800,000	(248,025)		-	-	9,551,975
Hui'an CCCC Chongfa Fishing Port Investment Co., Ltd.	1,500,000	-	1,500,000	73	-	-	582,455	2,082,528
		1,765,487,259	412,811,700	12,474,374	(223,462,372)	(6,978,663)	581,643	1,960,913,941

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(1) Joint ventures (continued)

Note 1:

CCCC-TDC, a subsidiary of the Company, CCCC Fourth Harbour Engineering Co., Ltd, Fuzhou Taiwanese Investment Zone Development and Construction Co., Ltd. (hereinafter referred to as "Fuzhou Taiwan Investment Corporation") invested in the establishment of Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd. (hereinafter referred to as "Fuzhou Taiwanese Business"), are responsible for the implementation of investment, construction, operation, maintenance and maintenance management of infrastructure projects in Songshan District A of Fuzhou Taiwanese Investment Zone. Those three companies' shareholding ratios are 60%, 10% and 30%, respectively. CCCC-TDC and CCCC Fourth Harbour Engineering Co., Ltd. signed a shareholding agreement. Therefore, the proportion of voting rights of CCCC-TDC is 70%. According to the company's articles of association and actual operations, Fuzhou Taiwan Investment Corporation has a veto power over major issues such as financing decisions of Fuzhou Taiwanese businessmen. Therefore, CCCC-TDC cannot actually control Fuzhou Taiwanese Business. Therefore, as a joint venture, it is accounted for equity method.

Note 2:

CCCC Ecological Environmental Protection Investment Co., Ltd. (hereinafter referred to as "ecological environmental protection"), a subsidiary of the Company, holds a 49% equity interest in CCCC Hemei Environmental Ecology Construction Co., Ltd. Ecological environmental protection jointy control CCCC Hemei Environmental Ecology Construction Co., Ltd. With CCCC Second Highway Consultants Co., Ltd.

Note 3:

In accordance with the investment agreement, the shareholders of each party will make additional investments according to the progress of the project.

Note 4:

Ecological environmental protection holds a 49% equity interest in Zhoushan CCCC Qiandao Central Business District Industrial Co., Ltd. According to the company's articles of association, ecological environmental protection and Zhejiang Free Trade Zone Xiaogandao Business District Construction Holdings Co., Ltd. jointly control Zhoushan CCCC Qiandao Central Business District Industrial Co., Ltd., so it is accounted for as a joint venture by the equity method.

Note 5:

CCCC (Yangjiang) Construction Investment Co., Ltd. was newly established in the current period, of which CCCC-GDC, a subsidiary of the Company, holds a 40% equity interest. According to the company's articles of association, CCCC (Yangjiang) Construction Investment Co., Ltd. Is jointly controlled by CCCC-GDC, CCCC Investment Holdings Co., Ltd. and CCCC Fourth Harbour Engineering Co., Ltd.

Note 6:

CCCC Fenhe Investment Holdings Co., Ltd. was newly established in the current period. The subsidiaries of the Company, Ecological environmental protection and CCCC-TDC, hold 31.62% and 19.38% of the equity interest respectively. According to the company's articles of association, the shareholders' meeting will make a resolution and must be approved by shareholders who represent more than two-thirds of the voting rights. Therefore, the Group and other shareholders share the control of CCCC Fenhe Investment Holdings Co., Ltd. as a joint venture in accordance with the equity method.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(2) Associates

	For the six months ended 30 June 2019 (Unaudited)					
			Movement for this period			
	Cost of investment	Opening balance	Addition	Gain/(loss) under equity method	Others	Closing balance
CCCC (Shantou) East Coast New City Investment and Construction Co., Ltd. (Note 1)	700,000,000	1,086,358,931	-	42,262,105	-	1,128,621,036
Shenhua SDC Co., Ltd. (Note 2)	300,000,000	333,440,670	-	2,285,006	560,528	336,286,204
Yongding River Basin Investment Co., Ltd. (Note 3)	324,000,000	324,000,000	-	57,285	-	324,057,285
Tianjin Port Aviation Engineering Co., Ltd.	98,951,331	311,893,585	-	5,993,999	3,499	317,891,083
Tianjin Lingang Industrial Investment Holdings Co., Ltd. (Note 4)	300,000,000	300,000,000	-	-	-	300,000,000
CCCC Xiong'an Financial Leasing Co., Ltd. (Note 5)	490,000,000	240,000,000	250,000,000	1,632,856	-	491,632,856
CCCC South China Investment Co., Ltd.	100,000,000	101,084,226	-	35,501	-	101,119,727
CCCC Construction Co., Ltd. Southern Latin America Regional Corporation (Note 6)	106,966,530	98,466,158	91,998,971	(4,747,511)	-	185,717,618
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	52,776,000	90,480,302	-	3,133	-	90,483,435
Chengdu Tuo River Basin Investment and Development Group Co., Ltd.	49,000,000	71,471,797	-	(5,106,999)	-	66,364,798
Fuyang CCCC SDC Donghua Water Environment Management Investment and Construction Co., Ltd. (Note 7)	71,250,000	71,303,699	-	25,004	-	71,328,703
Yongding River Investment (Hunyuan) Ecological Development Co., Ltd. (Note 8)	2,080,000	-	2,080,000	47,738	-	2,127,738
Hubei Changtou Ecological Xiangyang Construction Investment Co., Ltd. (Note 9)	390,000	-	390,000	-	-	390,000
Others	392,794,358	673,609,509	-	8,718,484	-	682,327,993
		3,702,108,877	344,468,971	51,206,601	564,027	4,098,348,476

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(2) Associates (continued)

	2018							
			Movement for this year					
	Cost of investment	Opening balance	Addition	Gain/(loss) under equity method	Transfer to subsidiary	Declare dividends	Others	Closing balance
CCCC (Shantou) East Coast New City Investment and Construction Co., Ltd.	681,000,000	997,757,843	-	96,813,000	-	-	(8,211,912)	1,086,358,931
Shenhua SDC Co., Ltd.	300,000,000	359,651,949	-	18,853,911	-	(45,284,315)	219,125	333,440,670
Yongding River Basin Investment Co., Ltd.	324,000,000	-	324,000,000	-	-	-	-	324,000,000
Tianjin Port Aviation Engineering Co., Ltd.	98,951,331	291,068,713	-	20,824,872	-	-	-	311,893,585
Tianjin Lingang Industrial Investment Holdings Co., Ltd.	300,000,000	300,000,000	-	-	-	-	-	300,000,000
CCCC Xiong'an Financial Leasing Co., Ltd.	240,000,000	-	240,000,000	-	-	-	-	240,000,000
CCCC South China Investment Co., Ltd.	100,000,000	100,024,062	-	1,060,164	-	-	-	101,084,226
CCCC Construction Co., Ltd. Southern Latin America Regional Corporation	106,966,530	96,195,610	-	2,270,548	-	-	-	98,466,158
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	52,776,000	90,275,646	-	204,656	-	-	-	90,480,302
Chengdu Tuo River Basin Investment and Development Group Co., Ltd.	49,000,000	48,967,718	24,500,000	(1,995,921)	-	-	-	71,471,797
Fuyang CCCC SDC Donghua Water Environment Management Investment and Construction Co., Ltd.	1,425,000	-	71,250,000	53,699	-	-	-	71,303,699
Shouguang Zhongtong Port Investment Port Management Co., Ltd.	70,000,000	70,000,000	-	10,859	(70,010,859)	-	-	-
Others	391,775,000	572,999,842	71,019,358	31,340,442	-	(1,750,000)	(133)	673,609,509
		2,926,941,383	730,769,358	169,436,230	(70,010,859)	(47,034,315)	(7,992,920)	3,702,108,877

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(2) Associates (continued)

Note 1:

The company's subsidiary CCCC-GDC holds a 15% stake in China Eastern (Shantou) East Coast New City Investment and Construction Co., Ltd. According to the company's articles of association, the CCCC-GDC has one director attached to its board of directors and is entitled to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 2:

CCCC-SDC, a subsidiary of the Company, holds a 50% stake in Shenhua SDC Co., Ltd. According to the company's articles of association, CCCC-SDC only holds 28.57% of the voting rights in the board of directors of Shenhua Shanghai Dredging Co., Ltd., and exerts only significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 3:

Ecological environmental protection, a subsidiary of the Company, holds a 10.8% equity interest in Yongding River Basin Investment Co., Ltd. According to the company's articles of association, Ecological environmental protection accounted for 22% of the voting rights of the board of directors of Yongding River Basin Investment Co., Ltd., which can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 4:

CCCC-TDC, a subsidiary of the Company, holds a 10% equity interest in Tianjin Lingang Industrial Investment Holding Ltd. According to the company's articles of association, the board of directors of Tianjin Lingang Industrial Investment Holdings Ltd. has 10 director seats. Since CCCC-TDC has one director in its board of directors, CCCC-TDC has the right to participate in its business decisions and can exert significant influence on it. As an associate, it is accounted for using the equity method.

Note 5:

Hongkong Marine Construction Limited (“Hong Kong Marine”), a subsidiary of the Company, holds a 25.49% equity interest in CCCC Xiong'an Financial Leasing Co., Ltd. As the Group has one director on CCCC Xiong’an Financial Leasing Co., Ltd.’s board of directors, the Group has the right to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 6:

The Company holds a 15% equity interest in South American Latin American Regional Corporation of China Communications Construction Co., Ltd. According to the company's articles of association, the board of directors of the South American Latin American Regional Corporation of China Communications Construction Co., Ltd. has six director seats. Since the Company has one director in its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 7:

The subsidiary of the Company, CCCC-SDC, holds 47.50% of the equity of Fuyang CCCC SDC Donghua Water Environment Management Investment and Construction Co., Ltd. According to the company's articles of association, CCCC-SDC has two directors on its board of directors, and has the right to participate in its business decisions, which can exert significant influence on IT. Therefore, it is accounted for as an associate by the equity method.

Note 8:

Yongding River Investment (Hunyuan) Ecological Development Co., Ltd. was newly established in this period. CCCC-TDC, a subsidiary of the Company, holds 5%of Yongding River Investment (Hunyuan) Ecological Development Co., Ltd. According to its articles of association, there are five seats in the borad of Yongding River Investment (Hunyuan) Ecological Development Co., Ltd. and CCCC-TDC has one director on its board of directors and has the right to participate in its business decisions. Therefore, Yongding River Investment (Hunyuan) Ecological Development Co., Ltd. is recognized as an associate by the equity method.

Note 9:

Hubei Changtou Ecological Xiangyang Construction Investment Co., Ltd. was newly established. CCCC-GDC, a subsidiary of the Company, holds a 30% of equity interest of Hubei Changtou Ecological Xiangyang Construction Investment Co., Ltd. According to its articles of association, Hubei Changtou Ecological Xiangyang Construction Investment Co., Ltd.has five seats in its board of directors and CCCC-GDC has one director on its borad of directors and has the right to participate in its business decisions. Therefore, Hubei Changtou Ecological Xiangyang Construction Investment Co., Ltd. is recognized as an associate by the equity method.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

11. Long-term equity investments (continued)

(3) Provision for impairment

	30 June 2019 (Unaudited)	31 December 2018
Associates		
Zhongyang Asset Management Co., Ltd.	1,000,000	1,000,000

12. Other equity investments

30 June 2019 (Unaudited)

	Cost	Changes in fair value through OCI	Changes in fair value	Dividend
China Merchants Bank Co., Ltd.	278,058,864	2,619,010,402	2,897,069,266	75,687,746
China Harbour Engineering Co., Ltd.	349,520,634	1,230,916,355	1,580,436,989	57,542,228
Hong Kong International Construction Investment Management Group	583,190,712	(378,607,680)	204,583,032	222,624,353
CCCG Real Estate(Yixing) Co., Ltd.	186,211,000	(14,955,000)	171,256,000	-
Dalian Taipingwan Investment Holdings Co., Ltd.	300,000,000	(164,657,696)	135,342,304	-
Tianjin Harbour Real Estate Co., Ltd.	95,000,000	(8,012,000)	86,988,000	-
CCCG Real Estate(Tianjin) Co., Ltd.	50,000,000	(2,190,000)	47,810,000	-
Fuzhou Zhentai Real Estate Co., Ltd.	40,000,000	-	40,000,000	-
Shanghai Jiali Grain and Oil Industry Co., Ltd.	9,911,170	10,262,165	20,173,335	-
CCCC (Lianyungang) Construction Development Co., Ltd.	17,259,657	(2,626,730)	14,632,927	-
Others	15,702,440	10,757,122	26,459,562	422,856
	1,924,854,477	3,299,896,938	5,224,751,415	356,277,183

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

12. Other equity investments (continued)

31 December 2018

	Cost	Changes in fair value through OCI	Changes in fair value	Dividend
China Merchants Bank Co., Ltd.	278,058,864	1,751,016,887	2,029,075,751	67,635,858
China Harbour Engineering Co., Ltd.	349,520,634	1,283,539,366	1,633,060,000	35,136,528
Hong Kong International Construction	583,190,712	(222,099,930)	361,090,782	14,459,760
Investment Management Group	186,211,000	(14,955,000)	171,256,000	-
Dalian Taipingwan Investment Holdings Co., Ltd.	300,000,000	(164,657,696)	135,342,304	-
CCCG Real Estate(Tianjin) Co., Ltd.	95,000,000	(8,012,000)	86,988,000	-
Tianjin Harbour Real Estate Co., Ltd.	50,000,000	(2,190,000)	47,810,000	-
Shanghai Jiali Grain and Oil Industry Co., Ltd.	9,911,170	23,427,330	33,338,500	-
CCCC (Lianyungang) Construction Development Co., Ltd.	17,259,657	(2,626,730)	14,632,927	-
Others	15,702,440	9,424,913	25,127,353	26,696,260
	1,884,854,477	2,652,867,140	4,537,721,617	143,928,406

13. Other non-current financial assets

	30 June 2019 (Unaudited)	31 December 2018
Financial assets at fair value through gain or loss	133,650,000	133,650,000

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

14. Investment properties

For the six months ended 30 June 2019 (Unaudited)

	Buildings	Land use rights	Total
Cost			
Opening balance	173,018,078	359,629,986	532,648,064
Transfer from fixed assets (Note V.15)	67,150,981	-	67,150,981
Transfer from intangible assets (Note V.18)	-	12,172,595	12,172,595
Closing balance	240,169,059	371,802,581	611,971,640
Accumulated depreciation and amortization			
Opening balance	94,474,413	17,733,868	112,208,281
Provided during the period	3,625,494	646,501	4,271,995
Transfer from fixed assets (Note V. 15)	3,550,858	-	3,550,858
Transfer from intangible assets (Note V.18)	-	1,228,497	1,228,497
Closing balance	101,650,765	19,608,866	121,259,631
Carrying amount			
At end of the period	138,518,294	352,193,715	490,712,009
At beginning of the period	78,543,665	341,896,118	420,439,783

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

14. Investment properties (continued)

2018

	Buildings	Land use rights	Total
Cost			
Opening balance	141,382,239	37,716,020	179,098,259
Purchases	-	310,573,040	310,573,040
Transfer from fixed assets (Note V.15)	31,635,839	-	31,635,839
Transfer from intangible assets (Note V.18)	-	11,340,926	11,340,926
Closing balance	173,018,078	359,629,986	532,648,064
Accumulated depreciation and amortization			
Opening balance	70,944,793	12,458,830	83,403,623
Provided during the period	5,124,870	1,073,320	6,198,190
Transfer from fixed assets (Note V. 15)	18,404,750	-	18,404,750
Transfer from intangible assets (Note V.18)	-	4,201,718	4,201,718
Closing balance	94,474,413	17,733,868	112,208,281
Carrying amount			
At end of year	78,543,665	341,896,118	420,439,783
At beginning of year	70,437,446	25,257,190	95,694,636

For the six months ended 30 June 2019 and for the year of 2018,no provision for impairment is recognized for investment properties.

At 30 June 2019, investment properties that did not have a title certificate are as follows:

	Carrying amount	Reasons
Land use rights	310,573,040	In progress
Buildings	58,578,711	In progress
	369,151,751	

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

15. Fixed assets

For the six months ended 30 June 2019 (Unaudited)	Buildings	Machinery	Ships	Vehicles	Office and electronic equipment	Temporary facilities	Total
Cost							
Year-end balance at the end of last year	2,056,962,678	959,064,965	24,008,418,216	177,100,115	191,025,490	98,820,829	27,491,392,293
Changes in accounting policies	(90,393,630)	(94,171,124)	(2,932,952,824)	-	-	(9,310,346)	(3,126,827,924)
Opening balance	1,966,569,048	864,893,841	21,075,465,392	177,100,115	191,025,490	89,510,483	24,364,564,369
Increases	35,194,525	13,884,243	789,548,502	6,248,324	9,431,362	613,458	854,920,414
Purchases	35,194,525	12,280,322	7,753,427	6,245,813	9,430,136	556,167	71,460,390
Transfer from construction in progress (Note V. 16)	-	1,603,921	520,974,138	-	-	57,291	522,635,350
Transfer from right-of-use assets (Note V. 17)	-	-	225,500,000	-	-	-	225,500,000
Others	-	-	35,320,937	2,511	1,226	-	35,324,674
Decreases	(67,949,584)	(5,891,966)	(165,387,324)	(13,623,013)	(5,735,123)	-	(258,587,010)
Disposals or retirements	(798,603)	(5,891,966)	(165,387,324)	(13,094,211)	(5,692,401)	-	(190,864,505)
Transfer to investment properties (Note V.14)	(67,150,981)	-	-	-	-	-	(67,150,981)
Others	-	-	-	(528,802)	(42,722)	-	(571,524)
Internal reclassification	(5,073,650)	10,213,538	-	-	(5,139,888)	-	-
Closing balance	1,928,740,339	883,099,656	21,699,626,570	169,725,426	189,581,841	90,123,941	24,960,897,773
Accumulated depreciation							
Year-end balance at the end of last year	556,114,985	587,195,881	10,623,446,780	122,908,780	137,954,028	67,700,050	12,095,320,504
Changes in accounting policies	(29,477,233)	(81,009,148)	(960,158,887)	2,937,762	36,347	(4)	(1,067,671,163)
Opening balance	526,637,752	506,186,733	9,663,287,893	125,846,542	137,990,375	67,700,046	11,027,649,341
Increases	25,890,763	45,310,988	446,569,684	9,329,720	17,512,952	4,075,064	548,689,171
Depreciation provided during the period	25,890,763	45,310,988	337,924,898	9,328,590	17,473,249	4,075,064	440,003,552
Transfer from right-of-use assets (Note V.17)	-	-	76,883,616	-	-	-	76,883,616
Others	-	-	31,761,170	1,130	39,703	-	31,802,003
Decreases	(3,800,541)	(5,274,774)	(148,153,892)	(13,004,812)	(5,582,916)	-	(175,816,935)
Disposals or retirements	(212,961)	(5,274,774)	(148,153,892)	(12,476,010)	(5,592,411)	-	(171,710,048)
Transfer to investment properties (Note V.14)	(3,550,858)	-	-	-	-	-	(3,550,858)
Others	(36,722)	-	-	(528,802)	9,495	-	(556,029)
Internal reclassification	(1,189,906)	4,878,881	-	-	(3,688,975)	-	-
Closing balance	547,538,068	551,101,828	9,961,703,685	122,171,450	146,231,436	71,775,110	11,400,521,577
Carrying amount							
At end of the period	1,381,202,271	331,997,828	11,737,922,885	47,553,976	43,350,405	18,348,831	13,560,376,196
At beginning of the period	1,439,931,296	358,707,108	11,412,177,499	51,253,573	53,035,115	21,810,437	13,336,915,028

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V. Notes to key items of the consolidated financial statements (continued)

15. Fixed assets (continued)

2018	Buildings	Machinery	Ships	Vehicles	Office and electronic equipments	Temporary facilities	Total
Cost							
Opening balance	1,177,721,565	879,664,669	23,590,054,221	170,117,752	177,931,384	74,250,227	26,069,739,818
Increases	1,032,746,148	109,279,487	644,275,395	22,775,652	29,696,667	25,122,403	1,863,895,752
Purchases	13,391,010	42,496,491	44,750,742	21,408,132	28,778,304	8,059,553	158,884,232
Transfer from construction in progress (Note V. 16)	1,016,732,944	65,899,427	592,053,316	-	51,771	7,752,505	1,682,489,963
Others	2,622,194	883,569	7,471,337	1,367,520	866,592	9,310,345	22,521,557
Decreases	(153,505,035)	(29,879,191)	(225,911,400)	(15,793,289)	(16,602,561)	(551,801)	(442,243,277)
Disposals or retirements	(5,081,957)	(29,071,735)	(225,911,400)	(14,508,254)	(15,824,929)	(551,801)	(290,950,076)
Transfer to investment properties (Note V. 14)	(31,635,839)	-	-	-	-	-	(31,635,839)
Others	(116,787,239)	(807,456)	-	(1,285,035)	(777,632)	-	(119,657,362)
Closing balance	2,056,962,678	959,064,965	24,008,418,216	177,100,115	191,025,490	98,820,829	27,491,392,293
Accumulated depreciation							
Opening balance	513,380,568	523,620,520	10,022,511,206	117,709,706	130,012,796	61,349,568	11,368,584,364
Increases	66,217,397	90,268,707	799,687,674	20,381,682	24,005,656	6,844,172	1,007,405,288
Depreciation provided during the year	64,475,829	90,127,669	810,023,577	19,839,278	23,532,167	6,844,172	1,014,842,692
Others	1,741,568	141,038	(10,335,903)	542,404	473,489	-	(7,437,404)
Decreases	(23,482,980)	(26,693,346)	(198,752,100)	(15,182,608)	(16,064,424)	(493,690)	(280,669,148)
Transfer to investment properties (Note V. 14)	(18,404,750)	-	-	-	-	-	(18,404,750)
Disposals or retirements	(1,177,538)	(26,367,337)	(198,752,100)	(14,401,838)	(15,568,776)	(493,690)	(256,761,279)
Others	(3,900,692)	(326,009)	-	(780,770)	(495,648)	-	(5,503,119)
Closing balance	556,114,985	587,195,881	10,623,446,780	122,908,780	137,954,028	67,700,050	12,095,320,504
Carrying amount							
At end of year	1,500,847,693	371,869,084	13,384,971,436	54,191,335	53,071,462	31,120,779	15,396,071,789
At beginning of year	664,340,997	356,044,149	13,567,543,015	52,408,046	47,918,588	12,900,659	14,701,155,454

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V. Notes to key items of the consolidated financial statements (continued)

15. Fixed assets (continued)

Fixed assets leased out under an operating lease are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Ships	Vehicles	Office and electronic equipments	Total
Cost				
Opening balance	38,015,054	-	131,964	38,147,018
Increase	-	508,434	-	508,434
Decrease	(38,015,054)	-	(131,964)	(38,147,018)
Closing balance	-	508,434	-	508,434
Accumulated depreciation				
Opening balance	(36,114,302)	-	(99,723)	(36,214,025)
Increase	-	(508,434)	-	(508,434)
Decrease	36,114,302	-	99,723	36,214,025
Closing balance	-	(508,434)	-	(508,434)
Carrying amount				
At end of this period	-	-	-	-
At beginning of this period	1,900,752	-	32,241	1,932,993

31 December 2018

	Cost	Accumulated depreciation	Carrying amount
Ships	38,015,054	(36,114,302)	1,900,752
Office and electronic equipments	131,964	(99,723)	32,241
Total	38,147,018	(36,214,025)	1,932,993

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

15. Fixed assets (continued)

Fixed assets held under a finance lease are as follows:

31 December 2018	Cost	Accumulated depreciation	Carrying amount
Ships	3,164,702,824	(1,556,685,908)	1,608,016,916
Machinery	184,564,755	(107,033,159)	77,531,596
Temporary facilities	10,800,000	(1,620,000)	9,180,000
	3,360,067,579	(1,665,339,067)	1,694,728,512

At 30 June 2019, the fixed assets without a tile certificate are as follows:

	Carrying amount	Reason
Buildings	826,823,335	In progress

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V. Notes to key items of the consolidated financial statements (continued)

16. Construction in progress

For the six months ended 30 June 2019, the movement for important construction in progress is listed as follow (Unaudited)

	Budgets (RMB"0000) (Note)	Opening balance	Increases	Transfer to fixed assets (Note V. 15)	Decreases	Closing balance	Source of funds	Capitalization of borrowing cost	Capitalization of borrowing cost this period	Proportion to budget
CCCC (Indonesia) Ship Marine Heavy Industry Co., Ltd. ship repair and storage	35,800	57,617,486	20,366,470	-	-	77,983,956	Borrowings	7,401,362	3,332,278	22%
6500 square class squirting boat	55,000	421,739,229	98,260,771	(520,000,000)	-	-	Self-financing and borrowings	1,316,313	557,860	100%
Self-unloading ship	3,043	17,890,626	12,530,720	-	(657,492)	29,763,854	Self-financing	-	-	99%
Others		100,702,305	22,597,556	(2,635,350)	(7,927,818)	112,736,693		-	-	
		597,949,646	153,755,517	(522,635,350)	(8,585,310)	220,484,503		8,717,674	3,890,138	

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V. Notes to key items of the consolidated financial statements (continued)

16. Construction in progress (continued)

The movement for important construction in progress in 2018 is listed as follow

	Budgets (RMB '0000) (Note)	31 December 2017	Increases	Transfer to fixed assets (Note V.15)	Transfer to intangible assets (Note V.18)	Deduction	31 December 2018	Source of funds	Capitalization of borrowing cost	Capitalization of borrowing cost this year	Proportion to budget
Southern China Headquarters Phase II Project	159,710	606,940,035	373,444,347	(980,384,382)	-	-	-	Self-financing and borrowing	144,492,023	-	100%
DCM shipbuilding supervision fee	14,945	2,349,562	147,101,397	(148,779,324)	-	-	671,635	Self-financing	-	-	100%
6500 square class squirting boat	55,000	183,738,724	238,000,505	-	-	-	421,739,229	Self-financing and borrowing	758,453	758,453	78%
Condensate project	36,049	319,884,868	40,604,500	(360,489,368)	-	-	-	Self-financing	-	-	100%
Free Trade Service Center Office Building	3,441	34,275,365	129,949	(34,405,314)	-	-	-	Self-financing	-	-	100%
3005 ship and 3006 Ship construction	5,946	37,392,657	22,070,411	(59,463,068)		-	-	Self-financing	-	-	100%
Financial sharing system	54	375,623	160,981	-	(536,604)	-	-	Self-financing	-	-	100%
Others		188,524,654	90,965,933	(98,968,507)	-	(4,983,298)	175,538,782		1,117,179	513,102	
Carrying amount		1,373,481,488	912,478,023	(1,682,489,963)	(536,604)	(4,983,298)	597,949,646		146,367,655	1,271,555	

For the six months ended 30 June 2019, the self-financing source included bank borrowings. The capitalization rate used to determine the capitalization amount of borrowing costs is 2.55% (For the six months ended 30 June 2018: 4.38%) .

The project budget value is adjusted according to the change of the amount of construction in progress, and the project progress is calculated based on the budget and accumulated investment.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

17. Right-of-use assets

For the six months ended 30 June 2019 (Unaudited)

	Buildings	Ships	Total
Cost			
Year-end balance at the end of last year	-	-	-
Changes in accounting policies	255,266,642	3,407,655,930	3,662,922,572
Opening balance	255,266,642	3,407,655,930	3,662,922,572
Increases during this period			
Increases	82,971,879	716,222,347	799,194,226
Decreases during this period			
Transfer to fixed assets (Note V. 15)	-	(225,500,000)	(225,500,000)
Closing balance	338,238,521	3,898,378,277	4,236,616,798
Accumulated depreciation			
Year-end balance at the end of last year	-	-	-
Change is accounting policies	107,463,882	960,207,281	1,067,671,163
Opening balance	107,463,882	960,207,281	1,067,671,163
Increases			
Depreciation provided during this period	17,036,813	138,172,950	155,209,763
Decreases			
Transfer to fixed assets (Note V. 15)	-	(76,883,616)	(76,883,616)
Closing balance	124,500,695	1,021,496,615	1,145,997,310
Carrying amount			
At end of this period	213,737,826	2,876,881,662	3,090,619,488
At beginning of this period	147,802,760	2,447,448,649	2,595,251,409

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

18. Intangible assets

For the six months ended 30 June 2019 (Unaudited)	Land use rights	Software	Franchise and others	Total
Cost				
Opening balance	1,573,989,238	47,750,719	160,314,339	1,782,054,296
Increases	669,129	399,225	117,649,681	118,718,035
Purchases	669,129	399,225	117,649,681	118,718,035
Decreases	12,172,595	-	-	12,172,595
Transfer to investment properties (Note V. 14)	12,172,595	-	-	12,172,595
Closing balance	1,562,485,772	48,149,944	277,964,020	1,888,599,736
Accumulated amortization				
Opening balance	245,174,266	22,242,214	7,512,882	274,929,362
Increases	11,935,151	4,421,834	1,905	16,358,890
Amortization provided during this period	11,935,151	4,421,834	1,905	16,358,890
Decreases	1,228,497	-	-	1,228,497
Transfer to investment properties (Note V 14)	1,228,497	-	-	1,228,497
Closing balance	255,880,920	26,664,048	7,514,787	290,059,755
Carrying amount				
At end of this period	1,306,604,852	21,485,896	270,449,233	1,598,539,981
At beginning of this period	1,328,814,972	25,508,505	152,801,457	1,507,124,934

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

18. Intangible assets (continued)

2018	Land use rights	Software	Franchise and others	Total
Cost				
Opening balance	1,583,415,228	29,691,530	69,400,904	1,682,507,662
Increases	1,914,936	18,059,189	90,913,435	110,887,560
Purchases	1,914,936	17,522,585	90,913,435	110,350,956
Transfer from construction in progress (Note V. 16)	-	536,604	-	536,604
Decreases	11,340,926	-	-	11,340,926
Transfer to investment properties (Note V. 14)	11,340,926	-	-	11,340,926
Closing balance	1,573,989,238	47,750,719	160,314,339	1,782,054,296
Accumulated amortization				
Opening balance	224,772,795	15,604,386	7,487,282	247,864,463
Increases	24,603,189	6,637,828	25,600	31,266,617
Amortization provided during this period	24,603,189	6,637,828	25,600	31,266,617
Decreases	4,201,718	-	-	4,201,718
Transfer to investment properties (Note V. 14)	4,201,718	-	-	4,201,718
Closing balance	245,174,266	22,242,214	7,512,882	274,929,362
Carrying amount				
At end of year	1,328,814,972	25,508,505	152,801,457	1,507,124,934
At beginning of year	1,358,642,433	14,087,144	61,913,622	1,434,643,199

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

18. Intangible assets (continued)

For the six months ended 30 June 2019, the total amount of development expenditures is RMB 312,007,634 (for the six months ended 30 June 2018: RMB311,264,827),of which RMB 309,550,542 (for the six months ended 30 June 2018: RMB309,924,693) are recognized in current profit,and there is no development expenditure (for the six months ended 30 June 2018: Nil) recognized as intangible assets. The balance of development expenditure is RMB 2,457,092 (for the six months ended 30 June 2018: RMB1,340,134). For the six months ended 30 June 2019,the intangible assets formed through internal research and development of the Group account for 0% of the book value of intangible assets (for the six months ended 30 June 2018: 0%).

As at 30 June 2019, the carrying amount of land use rights which is getting land use right certificate is RMB 11,499,722 (31 December 2018: RMB 12,113,278).

19. Deferred tax assets/liabilities

Recognized deferred tax assets and deferred tax liabilities (Un-offset):

	30 June 2019 (Unaudited)		31 December 2018	
	Deductible temporary difference and deductible loss	Deferred tax assets	Deductible temporary difference and deductible loss	Deferred tax assets
Provision for impairment of assets	3,331,706,436	535,839,017	3,135,654,104	507,788,923
Tax losses	379,172,947	93,755,074	349,503,514	85,093,176
Discount on long-term receivable	292,685,083	44,383,242	340,101,378	51,968,518
Changes in fair value	197,432,230	28,683,185	197,432,230	28,683,185
Provision for employee benefits	158,826,961	24,278,339	236,639,469	35,817,500
Accrued expenses	133,272,985	20,109,733	138,880,858	20,965,535
Lease liabilities	28,889,765	7,222,441	-	-
Others	105,656,124	15,696,147	68,655,166	10,408,890
	4,627,642,531	769,967,178	4,466,866,719	740,725,727

	30 June 2019 (Unaudited)		31 December 2018	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value	3,875,936,848	582,935,897	3,072,399,300	457,827,929
Depreciation and amortization	6,379,447	1,594,862	6,379,447	1,594,862
Others	1,044,310,825	237,230,882	982,440,750	220,608,810
	4,926,627,120	821,761,641	4,061,219,497	680,031,601

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

19. Deferred tax assets/liabilities (continued)

Deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset:

	30 June 2019 (Unaudited)		31 December 2018	
	Offset amount	Net amount after offsetting	Offset amount	Net amount after offsetting
Deferred tax assets	380,950,703	389,016,475	361,743,864	378,981,863
Deferred tax liabilities	380,950,703	440,810,938	361,743,864	318,287,737

The deductible losses and deductible temporary differences of unrecognized deferred income tax assets are as follows:

	30 June 2019 (Unaudited)	31 December 2018
Deductible losses	1,385,109,999	1,336,657,678
Deductible temporary difference	261,287,296	232,842,630
	1,646,397,295	1,569,500,308

The deductible loss of unrecognized deferred income tax assets will expire in the following years:

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year	258,378,915	76,808,068
1 to 2 years	699,849,603	258,378,915
2 to 3 years	163,862,654	699,849,603
3 to 4 years	137,758,438	163,862,654
4 to 5 years	125,260,389	137,758,438
	1,385,109,999	1,336,657,678

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

20. Other non-current assets

	30 June 2019 (Unaudited)	31 December 2018
Retentions	2,492,675,269	2,316,454,202
Prepayment for equipments	32,437,550	158,312,921
Prepayment for land and buildings	131,617,282	126,786,719
Others	2,017,769	605,906
	2,658,747,870	2,602,159,748
Less: Provision for impairment of retentions	27,124,463	17,437,265
Less: Current portion of other non-current assets	1,061,757,410	1,268,337,475
	1,569,865,997	1,316,385,008

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V. Notes to key items of the consolidated financial statements (continued)

20. Other non-current assets (continued)

Movement in provision for impairment of retentions is as follows:

	Year-end balance at last year	Changes in accounting policies	Opening balance	Provision	Reverse	Others	Closing balance
For the six months ended 30 June 2019 (Unaudited)	17,437,265	-	17,437,265	11,591,844	(1,891,986)	(12,660)	27,124,463
2018	-	18,418,768	18,418,768	9,247,048	(5,809,008)	(4,419,543)	17,437,265

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

21. Provision for impairment of assets

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increases		Decreases			Closing balance
		Provision	Others	Reverse	Write-off	Others	
Provision for bad debts	3,435,277,360	337,720,803	20,390	(241,286,565)	(19,314,105)	(1,182,679)	3,511,235,204
Including: Accounts receivable	2,859,452,665	284,290,528	-	(223,044,642)	(19,310,730)	(1,175,642)	2,900,212,179
Other receivables	326,983,783	43,734,209	-	(7,422,263)	(3,375)	(7,037)	363,285,317
Long-term receivables	248,840,912	9,696,066	20,390	(10,819,660)	-	-	247,737,708
Provision for impairment of other non-current assets	17,437,265	11,591,844	-	(1,891,986)	-	(12,660)	27,124,463
Expected credit loss of contract assets	73,297,009	33,766,164	-	(17,109,632)	-	(755,777)	89,197,764
	3,526,011,634	383,078,811	20,390	(260,288,183)	(19,314,105)	(1,951,116)	3,627,557,431

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

21. Provision for impairment of assets (continued)

31 December 2018

	Year-end balance of last year	Changes in account policies	Opening balance	Increases		Decreases			Closing balance
				Provision	Others	Reverse	Write-off	Others	
Provision for bad debts	3,217,826,900	(102,577,707)	3,115,249,193	861,572,966	5,221,073	(546,750,702)	(2,500)	(12,670)	3,435,277,360
Including: Accounts receivable	2,911,999,759	(283,869,254)	2,628,130,505	709,899,498	-	(478,564,668)	-	(12,670)	2,859,452,665
Other receivables	211,155,162	109,378,385	320,533,547	42,173,610	82,956	(35,803,830)	(2,500)	-	326,983,783
Long-term receivables	94,671,979	71,913,162	166,585,141	109,499,858	5,138,117	(32,382,204)	-	-	248,840,912
Provision for impairment of	-	18,418,768	18,418,768	9,247,048	-	(5,809,008)	-	(4,419,543)	17,437,265
non-current assets	-	76,451,615	76,451,615	31,155,306	-	(34,309,912)	-	-	73,297,009
Inventory impairment	38,546,761	(38,546,761)	-	-	-	-	-	-	-
	3,256,373,661	(46,254,085)	3,210,119,576	901,975,320	5,221,073	(586,869,622)	(2,500)	(4,432,213)	3,526,011,634

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V. Notes to key items of the consolidated financial statements (continued)

22. Short-term borrowings and long-term borrowings

Short-term borrowings

	30 June 2019 (Unaudited)	31 December 2018
Credit borrowings	6,193,830,551	3,762,954,596
Pledged borrowings (Note 1)	920,000,000	628,346,082
Guaranteed borrowings (Note 2)	59,809,890	59,709,840
	7,173,640,441	4,451,010,518

Note 1:
As at 30 June 2019, the pledged borrowings are obtained by pledge of the long-term receivables of the Group with a book value of RMB1,115,968,535 (31 December 2018: RMB 438,346,082). The Group did not pledge the accounts receivable to obtain borrowings (31 December 2018: RMB190,000,000).

Note 2:
As at 30 June 2019, the guaranteed borrowings of RMB59,809,890 (31 December 2018: RMB 59,709,840) are guaranteed by the subsidiaries of the Group.

As at 30 June 2019, the borrowings of the Group bear interest at effective rates ranging from 1.00% to 10.00% (31 December 2018: 1.00% to 8.00%) per annum.

As at 30 June 2019, no borrowings are overdue (31 December 2018: Nil).

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

22. Shor-term borrowings and long-term borrowings (continued)

Long-term borrowings

	30 June 2019 (Unaudited)	31 December 2018
Credit borrowings	320,852,429	426,962,283
Pledged borrowings (Note 1)	1,885,307,352	1,440,077,352
Guaranteed borrowings (Note 2)	1,341,623,226	1,501,596,549
	3,547,783,007	3,368,636,183
Less: Current portion of long-term borrowings (Note V. 29)	416,199,260	437,399,208
	3,131,583,747	2,931,236,975

Note 1:
As at 30 June 2019, the pledged borrowings are obtained by pledge of the accounts receivable with a book value of RMB2,658,960,000(31 December 2018: RMB2,658,960,000), long-term receivables with a book value of RMB1,895,419,360(31 December 2018: RMB 1,348,307,847), intangible assets with a book value of RMB47,109,022(31 December 2018: Nil).

Note 2:
As at 30 June 2019,the guaranteed bank borrowings of RMB1,204,733,998(31 December 2018: RMB1,306,561,533) are guaranteed by CCCC,RMB136,889,228(31 December 2018: RMB142,805,016) are guaranteed by the subsidiaries of the Group, and there is no guaranteed borrowings(31 December 2018: RMB52,230,000) guaranteed by a third-party.

As at 30 June 2019, the borrowings of the Group bear interest at effective rates ranging from 0.30% to 5.39% (2018: 0.30% to 6.00%) per annum.

As at 30 June 2019, no loans are overdue (31 December 2018: Nil).

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

23. Notes payable

	30 June 2019 (Unaudited)	31 December 2018
Bank acceptance bills	3,456,525,273	3,682,417,078
Commercial acceptance bills	111,828,964	178,358,329
	3,568,354,237	3,860,775,407

As at 30 June 2019, the balance of unpaid bills payable is RMB584,500 (31 December 2018: RMB 584,500).

24. Accounts payable

Accounts payable are non-interest bearing and are usually settled within the agreed time limit.

	30 June 2019 (Unaudited)	31 December 2018
Within 1 year	17,476,220,072	17,049,578,193
1 to 2 years	2,782,822,464	4,050,601,275
2 to 3 years	672,825,693	720,087,112
Over 3 years	384,556,777	282,207,058
	21,316,425,006	22,102,473,638

As at 30 June 2019, accounts payable with an age of more than one year are RMB 3,840,204,934 (31 December 2018: RMB5,052,895,445), mainly due to the payment of construction and equipment. In view of the fact that the creditor and debtor parties still continue to conduct business transactions, the amount has not yet been settled.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

24. Accounts payable (continued)

Accounts payable classified by nature are as followed:

	30 June 2019 (Unaudited)	31 December 2018
Accounts payable for projects	17,614,524,389	18,552,560,661
Accounts payable for material	2,439,884,912	2,129,325,156
Accounts payable for leasing	358,303,836	343,213,920
Accounts payable for equipments	461,770,196	533,469,066
Accounts payable for logistics	86,673,763	132,461,665
Others	355,267,910	411,443,170
	21,316,425,006	22,102,473,638

25. Contract liabilities

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increases	Decreases (Note)	Closing balance
Receipts in advance for projects	1,618,227,774	720,570,690	(795,795,785)	1,543,002,679
Project settled but uncompleted	1,701,580,023	269,219,498	(1,129,367,477)	841,432,044
Receipts in advance for sale of goods	218,734,579	484,649,976	(485,920,194)	217,464,361
	3,538,542,376	1,474,440,164	(2,411,083,456)	2,601,899,084

2018

	Opening balance	Increases	Decreases	Closing balance
Receipts in advance for projects	1,479,786,153	913,687,795	(775,246,174)	1,618,227,774
Project settled but uncompleted	1,213,962,754	1,313,116,836	(825,499,567)	1,701,580,023
Receipts in advance for sale of goods	137,258,094	197,615,471	(116,138,986)	218,734,579
	2,831,007,001	2,424,420,102	(1,716,884,727)	3,538,542,376

Note: The decrease in the current period is mainly due to the increase in revenue recognition and carry-over collection.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

26. Employee benefits payable

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increases	Decreases	Closing balance
Short-term compensation	6,533,289	1,354,295,928	(1,346,396,396)	14,432,821
Defined contribution plan	51,333,493	161,647,937	(162,894,465)	50,086,965
Current portion of defined benefit plan (Note V. 34)	21,340,000	-	-	21,340,000
	79,206,782	1,515,943,865	(1,509,290,861)	85,859,786

2018

	Opening balance	Increases	Decreases	Closing balance
Short-term compensation	6,665,975	2,851,387,339	(2,851,520,025)	6,533,289
Defined contribution plan	38,729,942	402,551,401	(389,947,850)	51,333,493
Current portion of defined benefit plan (Note V. 34)	22,060,000	1,948,043	(2,668,043)	21,340,000
	67,455,917	3,255,886,783	(3,244,135,918)	79,206,782

Short-term compensation

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increases	Decreases	Closing balance
Wages, bonuses, allowances and subsidies and other short-term compensation	2,635,769	1,045,432,234	(1,039,553,417)	8,514,586
Staff welfare	-	38,870,598	(38,849,974)	20,624
Social security	596,648	89,768,730	(89,830,366)	535,012
Including: Medical insurance	547,502	81,128,807	(81,179,394)	496,915
Work injury insurance	42,403	2,466,310	(2,472,520)	36,193
Maternity insurance	6,743	6,173,613	(6,178,452)	1,904
Housing funds	456,707	98,688,852	(98,403,051)	742,508
Union funds and employee education funds	2,844,165	26,610,456	(25,082,874)	4,371,747
Others	-	54,925,058	(54,676,714)	248,344
	6,533,289	1,354,295,928	(1,346,396,396)	14,432,821

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

26. Employee benefits payable (continued)

Short-term compensation (continued)

2018

	Opening balance	Increases	Decreases	Closing balance
Wages, bonuses, allowances and subsidies and other short-term compensation	-	1,998,799,976	(1,996,164,207)	2,635,769
Staff welfare	-	161,748,565	(161,748,565)	-
Social security	1,418,616	173,267,666	(174,089,634)	596,648
Including: Medical insurance	1,262,649	147,024,670	(147,739,817)	547,502
Work injury insurance	72,567	6,709,549	(6,739,713)	42,403
Maternity insurance	83,400	12,756,273	(12,832,930)	6,743
Others	-	6,777,174	(6,777,174)	-
Housing funds	41,531	213,676,315	(213,261,139)	456,707
Union funds and employee education funds	5,205,828	72,502,047	(74,863,710)	2,844,165
Others	-	231,392,770	(231,392,770)	-
	6,665,975	2,851,387,339	(2,851,520,025)	6,533,289

Defined contribution plan

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increases	Decreases	Closing balance
Supplementary pension insurance	49,399,481	32,884,098	(33,318,892)	48,964,687
Basic retirement insurance	1,756,701	124,994,063	(125,806,056)	944,708
Unemployment insurance	177,311	3,769,776	(3,769,517)	177,570
	51,333,493	161,647,937	(162,894,465)	50,086,965

2018

	Opening balance	Increases	Decreases	Closing balance
Supplementary pension insurance	35,304,459	111,790,249	(97,695,227)	49,399,481
Basic retirement insurance	3,214,587	283,464,037	(284,921,923)	1,756,701
Unemployment insurance	210,896	7,297,115	(7,330,700)	177,311
	38,729,942	402,551,401	(389,947,850)	51,333,493

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

27. Taxes and surcharges payable

	30 June 2019 (Unaudited)	31 December 2018
VAT	178,128,742	203,195,789
Corporate income tax	175,645,655	259,061,132
Land appreciation tax	35,717,757	35,741,021
Individual income tax	6,327,506	15,925,059
Urban maintenance and construction tax	813,159	771,652
Educational surcharge	526,423	458,280
Others	2,886,134	7,106,112
	400,045,376	522,259,045

28. Other payables

	30 June 2019 (Unaudited)	31 December 2018
Common stock dividend payable	7,745,618,219	4,035,787,805
Perpetual medium-term notes interest	54,900,000	-
Common stock dividend	7,690,718,219	4,035,787,805
Interest payable	-	244,555,671
Bond interest	-	135,962,712
Interest payable	-	108,592,959
Payable to CCCC and its subsidiaries	1,043,353,151	978,023,461
Deposit payable and advance payment	282,634,076	196,183,290
Performance bond payable	214,689,603	142,000,950
Acquisition payable	278,647,289	278,647,289
Bid payable	31,643,988	22,534,571
Payable for equipments	131,014,380	125,084,370
Others	1,125,387,823	911,579,459
	10,852,988,529	6,934,396,866

As at 30 June 2019, other payables aged over one year are RMB3,889,971,907 (31 December 2018: RMB4,081,941,454), mainly for deposits and unpaid dividends payable by the Group. Among them, in view of the fact that the two parties still continue to conduct business transactions, the deposit have not yet been settled, and the dividend has not been paid due to reasons such as the shareholders not requesting payment.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

29. Current portion of non-current liabilities

	30 June 2019 (Unaudited)	31 December 2018
Current portion of long-tern payables (Note V. 33)	1,593,280,722	1,720,641,112
Current portion of lease liabilities (Note V. 32)	620,111,235	-
Current portion of long-term borrowings (Note V. 22)	416,199,260	437,399,208
Current portion of bonds payable (Note V. 31)	249,172,678	-
	2,878,763,895	2,158,040,320

30. Other current liabilities

	30 June 2019 (Unaudited)	31 December 2018
Output VAT	1,794,482,301	1,718,519,507

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

31. Bonds payable

	30 June 2019 (Unaudited)	31 December 2018
Bonds payable	10,195,414,060	9,981,238,196
Less: Current portion of bonds payable (Note V. 29)	249,172,678	-
	9,946,241,382	9,981,238,196

The information of the bonds is listed below:

	Face value RMB	Issue date	Term	Annual rate	Issue amount RMB'0000	Interest payment term	Approved document
CCCC Dredging 2016 corporate bonds (Round 1)	100	2016/2/24	3+2 years	3.70%	196,100	Interests were paid once a year and principal was repaid when bond goes to maturity.	CSRC Approval [2016] No.162
CCCC Dredging 2016 corporate bonds (Round 2)	100	2016/7/5	3+2 years	3.01%	300,000		CSRC Approval [2016] No.162
CCCC Dredging 2016 corporate bonds (Round 2)	100	2016/7/5	5 years	3.35%	100,000		CSRC Approval [2016] No.162
CCCC Dredging 2018 corporate bonds (Round 1)	100	2018/10/25	3+2 years	4.25%	400,000		CSRC Approval [2018] No.1512

	Opening balance	Discount amortization	Repayment in the current period	Closing balance
CCCC Dredging 2016 corporate bonds	5,995,831,021	2,540,556	(39,000,000)	5,959,371,577
CCCC Dredging 2018 corporate bonds	3,985,407,175	1,462,630	-	3,986,869,805
	9,981,238,196	4,003,186	(39,000,000)	9,946,241,382

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

32. Lease liabilities

	30 June 2019
Ships	1,820,095,992
Buildings	165,610,157
	1,985,706,149
Less: Current portion of lease liabilities (Note V. 29)	620,111,235
	1,365,594,914

33. Long-term payables

	30 June 2019 (Unaudited)	31 December 2018
Finance lease	-	1,150,772,542
Special payable	62,844,382	61,092,190
Others	3,535,609,126	3,722,810,509
	3,598,453,508	4,934,675,241
Less: Current portion of lease liabilities (Note V. 29)	1,593,280,722	1,720,641,112
	2,005,172,786	3,214,034,129

34. Long-term employee benefits payable

	30 June 2019 (Unaudited)	31 December 2018
Defined benefit plan-Post-employment benefits	200,576,580	208,710,000
Less: Current portion of Post-employment benefits (Note V. 26)	21,340,000	21,340,000
	179,236,580	187,370,000

Post-employment benefits are only available to employees who retire before December 31, 2005. The benefits they receive after retirement depend on their retirement status, length of service, and salary, and are affected by inflation and other factors.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

34. Long-term employee benefits payable (continued)

The principal actuarial assumptions used as at the balance sheet date are as follows:

	30 June 2019 (Unaudited)	31 December 2018
Discount rate	3.30%	3.25%
Medical cost growth rate	4.00%-8.00%	4.00%-8.00%

The total expenses recognized in profit or loss in respect of the plan are as follows:

	For the six months ended 30 June 2019 (Unaudited)	2018
Past service cost	-	360,000
Net interest	3,217,489	10,459,627
Net cost of post-employment benefits	3,217,489	10,819,627
Recognized in administrative expenses	-	360,000
Recognized in finance expenses	3,217,489	10,459,627
	3,217,489	10,819,627

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

	For the six months ended 30 June 2019 (Unaudited)	2018
Opening balance	208,710,000	212,550,000
Included in profit or loss	3,217,489	10,819,627
Included in other comprehensive income		
Actuarial (gain)/loss due to changes in financial assumptions	(680,909)	10,730,000
Actuarial (gain)/loss due to empirical differences	40,660	(4,040,000)
Paid benefits	(10,710,660)	(21,349,627)
Closing balance	200,576,580	208,710,000
Less: Current portion of post-employment benefits (Note V. 26)	21,340,000	21,340,000
	179,236,580	187,370,000

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

35. Deferred income

	30 June 2019 (Unaudited)	31 December 2018
Government grants	88,054,869	87,778,769

For the six months ended 30 June 2019 (Unaudited)

	Opening balance	Increase	Recognized in non-operating income/ other income	Closing balance	Related to assets/income
Infrastructure subsidy funds	77,980,000	-	-	77,980,000	Assets
Other government grants related to assets	9,798,769	437,700	(161,600)	10,074,869	Assets
	87,778,769	437,700	(161,600)	88,054,869	

2018	Opening balance	Increase	Recognized in non-operating income/ other income	Closing balance	Related to assets/income
Infrastructure subsidy funds	38,990,000	38,990,000	-	77,980,000	Assets
Other government grants related to assets	4,084,900	7,938,300	(2,224,431)	9,798,769	Assets
	43,074,900	46,928,300	(2,224,431)	87,778,769	

36. Other non-current liabilities

	30 June 2019 (Unaudited)	31 December 2018
Output VAT	103,004,178	127,446,105

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

37. Share capital

For the six months ended 30 June 2019 (Unaudited) and 2018

	Percentage	Opening/closing balance
CCCC	99.90%	11,763,672,516
China Road & Bridge	0.10%	11,775,448
	100.00%	11,775,447,964

38. Capital reserves

	31 December 2018	Increase	30 June 2019 (Unaudited)
Capital premium			
-Issuing new shares in reconstruction	6,730,330,088	-	6,730,330,088
-Capital premium	74,473,449	-	74,473,449
-Trade with minority shareholders	(15,210,807)	-	(15,210,807)
-Acquisition of CCCC International Shipping Co., Ltd. (hereinafter referred to as "CCCC Shipping") and Hong Kong Marine in reconstruction	(79,698,563)	-	(79,698,563)
-Business combinations involving entities under common control	(68,647,289)	-	(68,647,289)
Other capital reserves			
-The impact of changes in other owners' equity of the investee under the equity method	4,534,641	755,673	5,290,314
-Others	21,011,550	-	21,011,550
	6,666,793,069	755,673	6,667,548,742

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

38. Capital reserves (continued)

	31 December 2017	Increase	31 December 2018
Capital premium			
-Issuing new shares in reconstruction	6,730,330,088	-	6,730,330,088
-Capital premium	74,473,449	-	74,473,449
-Trade with minority shareholders	(15,210,807)	-	(15,210,807)
-Acquisition of CCCC Shipping and Hong Kong Marine in reconstruction	(79,698,563)	-	(79,698,563)
-Business combinations involving entities under common control	(68,647,289)	-	(68,647,289)
Other capital reserves			
-The impact of changes in other owners' equity of the investee under the equity method	3,734,006	800,635	4,534,641
-Others	21,011,550	-	21,011,550
	6,665,992,434	800,635	6,666,793,069

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

39. Other comprehensive income

	Accumulated balance of other comprehensive income in the consolidated balance sheet (Unaudited)			Other comprehensive income in the consolidated income statement for the six months ended 30 June 2019 (Unaudited)			
	Opening balance	Attributable to owners of the parent, net of tax	Closing balance	Amount before tax	Income tax	Attributable to owners of the parent, net of tax	Attributable to minority shareholders, net of tax
Other comprehensive income that will not be reclassified to profit or loss							
Remeasurement gains or losses of a defined benefit plan	(14,046,862)	544,212	(13,502,650)	640,249	(96,037)	544,212	-
Other comprehensive income using the equity method that will not be reclassified to profit or loss	834,565	-	834,565	-	-	-	-
Changes in fair value of other equity investments	2,263,221,766	521,921,830	2,785,143,596	647,029,798	(125,107,968)	521,921,830	-
Other comprehensive income that may be reclassified to profit or loss							
Exchange differences on translation of foreign currency financial statements	(72,827,765)	307,231	(72,520,534)	307,231	-	307,231	141,149
	2,177,181,704	522,773,273	2,699,954,977	647,977,278	(125,204,005)	522,773,273	141,149

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

39. Other comprehensive income (continued)

	Accumulated balance of other comprehensive income in the consolidated balance sheet					Other comprehensive income in the consolidated income statement in 2018			
	31 December 2017	Changes in accounting policies	Opening balance	Attributable to owners of the parent, net of tax	Closing balance	Amount before tax	Income tax	Attributable to owners of the parent, net of tax	Attributable to minority shareholder, net of tax
Other comprehensive income that will not be reclassified to profit or loss									
Remeasurement gains or losses of a defined benefit plan	(9,449,599)	-	(9,449,599)	(4,597,263)	(14,046,862)	(6,690,000)	2,092,737	(4,597,263)	-
Other comprehensive income using the equity method that will not be reclassified to profit or loss	-	834,565	834,565	-	834,565	-	-	-	-
Changes in fair value of other equity investments	-	2,649,787,912	2,649,787,912	(386,566,146)	2,263,221,766	(643,529,834)	256,963,688	(386,566,146)	-
Other comprehensive income that may be reclassified to profit or loss									
Other comprehensive income using the equity method that may be reclassified to profit or loss	834,565	(834,565)	-	-	-	-	-	-	-
Change in the fair value of available-for-sale financial assets	1,459,901,666	(1,459,901,666)	-	-	-	-	-	-	-
Exchange differences on translation of foreign currency financial statements	(33,926,379)	-	(33,926,379)	(38,901,386)	(72,827,765)	(38,901,386)	-	(38,901,386)	275,749
	1,417,360,253	1,189,886,246	2,607,246,499	(430,064,795)	2,177,181,704	(689,121,220)	259,056,425	(430,064,795)	275,749

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

40. Specialized reserve

	31 December 2018	Increase	Decrease	30 June 2019 (Unaudited)
Safety production funds	866,322,579	79,734,359	(118,776,169)	827,280,769

	31 December 2017	Increase	Decrease	31 December 2018
Safety production funds	857,536,175	286,343,826	(277,557,422)	866,322,579

41. Surplus reserves

	31 December 2018	Increase	Decrease	30 June 2019 (Unaudited)
Statutory surplus reserves	167,272,198	-	-	167,272,198

	31 December 2017	Increase	Decrease	31 December 2018
Statutory surplus reserves	158,508,179	8,764,019	-	167,272,198

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the net profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required. When approved, the discretionary surplus reserves can be used to make up for accumulated losses or converted to the paid-in capital.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

42. Unappropriated profit

	For the six year ended 30 June 2019 (Unaudited)	2018
Balance at end of the prior year	8,678,549,118	7,768,843,991
Changes in accounting policies	-	(6,083,944)
Balance at beginning of year/period after retrospective adjustments	8,678,549,118	7,762,760,047
Net profit attributable to owners of the parent	444,104,779	1,281,370,481
Less: Appropriation to statutory surplus reserves	-	8,764,019
Cash dividends declared (Note 1)	4,080,957,776	346,288,426
Others	-	10,528,965
Balance at end of the current year/period	5,041,696,121	8,678,549,118

Note 1:

According to the approval of the Company's shareholder CCCC on April 30, 2019, based on the net profit attributable to the owner of the parent company in 2018, the Company distributed special shares cash dividends to CCCC and China Road & Bridge totaled RMB 4,080,957,776. At 30 June 2019, the cash dividend has not been paid.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

43. Revenue and cost of sales

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue (Unaudited)	Cost of sales (Unaudited)	Revenue (Unaudited)	Cost of sales (Unaudited)
Primary business	16,623,440,255	14,799,745,726	15,760,484,580	13,710,349,291
Other businesses	121,254,212	76,688,988	118,322,293	75,755,020
	16,744,694,467	14,876,434,714	15,878,806,873	13,786,104,311

Revenue and cost of sales of primary business is listed below:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue (Unaudited)	Cost of sales (Unaudited)	Revenue (Unaudited)	Cost of sales (Unaudited)
Dredging	5,668,111,437	5,001,131,763	4,718,067,883	4,140,125,778
Filling land reclamation	3,843,600,029	3,316,902,750	4,940,905,661	3,794,490,194
Pre and after service	4,906,659,625	4,348,674,041	2,702,658,584	2,445,901,792
Environmental protection and trade	2,314,305,662	2,242,273,670	3,610,731,790	3,541,710,865
Offset	(109,236,498)	(109,236,498)	(211,879,338)	(211,879,338)
	16,623,440,255	14,799,745,726	15,760,484,580	13,710,349,291

Revenue and cost of sales of other businesses is listed below:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue (Unaudited)	Cost of sales (Unaudited)	Revenue (Unaudited)	Cost of sales (Unaudited)
Asset leasing	12,922,225	8,680,658	32,691,369	16,646,019
Material sales	38,152,188	30,633,688	2,303,049	10,271,066
Consultation service	13,658,046	6,834,503	2,011,538	4,316,896
Others	56,521,753	30,540,139	81,316,337	44,521,039
	121,254,212	76,688,988	118,322,293	75,755,020

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V. Notes to key items of the consolidated financial statements (continued)

43. Revenue and cost of sales (continued)

The construction contract has been started as follows:

For the six months ended 30 June 2019 (Unaudited)

	Total Amount	Accumulated Cost	Accumulated Gross Profit	The amount of the settlement price
Constraction operations	236,804,968,741	115,166,172,550	14,614,481,976	(116,205,125,807)

For the six months ended 30 June 2018(Unaudited)

	Total Amount	Accumulated Cost	Accumulated Gross Profit	The amount of the settlement price
Constraction operations	188,049,242,407	96,109,634,732	10,607,324,028	(95,756,058,327)

Accumulated incurred costs, accumulated confirmed gross profit and the settled settlement amount do not include relevant data for completed projects as of the end of the period.

For the six months ended 30 June 2019,due to rising raw material prices and changes in contract revenue, the Group estimated the net loss of contracts in the amount of RMB 10,337,534(for the six months ended 30 June 2018: RMB105,679,583).

Decomposition of operating income

For the six months ended 30 June 2019 (Unaudited)

Reporting segment	Dredging	Filling land reclamation	Pre and after service	Environmental and offshore	Total
Main business area					
China (except Hong Kong, Macao and Taiwan)	3,740,850,933	2,279,558,181	4,894,201,590	2,144,233,673	13,058,844,377
Other countries and regions	1,900,010,683	1,551,941,848	63,825,570	170,071,989	3,685,850,090
	5,640,861,616	3,831,500,029	4,958,027,160	2,314,305,662	16,744,694,467
Main product type					
Construction	5,640,861,616	3,831,500,029	4,958,027,160	168,877,478	14,599,266,283
Trading	-	-	-	2,145,428,184	2,145,428,184
	5,640,861,616	3,831,500,029	4,958,027,160	2,314,305,662	16,744,694,467
Revenue recognition time					
Confirm revenue at a certain point in time	-	-	41,603,658	2,314,305,662	2,355,909,320
Confirm revenue within a certain period of time	5,640,861,616	3,831,500,029	4,916,423,502	-	14,388,785,147
	5,640,861,616	3,831,500,029	4,958,027,160	2,314,305,662	16,744,694,467

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

43. Revenue and cost of sales (continued)

For the six months ended 30 June 2018 (Unaudited)

Reporting segment	Dredging	Filling land reclamation	Pre and after service	Environmental and offshore	Total
Main business area					
China (except Hong Kong, Macao and Taiwan)	3,345,509,861	3,345,277,815	2,579,120,329	3,204,453,034	12,474,361,039
Other countries and regions	1,329,821,313	1,494,304,760	174,041,005	406,278,756	3,404,445,834
	4,675,331,174	4,839,582,575	2,753,161,334	3,610,731,790	15,878,806,873
Main product type					
Construction	4,675,331,174	4,839,582,575	2,753,161,334	132,341,074	12,400,416,157
Trading	-	-	-	3,478,390,716	3,478,390,716
	4,675,331,174	4,839,582,575	2,753,161,334	3,610,731,790	15,878,806,873
Revenue recognition time					
Confirm revenue at a certain point in time	-	-	5,807,925	3,610,731,790	3,616,539,715
Confirm revenue within a certain period of time	4,675,331,174	4,839,582,575	2,747,353,409	-	12,262,267,158
	4,675,331,174	4,839,582,575	2,753,161,334	3,610,731,790	15,878,806,873

44. Taxes and surcharges

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Excise tax	1,546,141	4,757,287
Urban maintenance and construction tax	7,102,031	9,864,448
Education surcharge	3,756,077	4,698,129
Others	27,796,936	33,343,049
	40,201,185	52,662,913

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

45. Administrative expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Employee compensation costs	597,044,357	548,350,951
Depreciation and amortization expenses	73,784,551	76,136,729
Traveling and transportation expenses	67,545,149	73,235,185
Office expenses	35,835,170	38,429,720
Consulting expenses	10,531,672	11,490,650
Professional agency service expenses	7,548,798	6,627,990
Bidding expenses	5,869,768	4,819,201
Others	73,973,169	89,413,976
	872,132,634	848,504,402

46. Research and development expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
R&D materials and labor expenditure	309,550,542	309,924,693

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

47. Finance expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Interest expenses	355,011,604	327,284,712
Lease liabilities interest expenses	48,149,609	-
Less: Interest income	(148,868,123)	(76,482,092)
Less: Capitalized amount of interest	(7,389,140)	(1,079,758)
Foreign exchange differences	(1,425,132)	(64,833,150)
Discounted interest	(27,259,178)	(39,674,298)
Others	53,938,565	6,572,192
	272,158,205	151,787,606

The Group capitalizes the borrowing costs arising from the acquisition, construction or production of assets eligible for capitalization. For the six months ended 30 June 2019,The amount of capitalization of borrowing costs is RMB7,389,140(for the six months ended 30 June 2018: RMB1,079,758),among them, the amount of RMB3,890,138(for the six months ended 30 June 2018: RMB131,071) is included in construction in progress,the amount of RMB3,265,069(for the six months ended 30 June 2018: RMB948,687) is included in intangible assets, and the amount of RMB233,933(for the six months ended 30 June 2018: Nil) is include in contact assets.

The interest income details are as follows

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Interest income of cash at banks	34,175,990	28,610,662
Interest income from settlement center or financial company	5,962,139	5,313,713
Interest income from internal funds occupation	6,725,640	15,510,877
Others	102,004,354	27,046,840
	148,868,123	76,482,092

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

48. Expenses by nature

The total amount of cost of sales, selling expenses, administrative expenses, and research and development expenses can be categorised by nature.

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Project subcontracting expenses	5,906,676,998	5,228,385,612
Material	1,754,837,303	55,784,113
Costs of goods sold	2,130,274,140	3,926,600,999
Employee benefits	1,472,140,448	1,380,008,149
Rental	584,568,555	467,316,720
Depreciation and amortisation	648,888,087	546,157,079
Costs of fuel	481,244,237	741,196,758
Maintenance cost	342,538,935	325,180,179
Research and development expense	309,550,542	309,924,694
Safety production expenses	79,734,359	155,277,611
Transportation costs	75,791,536	81,182,169
Property insurance premium	57,096,708	50,363,374
Others	2,279,366,714	1,733,168,556
	16,122,708,562	15,000,546,013

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

49. Other income

Government grants related to the ordinary course of business

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)	Related to assets /income
CCCC-SDC Huangpu district government support fund	5,400,000	-	Income
CCCC-SDC pudong new area expo area development management committee financial support funds	3,143,000	-	Income
CCCC-SDC pudong new area financial subsidy	943,600	-	Income
CCCC-SDC pudong new area development and reform commission service industry development guide fund project fund	800,000	-	Income
Guangzhou haizhu district science and technology industry business and information technology bureau outsourcing special fund	650,000	900,000	Income
CCCC-SDC “going out” support fund	625,000	-	Income
CCCC-SDC pudong new area tax return	562,800	-	Income
CCCC-SDC government science and technology R&D funding assistance	522,000	-	Income
High-tech subsidy	288,100	891,300	Income
Research and development grant funds	-	130,000	Income
Shenzhen municipal finance committee “Biological Affairs Future 20171447” project funds	-	2,600,000	Income
Others	1,111,939	-	Assets /income
	14,046,439	4,521,300	

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

50. Investment income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Long-term equity investment income under the equity method (Note V.11)	54,100,078	104,571,262
Dividend income from other equity instrument investments held (Note V. 12)	356,277,183	100,662,520
Dividend income from other non-current financial assets held	-	183,775
Derecognization loss from financial assets at amortized cost	(51,303,014)	(64,968,672)
	359,074,247	140,448,885

51. Impairment of credit losses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Loss from bad debt for accounts receivable	61,245,886	161,688,840
Loss from bad debt for other receivables	36,311,946	3,374,543
Loss / (recovery) from bad debt for long-term receivables	(1,123,594)	2,867,568
Expected credit loss from contract assets (including classified as other non-current assets)	26,356,390	7,139,998
	122,790,628	175,070,949

52. Impairment losses of assets

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Saudi Dammam ALNASEEM Dredging Backfilling	-	104,599,719

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

53. Gains on disposal of assets

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Disposal income of fixed assets	3,510,223	1,139,339
Disposal income of other long-term assets	19,652	1,745,465
	3,529,875	2,884,804

54. Non-operating income and expenses

Non-operating income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)	Included in non-recurring gains and losses for the six months ended 30 June 2019
Government grants	146,000	13,366,416	146,000
Insurance claims income	6,783,771	1,829,496	6,783,771
Others	5,121,833	11,784,592	5,121,833
	12,051,604	26,980,504	12,051,604

Government grants credited to profit or loss for the current period are as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)	Related to assets/income
Energy conservation project government grants	6,343,600	5,024,600	Income
Key enterprise funds	4,418,000	5,129,000	Income
Research funding subsidy	950,100	1,021,300	Income
Project development funds	806,000	5,731,000	Income
Refund taxes	562,800	504,700	Income
Others	1,111,939	477,116	Assets/income
	14,192,439	17,887,716	
Less: Government grants included in other income	14,046,439	4,521,300	Assets/income
Government grants included in non-operating income	146,000	13,366,416	

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

54. Non-operating income and expenses (continued)

Non-operating expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Donations	3,440,000	-
Others	1,927,992	274,553
	5,367,992	274,553

55. Income tax expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Current tax	89,791,829	100,623,138
Deferred tax	(12,715,416)	41,780,482
	77,076,413	142,403,620

The reconciliation between income tax expenses and profit before income taxes is as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Profit before tax	570,170,060	568,700,613
Income tax at the statutory income tax rate of 25%	142,542,515	142,175,153
Effect of different tax rates for some subsidiaries	(9,681,058)	(8,758,285)
Income not subject to tax	(104,774,153)	(34,946,454)
Income tax benefits on research and development expenses	(8,531,222)	(21,243,979)
Expenses not deductible for tax	17,554,823	14,625,549
Tax losses utilised from previous periods	-	(8,924)
Unrecognised deductible tax losses	31,315,097	49,682,542
Unrecognised deductible temporary differences	8,650,411	878,018
Income taxes	77,076,413	142,403,620

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

56. Notes to cash flow items

(1) Other cash receipts relating to operating activities

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Deposits	476,136,466	282,112,048
Recovery of restricted deposits	80,912,903	-
Recovery of factorized accounts receivable	-	139,000,000
Government grants	26,645,242	13,366,416
Others	55,603,476	79,715,981
	639,298,087	514,194,445

(2) Other cash payments relating to operating activities

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Deposits	572,658,637	510,247,742
Payment of restricted deposits	-	455,818,843
R&D expenses	309,550,542	309,924,693
Financing payments made on behalf of others	-	270,802,379
Travel and transportation expenses	75,790,586	81,182,169
Commission	20,983,489	43,130,567
Office expenses	41,655,466	42,629,638
Professional agency service and consulting expense	18,080,470	18,118,641
Bidding expenses	5,869,768	4,819,201
Others	366,430,788	494,296,377
	1,411,019,746	2,230,970,250

(3) Other cash payments relating to financing activities

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Rental	384,410,606	210,312,703

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

57. Supplementary information on cash flow statement

(1) Reconciliation of net profit to net cash flows from operating activities:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Net profit	493,093,647	426,296,993
Add: Impairment losses of assets	-	104,599,719
Impairment of credit losses	122,790,628	175,070,949
Depreciation of fixed assets	440,003,552	498,754,618
Depreciation of investment properties	4,271,995	2,944,229
Depreciation of right-of-use assets	155,209,763	-
Depreciation of intangible assets	16,358,890	14,856,496
Amortisation of long-term prepaid expenses	33,043,886	29,601,736
Disposal of fixed asset, intangible assets and other long-term assets	(3,529,875)	(2,884,804)
Finance expenses	360,140,841	219,106,430
Investment income	(410,377,261)	(205,417,557)
Increase of deferred tax assets	(10,034,612)	(102,378,246)
Decrease of deferred tax liabilities	(2,584,767)	(29,748,733)
Increase of inventory	(108,884,048)	(474,851,375)
Increase of contract assets	(2,431,510,242)	(934,969,698)
Increase of operating activities receivables	(449,707,014)	(3,188,417,650)
(Decrease)/increase of operating activities payables	(1,196,041,521)	1,092,501,400
Net cash flows from operating activities	(2,987,756,138)	(2,374,935,493)

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

57. Supplementary information on cash flow statement (continued)

(2) Movements of cash and cash equivalents

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Closing balance of cash and cash equivalents	6,579,533,584	5,688,372,180
Less: Opening balance of cash and cash equivalents	7,787,383,813	8,157,100,059
Net increase in cash and cash equivalents	(1,207,850,229)	(2,468,727,879)

(3) Cash and cash equivalents

	30 June 2019 (Unaudited)	31 December 2018
Cash and bank balance (Note V. 1)	6,729,912,152	8,018,675,283
Including: Cash on hand	6,646,333	7,216,589
Bank deposit	6,519,874,554	7,727,219,558
Other cash and bank balance	203,391,265	284,239,136
Less: Cash and bank balance with restricted usage	150,378,568	231,291,470
Closing balance of cash and cash equivalents	6,579,533,584	7,787,383,813
Including: Cash and cash equivalents with restriction on use by the Company or other subsidiaries		
Cash and bank balance deposited abroad	1,282,166,564	1,216,812,856
Bank deposits supervised by the owner	444,790,234	776,925,787

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

58. Foreign currency monetary item

	30 June 2019(Unaudited)			31 December 2018		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash and bank balance						
U.S. Dollar	71,328,346	6.8747	490,360,980	46,258,050	6.8632	317,478,252
H.K. Dollar	601,962,138	0.8797	529,546,093	518,667,903	0.8762	454,456,817
Others			262,259,490			444,877,787
			1,282,166,563			1,216,812,856
Accounts receivable						
U.S. Dollar	288,220,612	6.8747	1,981,430,241	104,914,235	6.8632	720,047,376
SAR	150,209,432	1.8331	275,348,910	-	1.8287	-
RUB	2,788,982,517	0.1090	303,999,094	-	0.0986	-
Other			64,976,094			7,087,200
			2,625,754,339			727,134,576
Other receivables						
U.S. Dollar	65,206,657	6.8747	448,276,205	41,654,798	6.8632	285,885,209
H.K. Dollar	43,697,396	0.8797	38,440,599	20,179,698	0.8762	17,681,451
MYR	14,414,488	1.6593	23,917,960	14,144,170	1.6479	23,308,178
Others			57,611,391			14,313,728
			568,246,155			341,188,566
Long-term receivables						
U.S. Dollar	46,908,276	6.8747	322,480,325	1,138,226	6.8632	7,811,875
H.K. Dollar	109,373,936	0.8797	96,216,251	97,420,469	0.8762	85,359,815
SAR	85,774,511	1.8331	157,233,256	-	1.8287	-
Others			87,409,043			-
			663,338,875			93,171,690

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

58. Foreign currency monetary item (continued)

	30 June 2019 (Unaudited)			31 December 2018		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Short-term borrowings						
H.K. Dollar	877,680,000	0.8797	772,095,096	989,680,000	0.8762	867,157,616
U.S. Dollar	67,700,000	6.8747	465,417,190	67,700,000	6.8632	464,638,640
			1,237,512,286			1,331,796,256
Long-term borrowings						
Euro	164,490,758	7.8170	1,285,824,252	176,728,545	7.8473	1,386,841,913
U.S. Dollar	24,500,000	6.8747	168,430,150	24,500,000	6.8632	168,148,400
			1,454,254,402			1,554,990,313
Accounts payable						
U.S. Dollar	86,195,398	6.8747	592,567,499	57,215,926	6.8632	392,684,345
H.K. Dollar	519,273,415	0.8797	456,804,823	462,788,522	0.8762	405,495,303
RUB	4,506,128,008	0.1090	491,167,953	85,977,686	0.0986	8,477,400
Other			119,691,750			139,847,945
			1,660,232,025			946,504,993
Other payables						
U.S. Dollar	27,703,145	6.8747	190,450,808	20,734,204	6.8632	142,302,986
H.K. Dollar	156,290,703	0.8797	137,488,932	3,682,183	0.8762	3,226,329
Other			11,708,117			46,286,908
			339,647,857			191,816,223

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

59. Assets with limited ownership

	30 June 2019 (Unaudited)	31 December 2018
Cash and bank balance (Note 1)	150,378,568	231,291,470
Accounts receivable (Note 2)	2,658,960,000	2,848,960,000
Long-term receivables (Note 3)	3,011,387,895	1,786,653,929
Intangible assets (Note 4)	47,109,022	-
Total	5,867,835,485	4,866,905,399

Note 1:
As at 30 June 2019,the amount of cash and bank balance with book value of RMB150,378,568 (31 December 2018: RMB231,291,470) are with limited ownership, because of using as bond guarantee deposit, acceptance deposit and credit letter deposit.

Note 2:
As at 30 June 2019, the Group pledged accounts receivable with a book value of RMB 2,658,960,000 (31 December 2018: RMB 2,848,960,000) for obtaining bank borrowings.

Note 3:
As at 30 June 2019, the Group pledged long-term receivables with a book value of RMB 3,011,387,895 (31 December 2018: RMB 1,786,653,929) for bank borrowings.

Note 4:
As at 30 June 2019, the Group pledged intangible assets with a book value of RMB 47,109,022 (31 December 2018: Nil) for bank borrowings.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

60. Other equity instruments

The changes in the sustainable medium-term notes issued by the Company's subsidiaries are as follows:

For the six months ended 30 June 2019 (Unaudited)

	Opening balance		Decrease		Closing balance	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Perpetual medium-term notes	10,000,000	998,499,700	-	(255,643)	10,000,000	998,244,057

2018

	Opening balance		Increase		Closing balance	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Perpetual medium-term notes	-	-	10,000,000	998,499,700	10,000,000	998,499,700

Expressed in Renminbi Yuan

V. Notes to key items of the consolidated financial statements (continued)

60. Other equity instruments (continued)

At 30 June 2019, the details of the perpetual medium-term notes issued by the Company's subsidiaries are as follows:

	Issue date	Stock interest rate or interest rate	Issue Price	Quantity	Issue amount	Cost	Book value	Due date or renewal situation	Conversion conditions	Conversion situation
CCCC-TDC 2018 First Phase Medium Term Notes	14 December 2018	5.49%	100	10,000,000	1,000,000,000	1,755,943	998,244,057	Unexpired	No	No

Note:
As at 30 June 2019, the Company's subsidiaries issued RMB 998,244,057 perpetual medium-term notes. After the expiration of the above-mentioned perpetual medium-term notes, the Group has the right to extend the number of times for the period of time. The Group is entitled to deferred payment and the Group has no contractual obligation to pay cash or other financial assets. The Group's management believes that the above-mentioned perpetual medium-term notes are not in accordance with the definition of financial liabilities and are recognised as issuer's equity in the Group's consolidated financial statements. It is confirmed as minority shareholders' equity. For the six months ended 30 June 2019 and in 2018, the other equity instruments issued by the Group are not redeemed.

VI. Scope of consolidation

In April 2019, CCCC-SDC established Tianchang CCCC SDC Aiers Water Environment Construction Investment Co., Ltd. with Tianchang Development (Group) Co., Ltd. and Beijing Aiers Ecological Environment Engineering Co., Ltd. with a registered capital of RMB 108,888,000. CCCC-SDC has a shareholding ratio of 89%. As at 30 June 2019, CCCC-SDC has not paid the capital.

CCCC-SDC and Yancheng Municipal Public Investment Co., Ltd., Beijing Everbright Water Investment Management Co., Ltd., CCCC First Harbour Consultants Co., Ltd. and Design Institute Co., Ltd. and China Design Group Co., Ltd. jointly established Yancheng CCCC SDC Environmental Investment Co., Ltd. in June 2019. It has a registered capital of RMB 747,965,746 and CCCC-SDC has a shareholding ratio of 81%. As at 30 June 2019, CCCC-SDC has paid RMB 324,000,000 in cash.

Expressed in Renminbi Yuan

VII. Equity in other entities

1. Subsidiaries

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

The subsidiaries listed here are the second-tier subsidiaries and the main third-tier subsidiaries of the Group. Not all of the subsidiaries are listed due to the large number of subsidiaries.

Subsidiaries acquired through business combinations involving entities under common control

Company name	Place of registration and principal place of business	Paid-in Capital ('0000)		Principal activities	Shareholding proportion % Direct	Indirect	Proportion of voting right
CCCC-SDC	China	RMB	760,606	Dredging and Drainage Filling Enterprise	100%	-	100%
CCCC-TDC	China	RMB	580,747	Dredging and Drainage Filling Enterprise	100%	-	100%
CCCC-GDC	China	RMB	493,374	Dredging and Drainage Filling Enterprise	100%	-	100%
CCCC International Shipping Co.,Ltd. (Note 1)	Panama	US Dollar	990	Logistics Enterprise	-	95%	80%
Hong Kong Marine	Hong Kong	HK dollar	100	Dredging and Drainage Filling Enterprise	25%	75%	100%
Zhonggang Dredging Co., Ltd.	China	RMB	1,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC SDC Construction Co., Ltd.	China	RMB	88,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC SDC General Contracting Co., Ltd.	China	RMB	80,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC TDC Binhai Environmental Protection Harbour Engineering Co., Ltd.	China	RMB	53,543	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC Fuqing Investment Co., Ltd	China	RMB	30,000	Road Engineering Construction Enterprise	-	70%	70%
CCCC Yantai Environmental Protection Dredging Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC TDC Harbour Construction Engineering Co., Ltd	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC TDC Southern Traffic Construction Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC SDC (Fujian) Traffic Construction Engineering Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd.	China	RMB	20,000	Dredging and Drainage Filling Enterprise	38%	56%	94%

Expressed in Renminbi Yuan

VII. Equity in other entities (continued)

1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through business combinations involving entities under common control (continued)

Company name	Place of registration and principal place of business	Paid-in Capital ('0000)		Principal activities	Shareholding proportion %		Proportion of total voting right
					Direct	Indirect	
Taizhou SDC Engineering Construction Co., Ltd.	China	RMB	20,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC Yunze Dredging Co., Ltd.	China	RMB	18,000	Dredging and Drainage Filling Enterprise	-	55%	55%
CCCC Shanghai Waterway Engineering Design and Consultants Co., Ltd	China	RMB	17,126	Survey and design enterprise	-	100%	100%
SDC Logistics Co., Ltd.	China	RMB	10,000	Logistics Enterprise	-	100%	100%
Yingkou Economic and Technological Development Zone Investment and Development Co., Ltd. (Note 2)	China	RMB	10,000	Dredging and Drainage Filling Enterprise	-	55%	60%
Shanghai Dahua Surveying and Mapping Co., Ltd.	China	RMB	8,000	Survey and design enterprise	-	100%	100%

Note 1:

CCCC Marine Construction and Development Co., Ltd., a subsidiary of the Company, holds 95% of the shares of CCCC International Shipping Co.,LTD. The board of directors of CCCC International Shipping Co.,LTD is composed of 5 directors, of which 4 are recommended by CCCC Marine Construction and Development Co., Ltd., 1 is recommended by Zhonghe Property Co., Ltd., and 80% of the voting rights of CCCC Marine Construction and Development Co., Ltd.

Note 2:

CCCC-GDC, a subsidiary of the Company, holds a 55% stake in Yingkou Economic and Technological Development Zone Investment Development Co., Ltd. The board of directors of Yingkou Economic and Technological Development Zone Investment and Development Co., Ltd. consists of 5 directors, of which 3 are recommended by CCCC-GDC, 1 is recommended by Zhonghao Yintai Capital Co., Ltd., and 1 is recommended by Yingkou Economic and Technological Development Zone Marine Fisheries Industrial Park Development Co., Ltd. CCCC-GDC has a 60% voting right of the board of directors, which can substantially control its business decisions, so it is included in the scope of consolidation.

Expressed in Renminbi Yuan

VII. Equity in other entities (continued)

1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through business combinations not involving entities under common control

Company name	Place of registration and principal place of business	Paid-in Capital ('0000)		Principal activities	Shareholding proportion %		Proportion of voting right
					Direct	Indirect	
CCCC Water Resources and Hydropower Construction Co., Ltd.	China	RMB	5,500	Water conservancy and hydropower construction Enterprise	-	100%	100%

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment

Company name	Place of registration and principal place of business	Paid-in capital ('0000)		Principal activities	Shareholding proportion %		Proportion of voting right
					Direct	Indirect	
CCCC Quanhui Construction Development Co., Ltd. (Note 1)	China	RMB	20,000	Dredging and Drainage Filling Enterprise	-	76%	80%
Liaoning GDC Real Estate Co., Ltd.	China	RMB	17,450	Real estate Enterprise	-	100%	100%
CCCC Marine Construction Development Co., Ltd. (Note 2)	China	RMB	50,000	Marine construction and development Enterprise	50%	-	60%
Ecological Environmental Protection (Note 3)	China	RMB	100,000	Investment holding Enterprise	63.4%	-	57%
CCCC Zhoushan Qiandao Central Business District Development Co.,Ltd. (Note 4)	China	RMB	200,000	Real estate development and operation Enterprise	70%	-	60%
CCCC Nanyi Investment Co., Ltd.	China	RMB	10,000	Dredging and Drainage Filling Enterprise	-	70%	70%
Taizhou CCCC SDC Investment Co., Ltd.	China	RMB	10,000	Investment holding Enterprise	-	100%	100%
Nan'an Quanxin CCCC Investment Co., Ltd.	China	RMB	10,000	Investment holding Enterprise	-	94.5%	94.5%
Gongyi CCCC SDC Qinsen Ecological Investment Co., Ltd.	China	RMB	13,700	Investment holding Enterprise	-	70%	70%

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VII. Equity in other entities (continued)

1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment (continued)

Company name	Place of registration and principal place of business	Paid-in capital ('0000)		Principal activities	Shareholding proportion %		Proportion of voting right
					Direct	Indirect	
CCCC GDC Zhuhai Investment Construction Co., Ltd.	China	RMB	11,595	Investment holding Enterprise	-	99%	99%
CCCC (Xinghua) Port Development Co., Ltd.	China	RMB	11,000	Port development and construction Enterprise	-	79%	79%
CCCC (Huaiji) Water Co., Ltd.	China	RMB	8,000	Sewage treatment Enterprise	-	74.95%	74.95%
Tianchang CCCC SDC Aiers Water Environment Construction Investment Co., Ltd.	China	RMB	3	Business service industry	-	89%	89%
Yancheng CCCC SDC Environmental Investment Co., Ltd.	China	RMB	40,000	Business service industry	-	81%	81%

VII. Equity in other entities (continued)

1. Subsidiaries (continued)

Particulars of the principal subsidiaries of the Company are as follows (continued):

Subsidiaries acquired through establishment or investment (continued)

Note 1:
CCCC-SDC, a subsidiary of the Company, holds a 76% equity interest of CCCC Quanhui Construction Development Co., Ltd. The board of directors of CCCC Quanhui Construction Development Co., Ltd. composed of 5 directors, of which 3 are recommended by CCCC-SDC, 1 is recommended by CCCC Third Harbour Consultants Co., Ltd. and CCCC Third Harbour Consultants Co., Ltd. signed a concerted action agreement with CCCC-SDC, therefore CCCC-SDC has a voting right a 80%, and control CCCC Quanhui Construction Development Co., Ltd.

Note 2:
The Company holds a 50% stake in CCCC Marine Construction Development Co., Ltd. The board of directors of CCCC Marine Construction Development Co., Ltd. is composed of 5 directors, of which 3 are recommended by the Company, 1 by China Harbour Engineering Co., Ltd., and 1 by Chuwa Bussan Co., Ltd. The Company has a voting right ratio of 60%, which can substantially control its business decisions, so it is included in the scope of consolidation.

Note 3:
The Company holds 63.4% equity in Ecological Environmental Protection. The board of Ecological Environmental Protection is composed of 7 directors, of which 4 are recommended by the Company, 2 directors recommended by CCCC Electromechanical Engineering Co., Ltd., and 1 by Chuwa Bussan Co., Ltd. The company has 57% of voting rights, which can control its business decisions, so Ecological Environmental Protection is included in the scope of consolidation.

Note 4:
The Company holds 70% equity of CCCC Zhoushan Qiandao Central Business District Development Co., Ltd. The board of directors of CCCC Zhoushan Qiandao Central Business District Development Co., Ltd. consists of 5 directors, of which 3 are recommended by the Company, 1 is recommended by Xiaogandao Business Zone Construction Holdings Co., Ltd. of Zhejiang Free Trade Zone, and 1 is recommended by employee representatives. The Company has a voting right ratio of 60%, which can substantially control its business decisions, so it is included in the scope of consolidation.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

VII. Equity in other entities (continued)

2. Joint ventures and associates

Summary information of non-significant joint ventures and associates

	30 June 2019 (Unaudited)	31 December 2018
Joint ventures		
Total book value of investment	2,201,159,064	1,960,913,941
The total of the following items calculated according to the shareholding ratio		
Net profit and total comprehensive income	2,893,477	12,474,374

	30 June 2019 (Unaudited)	31 December 2018
Associates		
Total book value of investment	4,098,348,476	3,702,108,877
The total of the following items calculated according to the shareholding ratio		
Net profit and total comprehensive income	51,206,601	169,436,230

Both the net profit and the total comprehensive income have taken into account the fair value of the identifiable assets and liabilities at the time of investment and the adjustment effect of the unified accounting policies.

3. Significant joint operation

According to the terms of the joint operation arrangement or legal form, the Group has rights and obligations to the relevant assets and liabilities in the relevant joint arrangements, and the relevant joint arrangements are treated as joint operations. For the six months ended 30 June 2019, the Company and China Harbour Engineering Co., Ltd., which is controlled by the parent company, are based on the project construction strategy of the parent company of China, and the consortium jointly operates the 3206 third runway of Hong Kong International Airport. Segment project. The 3206 tender section of the third runway of the Hong Kong International Airport is not a separate entity. The main business location is Hong Kong. The joint operation activities are mainly project construction, including foundation treatment, reclamation and seawall construction. The Company's share of interest and voting rights held in joint operations are 45%.

Expressed in Renminbi Yuan

VIII. Financial instruments and associated risks

1. Financial instruments by category

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

30 June 2019 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		Total
	Standard requirement		Standard requirement	Designation	
Cash and bank balance	-	6,729,912,152	-	-	6,729,912,152
Notes receivable	-	521,174,017	-	-	521,174,017
Accounts receivable	-	15,230,842,340	-	-	15,230,842,340
Receivable financing	-	-	628,575,831	-	628,575,831
Other receivables	-	5,297,976,125	-	-	5,297,976,125
Long-term receivables (including those due within one year)	-	17,909,423,893	-	-	17,909,423,893
Other equity investment	-	-	-	5,224,751,415	5,224,751,415
Other non-current financial assets	133,650,000	-	-	-	133,650,000
	133,650,000	45,689,328,527	628,575,831	5,224,751,415	51,676,305,773

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

VIII. Financial instruments and associated risks (continued)

1. Financial instruments by category (continued)

Carrying amounts of each category of financial instruments at the balance sheet date are as follows(continued):

30 June 2019 (Unaudited)(continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss Standard requirement	Financial liabilities at amortized cost	Total
Short-term borrowings	-	7,173,640,441	7,173,640,441
Notes payable	-	3,568,354,237	3,568,354,237
Accounts payable	-	21,316,425,006	21,316,425,006
Other payables	-	10,852,988,529	10,852,988,529
Current portion of non-current liabilities	-	2,878,763,895	2,878,763,895
Long-term borrowings	-	3,131,583,747	3,131,583,747
Bonds payable	-	9,946,241,382	9,946,241,382
Lease liabilities	-	1,365,594,914	1,365,594,914
Long-term payables	-	1,942,328,404	1,942,328,404
	-	62,175,920,555	62,175,920,555

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

VIII. Financial instruments and associated risks (continued)

1. Financial instruments by category (continued)

Carrying amounts of each category of financial instruments at the balance sheet date are as follows (continued):

31 December 2018

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		Total
	Standard requirement		Standard requirement	Designation	
Cash and bank balance	-	8,018,675,283	-	-	8,018,675,283
Notes receivable	-	-	1,483,346,329	-	1,483,346,329
Accounts receivable	-	14,662,363,586		-	14,662,363,586
Receivable financing	-	-	690,118,036		690,118,036
Other receivables	-	4,447,345,496	-	-	4,447,345,496
Long-term receivables (including those due within one year)	-	18,119,766,488	-	-	18,119,766,488
Other equity investment	-	-	-	4,537,721,617	4,537,721,617
Other non-current financial assets	133,650,000	-	-	-	133,650,000
	133,650,000	45,248,150,853	2,173,464,365	4,537,721,617	52,092,986,835

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VIII. Financial instruments and associated risks (continued)

1. Financial instruments by category (continued)

Carrying amounts of each category of financial instruments at the balance sheet date are as follows (continued):

31 December 2018 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss Standard requirement	Financial liabilities at amortized cost	Total
Short-term borrowings	-	4,451,010,518	4,451,010,518
Notes payable	-	3,860,775,407	3,860,775,407
Accounts payable	-	22,102,473,638	22,102,473,638
Other payables	-	6,934,396,866	6,934,396,866
Current portion of non-current liabilities	-	2,158,040,320	2,158,040,320
Long-term borrowings	-	2,931,236,975	2,931,236,975
Bonds payable	-	9,981,238,196	9,981,238,196
Long-term payables	-	3,152,941,939	3,152,941,939
	-	55,572,113,859	55,572,113,859

VIII. Financial instruments and associated risks (continued)

2. Transfers of financial assets

Transferred financial assets that are not derecognized in their entirety and transferred financial assets that are derecognized in their entirety

At 30 June 2019, the Group endorsed certain bills receivable to its suppliers in order to settle the accounts payable and discounted certain bills receivable accepted by banks and commercial with a carrying amount of RMB 184,180,412 (31 December 2018: RMB184,187,770). In the opinion of the Group, the Group has retained substantially all the risks and rewards, which include default risks relating to such bills, and accordingly, it continued to recognise the full carrying amounts of the bills and the associated accounts payable settled. Subsequent to the endorsement and discounting, the Group did not retain any rights on the use of the bills, including the sale, transfer or pledge of such bills to any other third parties. The aggregate carrying amount of the accounts payable settled by such bills during the six months ended 30 June 2019 to which the suppliers have recourse is RMB97,960,412 (31 December 2018: RMB102,951,590) as at 30 June 2019.

As part of its normal business, the Group entered into an accounts receivable factoring arrangement (the "Arrangement") and transferred certain accounts receivable to a bank. (1) Under the Arrangement, the Group may be required to pay the bank for these accounts if any trade debtors have late payment. The Group has retained substantially all the risks and rewards, and not derecognized the financial asset. Subsequent to the transfer, the Group did not retain any rights on the use of the accounts receivable, including the sale, transfer or pledge of the accounts receivable to any other third parties. There is no accounts receivable transferred under the Arrangement that have not been settled as at 30 June 2019 (31 December 2018: RMB190,000,000). The original carrying value of the long-term receivable transferred under the Arrangement that have not been settled as at 30 June 2019 is RMB 1,115,968,535 (31 December 2018: RMB438,346,082). The carrying amount of the associated short-term and long-term borrowing that the Group continued to recognize as at 30 June 2019 is RMB920,000,000(31 December 2018: RMB628,346,082). (2) Under the Arrangement, if the Group has transferred substantially all the risks and rewards of the accounts receivable to financial institutions, the Group terminates the recognition of the relevant accounts receivable. The original carrying value of the accounts receivable (including long-term receivable) transferred and terminated under the Arrangement as at 30 June 2019 is RMB992,210,590 (31 December 2018: RMB2,470,655,913).

On November 8, 2017, the Group set up the "Bank of China Securities - China Exchange Dredging First Stage of Accounts Receivable Asset Support Special Plan" (the "Special Plan") and is listed on the Shanghai Stock Exchange for transfer. Under this arrangement, the Group has transferred almost all risks and rewards in the ownership of accounts receivable to the Special Plan, and the Group terminates the recognition of the relevant accounts receivable. For the six months ended at 30 June 2019, the carrying amount of accounts receivable (including long-term receivables) terminated by the Group's transfer to the Special Plan is RMB592,645,656 (31 December 2018: RMB524,262,432).

VIII. Financial instruments and associated risks (continued)

2. Transfers of financial assets (continued)

Transferred financial assets that are derecognized in their entirety in which continuing involvement exists

At 30 June 2019, the Group endorsed certain bills receivable to its suppliers in order to settle the accounts payable and discounted certain bills receivable accepted by banks (the “Derecognized Bills”) with a carrying amount of RMB 84,093,779 (31 December 2018: RMB142,146,366). The Derecognized Bills had a maturity of 1 to 12 months at 30 June 2019. In accordance with the Law of Negotiable Instruments, the holders of the Derecognized Bills have a right of recourse against the Group if the accepting banks default (the “Continuing Involvement”). In the opinion of the Group, the Group has transferred substantially all the risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated accounts payable. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the Group, the fair values of the Group’s Continuing Involvement in the Derecognized Bills are not significant.

For the six months ended 30 June 2019, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses are recognized from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the period.

3. Risks of financial instruments

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Group's financial instruments are mainly cash and bank balance, equity investment, borrowings, notes receivable, accounts receivable, notes payable and accounts payable. The related risk of these financial instruments and the Group’s policies are summarized below.

The board of directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks it faces. These risk management policies specify specific risks, covering market risks, credit risks and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and evades related risks through close cooperation with other business units of the Group. The Internal Audit Department of the Group conducts regular audits on risk management control and procedures, and reports the results to the Audit Committee of the Group.

Through appropriate diversification of investment and business portfolio, the Group disperses the risk of financial instruments and reduces the risk of focusing on any single industry, specific region or specific counterparty by formulating corresponding risk management policies.

VIII. Financial instruments and associated risks (continued)

3. Risk of financial assets (continued)

Credit risk

The Group trades only with recognized and creditworthy customers. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of bills receivable and trade receivables and contract assets are monitored on an ongoing basis to ensure that the Group’s exposure to credit loss is not significant.

Because the counterparty of cash and bank balance is a bank with good reputation and high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include other receivables, etc. Credit risk of such financial assets is resulted from defaults of counterparties. The largest risk exposure equals to the carrying amount of these instruments.

As the Group’s major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. At 30 June 2019, the Group had certain concentrations of credit risk as 10% (31 December 2018: 10%) and 24% (31 December 2018: 25%) of the Group’s accounts receivable are due from the Group’s largest debtor and five largest debtors, respectively.

Credit Risk Increases Judgment Criteria Significantly

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation on each balance sheet day. In determining whether credit risk has increased significantly since the initial confirmation, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without unnecessary additional costs or efforts. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date to determine the change of default risk of financial instruments during the expected lifetime.

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risk of financial instruments has increased significantly:

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain percentage compared with the initial confirmation.
- Qualitative standards major debtors' operational or financial conditions major adverse changes, early warning customer lists, etc.

VIII. Financial instruments and associated risks (continued)

3. Risk of financial assets (continued)

Credit risk (continued)

Definition of assets with impaired credit

In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Major financial difficulties occur to the issuer or debtor;
- The debtor breaches the contract, such as paying interest or defaulting or overdue principal, etc.
- The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;
- Purchase or derivation of a financial asset at a substantial discount, which reflects the fact that credit losses occur;

Credit impairment of financial assets may be caused by the interaction of multiple events, not necessarily by separate identifiable events.

Parameters for Measuring Expected Credit Loss

Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets by anticipated credit losses for 12 months or the whole life period, respectively. The key parameters of anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistics (such as counterparty ratings, guarantees and collateral types, repayment methods, etc.), the Group establishes a default probability, default loss rate and default risk exposure model.

VIII. Financial instruments and associated risks (continued)

3. Risks of financial instruments (continued)

Credit risk (continued)

Parameters for Measuring Expected Credit Loss (continued)

The relevant definitions are as follows：

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation of repayment in the next 12 months or the whole remaining period. The default probability of the group is adjusted on the basis of the historical mobility model of receivables, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment.
- The default loss rate refers to the group's expectation of the extent of loss due to exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.
- The default risk exposure is the amount that the Group shall be repaid in the event of default in the next 12 months or throughout the remaining period.

Prospective information

The assessment of significant increase in credit risk and the calculation of anticipated credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators affecting credit risk and expected credit loss of various business types.

Information on accounts receivable, other receivables and risk exposure to contract assets can be found in notes V 3, 6 and 8.

At 30 June 2019 and 31 December 2018, the Group has not been overdue for more than 30 days and still deducts its allowance for impairment based on 12-month anticipated credit losses.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and other borrowings.

As the Group's business is capital-intensive, the Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and other borrowings.

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VIII. Financial instruments and associated risks (continued)

3. Risks of financial instruments (continued)

Credit risk (continued)

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

30 June 2019 (Unaudited)

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term and long-term borrowings	7,804,314,612	540,962,686	1,417,629,261	2,019,594,198	11,782,500,757
Bonds payable	366,357,000	2,327,357,000	8,633,800,000	-	11,327,514,000
Notes payable	3,568,354,237	-	-	-	3,568,354,237
Accounts payable	21,316,425,006	-	-	-	21,316,425,006
Other payables	10,852,988,529	-	-	-	10,852,988,529
Lease liabilities	622,530,547	415,096,090	313,172,493	637,326,331	1,988,125,461
Long-term payables	1,435,604,751	1,949,333,242	304,056,255	-	3,688,994,248
	45,966,574,682	5,232,749,018	10,668,658,009	2,656,920,529	64,524,902,238

31 December 2018

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term and long-term borrowings	5,062,355,512	699,368,192	1,497,220,976	1,434,030,217	8,692,974,897
Bonds payable	353,600,000	353,600,000	10,693,600,000	-	11,400,800,000
Notes payable	3,860,775,407	-	-	-	3,860,775,407
Accounts payable	22,102,473,638	-	-	-	22,102,473,638
Other payables	6,934,396,866	-	-	-	6,934,396,866
Long-term payables	1,839,377,195	2,228,813,956	1,002,844,890	162,851,872	5,233,887,913
	40,152,978,618	3,281,782,148	13,193,665,866	1,596,882,089	58,225,308,721

VIII. Financial instruments and associated risks (continued)

3. Risks of financial instruments (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to interest-bearing liabilities such as borrowings and bonds payable. The borrowings with floating interest rates expose the Group to cash flow interest rate risk. Fixed-rate borrowings expose the Group to fair value interest rate risk. At 30 June 2019, the Group's floating interest rates borrowing is RMB4,619,857,754 (31 December 2018：RMB4,414,598,844).

To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

At 30 June 2019, if the interest rates on borrowings had been 100 basis points higher/lower, with all other variables held constant, the Group’s profit before tax would have been decreased/increased by RMB34,648,933 (2018: RMB33,109,491) as a result of higher/lower interest expenses on the floating rate borrowings. Floating rate borrowings are mainly denominated in RMB, US dollars, Euros and Hong Kong dollars.

Foreign Currency risk

The functional currency of the majority of the entities within the Group is RMB. Most of the Group’s transactions are based and settled in RMB. Foreign currencies are used to settle the Group’s revenue from overseas operations, the Group’s purchases of machinery and equipment from overseas suppliers, and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

At the six months ended 30 June 2019 and the year ended 31 December 2018,the Group’s cash and bank balance, accounts receivable, other receivables, long-term receivables, borrowings, accounts payable and other accounts payable in foreign currencies are detailed in notes V 58.

The Group's major foreign currencies are the US dollar and the euro. At 30 June 2019, with all other variables held constant, if the exchange rate of RMB/USD had strengthened /weakened by 5%, the Group’s profit before tax would have been decreased/increased by RMB68,463,079 (2018: decreased/increased by RMB6,129,313); if the exchange rate of RMB/EUR had strengthened /weakened by 5%, with all other variables held constant, the Group’s profit before tax would have been increased/decreased by RMB48,457,531 (2018: increased/decreased by RMB52,577,015). The change is mainly due to exchange gains/losses arising from the translation of cash and bank balance, accounts receivable, other receivables, borrowings, accounts payable and other payables denominated in USD/EUR.

VIII. Financial instruments and associated risks (continued)

3. Risks of financial instruments (continued)

Market risk (continued)

Equity instrument price risk

The investments in equity instruments of the Group are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Since these financial assets must be presented at fair value, the Group will be affected by the risk of price fluctuation in the securities market.

With all other variables held constant, the sensitivity of the group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income to equity price risk on each balance sheet date is as follows:

	For the six months ended 30 June 2019 (Unaudited)	2018
Equity Price Change	10%	10%
Impact on pre-tax profits		
Increase or decrease of pre-tax profits in the current year (No income tax impact)		
— Rising or falling equity prices	-	-
Impact on Equity		
Increase or decrease in equity in the current year(No Income Tax Impact)		
— Rising or falling equity prices	522,475,141	453,772,162

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

VIII. Financial instruments and associated risks (continued)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to owners, return capital to owners or issue new shares. The Group is not subject to external mandatory capital requirements. No changes in the objectives, policies or processes for managing capital are made during the six months ended 30 June 2019 and the year ended 31 December 2018.

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 (including short-term borrowings, long-term borrowings, bonds payable and long-term payables) less cash and cash equivalents. The gearing ratio of the Group as at the balance sheet date is as follows:

	30 June 2019 (Unaudited)	31 December 2018
Short-term borrowings	7,173,640,441	4,451,010,518
Long-term borrowings (including current portion)	3,547,783,007	3,368,636,183
Bonds payable (including current portion)	10,195,414,060	9,981,238,196
Lease liabilities (including current portion)	1,985,706,149	-
Long-term payables - finance lease payments	-	1,150,772,542
Less: Cash and cash equivalents (Note V. 57(3))	6,579,533,584	7,787,383,813
Net debt	16,323,010,073	11,164,273,626
Total equity	29,718,770,589	32,789,878,590
Total capital	46,041,780,662	43,954,152,216
Gearing ratio	35%	25%

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

IX. Fair value

1. Assets and liabilities measured at fair value

30 June 2019 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
Receivable financing	-	628,575,831	-	628,575,831
Other equity investments	3,116,129,939	-	2,108,621,476	5,224,751,415
Other non-current financial assets				
Financial assets at fair value through profit or loss				
Equity investments	-	-	133,650,000	133,650,000
Total	3,116,129,939	628,575,831	2,242,271,476	5,986,977,246

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
Notes receivable	-	2,173,464,365	-	2,173,464,365
Other equity investments	2,403,149,315	-	2,134,572,302	4,537,721,617
Other non-current financial assets				
Financial assets at fair value through profit or loss				
Equity investments	-	-	133,650,000	133,650,000
Total	2,403,149,315	2,173,464,365	2,268,222,302	6,844,835,982

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

IX. Fair value (continued)

2. Assets and liabilities disclosed at fair value

30 June 2019 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term borrowings	-	3,157,479,918	-	3,157,479,918
Bonds payable	-	9,975,139,000	-	9,975,139,000
	-	13,132,618,918	-	13,132,618,918

31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term borrowings	-	2,948,730,540	-	2,948,730,540
Bonds payable	-	9,971,600,000	-	9,971,600,000
	-	12,920,330,540	-	12,920,330,540

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

IX. Fair value (continued)

3. Fair value valuation

The illustration below is the disclosure on comparison between the fair value and the carrying amount for each class of financial assets and financial liabilities other than financial assets or financial liabilities where the difference between the carrying amount and the fair value is insignificant:

	Carrying amount		Fair value	
	30 June 2019 (Unaudited)	31 December 2018	30 June 2019 (Unaudited)	31 December 2018
Long-term borrowings	3,131,583,747	2,931,236,975	3,157,479,918	2,948,730,540
Bonds payable	9,946,241,382	9,981,238,196	9,975,139,000	9,971,600,000
	13,077,825,129	12,912,475,171	13,132,618,918	12,920,330,540

Management has assessed cash and bank balance, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables. Given the short term maturities, the fair values approximate to the carrying values.

At each reporting date, the Group analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the long-term receivables, long-term borrowings, long-term payables, bonds payable and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As at 30 June 2019 and 31 December 2018, the fair values of long-term receivables, long-term payables and lease liabilities are comparable to the carrying amount, and the Group's own non-performance risk for long-term and short-term borrowings is assessed to be insignificant.

For financial instruments traded in an active market, the Group determines its fair value based on its active market quotation; for financial instruments that are not traded in an active market, the Group uses valuation techniques to determine its fair value. The valuation models used are mainly cash flow discount models and market comparable company models. Inputs to valuation techniques mainly include risk-free interest rates, benchmark interest rates, exchange rate, credit spread, liquidity premiums, EBITDA multiplier and lack of liquidity discount, etc.

The third level of fair value measurement uses the method of cash flow discount, and unobservable inputs are weighted average cost of capital and long-term income growth rate.

4. Adjustment and level conversion of fair value measurement

During the six months ended 30 June 2019, there has been no transfer of fair value measurement of financial assets and liabilities between the first and second levels, nor has there been any transfer to or from the third level.

X. Related party relationships and transactions

1. Parent

Name of the parent	Place of registration	Nature of business	Registered capital (RMB'0000)	Proportion of ownership interest in the Company (%)	Proportion of voting power in the Company (%)
CCCC	Beijing	Coastal and inland river port engineering and infrastructure construction industry mainly consisting of survey, design, construction and supervision of highway, railway, bridge and tunnel engineering; dredging industry mainly consisting of infrastructure dredging, maintenance dredging, dredging by dredging and filling and environmental protection dredging; dredging industry mainly consisting of heavy marine equipment, construction machinery, road construction machinery and bridge components. Equipment manufacturing industry; and foreign trade and economic business with international project contracting, labor service cooperation and import and export trade as the main business	1,617,474	100	100

2. Subsidiaries

Refer to Note VII.1 for information about major subsidiaries.

3. Joint ventures and associates

Refer to Note VII.2 for information about joint ventures and associates.

4. Other related parties

Name of related parties	Related party relationships
China Harbour Engineering Co., Ltd. ("CHEC")	Entity controlled by the parent
CCCC Investment Co., Ltd. ("CCCC Investment")	Entity controlled by the parent
CCCC First Harbour Engineering Co., Ltd.	Entity controlled by the parent
CCCC Second Harbour Engineering Co., Ltd.	Entity controlled by the parent
CCCC Third Harbour Engineering Co., Ltd.	Entity controlled by the parent
CCCC Fourth Harbour Engineering Co., Ltd.	Entity controlled by the parent
CCCC Third Highway Engineering Co., Ltd.	Entity controlled by the parent
CCCC First Highway Consultants Co., Ltd.	Entity controlled by the parent
CCCC First Harbour Consultants Co., Ltd.	Entity controlled by the parent
CCCC Third Harbour Consultants Co., Ltd.	Entity controlled by the parent

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

CCCC Water Tranportation Consultants Co., Ltd.	Entity controlled by the parent
CCCC Settlement Center	Entity controlled by the parent
CCCC Finance Co., Ltd.	Entity controlled by the parent
CCCC Mechanical & Electrical Engineering Co., Ltd.	Entity controlled by the parent
CCCC Financial Leasing Co., Ltd.	Entity controlled by the parent
PetroChina CCCC Oil Products Sales Co., Ltd.	Entity controlled by the parent
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	Entity controlled by the parent
CCCC Urban Investment Holdings Co., Ltd.	Entity controlled by the parent
CCCC Indonesia Co., Ltd.	Entity controlled by the parent
CCCC (Malaysia) SDN BHD	Entity controlled by the parent
CCCC (Lianyungang) Construction and Development Co., Ltd.	Entity controlled by the parent
CCCC Tianfu Chengdu Industrial Co., Ltd.	Entity controlled by the parent
CCCC Highway Consutants Co., Ltd	Entity controlled by the parent
CCCC Kunming Construction and Development Co., Ltd.	Entity controlled by the parent
CCCC Material Co., Ltd.	Entity controlled by the parent
CCCC Southwest Investment and Development Co., Ltd.	Entity controlled by the parent
Chuwa Bussan Co., Ltd.	Entity controlled by the parent
Sino-Japan Samsung (Beijing) International Trade Co., Ltd.	Entity controlled by the parent
CCCC Second Harbour Consultants Co., Ltd.	Entity controlled by the parent
CCCC Fourth Harbour Consultants Co., Ltd.	Entity controlled by the parent
China Road & Brige	Entity controlled by the parent
CCCC Infrastructure Maintenance Group Co., Ltd	Entity controlled by the parent
CCCC First Highway Engineering Group Co., Ltd.	Entity controlled by the parent
CCCC Haixi Investment Co., Ltd.	Entity controlled by the parent
CCCC Ocean Investment Holding Co., Ltd.	Entity controlled by the parent
CCCC Second Highway Engineering Co., Ltd.	Entity controlled by the parent
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	Entity controlled by the ultimate controlling parent
Guangdong Harbour Engineering Co., Ltd.	Associate of the parent
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	Joint venture of the parent
Shandong CCCC Shipping Engineering Co., Ltd.	Joint venture of the parent
Zhuhai Harbour Engineering Co., Ltd.	Joint venture of the parent’s fellow subsidiary

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X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties

(a) Pricing policy

The prices of the products sold to related parties, the provision of labor services or construction services to related parties, the purchase of raw materials from related parties, the acceptance of the labor services of related parties and the subcontracting projects from related parties are fixed on the basis of general commercial terms. The related party lease and the related party assets transfer are based on the fair value of the assets.

(b) Purchases of goods from related parties

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
PetroChina CCCC Oil Products Sales Co., Ltd	48,966,170	99,058,415
CCCC Materials & Equipment Co., Ltd.	3,545,970	126,233
CCCC First Harbour Engineering Co., Ltd.	-	389,768
	52,512,140	99,574,416

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X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(c) Providing labour/construction services

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
CCCC	1,068,221,443	359,836,637
CCCC First Harbour Consultants Co.,Ltd.	592,209,775	108,289,165
CHEC	500,062,148	962,255,995
CCCC Fourth Harbour Engineering Co.,Ltd.	403,217,563	334,007,830
CCCC Water Tranportation Consultants Co., Ltd	293,607,196	212,311,885
CCCC (Malaysia) SDN BHD	225,457,004	339,386,526
CCCC Second Harbour Engineering Co.,Ltd.	153,744,929	102,035,745
CCCC Urban Investment Holding Ltd.	138,549,176	65,305,794
Guigang CCCC Investment Development Co., Ltd.	102,504,326	8,919,324
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	84,368,979	5,607,337
CCCC Urban Investment Construction (Liyang)Co., Ltd.	59,519,128	32,802,817
Shenhua Shanghai Dredging Co., Ltd	57,292,717	156,022,135
CCCC (Indonesia) Co., Ltd.	54,669,910	152,015,158
Qidong CCCC Investment Development Co., Ltd.	42,133,981	49,000,591
CCCC Thrid Harbour Consultants Co.,Ltd.	39,925,326	244,038
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	32,746,903	94,235,046
China Road&Bridge Corporation	31,795,182	-
CCCC Third Harbour Engineering Co., Ltd.	30,536,414	4,312,550
CCCC Third Highway Engineering Co., Ltd.	28,963,500	28,000,667
Tianjin Port and Waterway Engineering Co., Ltd.	23,780,823	33,761,267
CCCC First Harbour Engineering Co., Ltd.	22,957,072	37,226,813
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd	17,054,406	48,121,113
CCCC Investment	10,000,023	3,085,761
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	7,315,230	15,795,719
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	-	26,865,712
Others	13,338,221	47,834,178
	4,033,971,375	3,227,279,803

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X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(d) Acceptance of labor/engineering subcontracting

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Guangdong Harbour Engineering Co., Ltd.	80,771,230	48,762,209
CCCC First Harbour Engineering Co., Ltd.	72,999,011	84,160,666
CCCC Third Harbour Engineering Co., Ltd.	20,942,695	798,405
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	19,415,895	-
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	13,100,777	35,880,004
Shandong CCCC Shipping Engineering Co.,Ltd.	12,105,201	-
CCCC Third Harbour Consultants Co., Ltd.	12,050,654	-
Tangshan Caofeidian Dredging Co., Ltd.	4,541,420	10,004,007
CCCC Second Harbour Consultants Co., Ltd.	2,202,673	-
Tianjin Port and Waterway Engineering Co., Ltd.	-	34,722,160
Shenhua Shanghai Dredging Co., Ltd.	679,200	18,411,792
Others	4,116,222	-
	242,924,978	232,739,243

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X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(e) Acceptance/provision of funds

	Type of related transactions	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
CCCC Financial Leasing	Obtain loan	550,000,000	38,346,082
CCCC Financial Leasing	Loan repayment	258,346,082	130,000,000
CCCC Financial Leasing	Loan interest	18,143,901	286,232
CCCC Settlement Center	Obtain loan	100,000,000	100,000,000
CCCC Settlement Center	Loan repayment	168,632,000	100,000,000
CCCC Settlement Center	Deposit interest	2,732,969	859,557
CCCC Settlement Center	Loan interest	2,153,900	1,957,500
CCCC Settlement Center	Deposit	1,488,262,274	636,213,827
CCCC Settlement Center	Withdraw	2,142,321,996	647,732,451
CCCC Finance Co., Ltd.	Obtain loan	1,600,000,000	2,140,000,000
CCCC Finance Co., Ltd.	Loan repayment	1,610,000,000	1,910,000,000
CCCC Finance Co., Ltd.	Deposit interest	2,962,380	4,457,425
CCCC Finance Co., Ltd.	Loan interest	43,565,250	57,141,600
CCCC Finance Co., Ltd.	Deposit	17,297,388,178	26,115,012,253
CCCC Finance Co., Ltd.	Withdraw	18,790,753,443	28,548,214,377
CCCC First Harbour Engineering Co., Ltd.	Recovery of advances	108,000,000	-
CCCC Third Highway Engineering Co., Ltd.	Receive payments on behalf ot others	45,000,000	-
CCCC Water Tranportation Consultants Co., Ltd.	Receive payments on behalf ot others	9,000,000	-

The cash and bank deposits deposited at CCCC Settlement Center and CCCC Finance Co., Ltd. bear interest at the prevailing market rate. Borrowings from CCCC Financial Leasing, CCCC Settlement Center and CCCC Finance Co., Ltd. bear interest at the prevailing market rate. The advance payment with the related party is not interest-bearing.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(f) Related parties leasing

As a lessor

Name of lessor	Name of lessee	Lease type	Lease income for the six months ended 30 June 2019 (Unaudited)	Lease income for the six months ended 30 June 2018 (Unaudited)
CCCC-SDC	CCCC Financial Leasing	Car	30,000	-

As a lessee

Name of lessor	Name of lessee	Lease type	Lease income for the six months ended 30 June 2019 (Unaudited)	Lease income for the six months ended 30 June 2018 (Unaudited)
CCCC Financial Leasing	the Group	Ship/ Housing	69,285,336	53,532,763
CCCC Haixi Investment Co.,Ltd.	the Group	Equipment /Ship	153,638	-
CCCG	the Group	Housing	1,880,250	1,880,250
			71,319,224	55,413,013

(g) Granting loans

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
CCCC Fourth Harbour Engineering Co., Ltd.	25,000,000	-
CCCC Financial Leasing	300,000,000	800,000,000
	325,000,000	800,000,000

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(h) Acceptance of Guarantee

Guarantor	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
CCCC	1,204,733,998	1,372,316,024

(i) Significant joint operation

As stated in Notes VII.3, the Company and China Harbour Engineering Co., Ltd., which are controlled by the parent company, jointly operate the project of Section 3206 of runway 3 of Hong Kong International Airport. For the six months ended June 30, 2019, the Company recognized income of RMB 943,893,176, and cost of RMB 934,699,324, net profit RMB 9,218,463, total assets RMB 366,003,217, total liabilities RMB 356,632,427 and equity RMB 9,370,791 belonging to the parent company's shareholders due to the share of interests held in the joint operation.

(j) Acceptance of accounts receivable factoring

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
CCCC Finance Co., Ltd.	-	260,000,000

(k) Accounts receivable factoring interest expenditure

For the six months ended 30 June 2019,there is no factoring interest on accounts receivable paid to related parties(for the six months ended 30 June 2018: RMB3,455,833).

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(l) Co-equity investment with related parties in the current period

Following is the new company set up by the Group in the year of 2019 with the related parties for equity investment:

Investee	New investment by the Group	Shareholding ratio	Types	Related party shareholder
Yancheng CCCC SDC Environmental Investment Co., Ltd.	324,000,000	81.00%	Subsidiaries	CCCC First Harbour Consultants Co., Ltd.
CCCC (Yangjiang) Construction Investment Co., Ltd.	7,200,000	40.00%	Joint venture	CCCC Fourth Harbour Engineering Co., Ltd.

(m) Compensation of key management personnel

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Compensation of key management personel	2,194,048	2,098,966

6. Due from/to related parties

(a) Cash and bank balance

	30 June 2019 (Unaudited)	31 December 2018
CCCC Finance	1,972,357,683	3,465,722,948

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(b) Accounts receivable

	30 June 2019		31 December 2018	
	Carrying amount (Unaudited)	Provision for bad debt (Unaudited)	Carrying amount	Provision for bad debt
CCCC	1,945,290,901	-	1,977,768,310	-
Sanya Phoenix Island International Cruise Port Development Co.,	830,643,940	(29,701,472)	829,650,064	(29,698,555)
China Harbour Engineering Co., Ltd.	794,937,176	-	1,076,455,414	-
China Road & Bridge	578,291,873	-	12,427,163	-
CCCC Fourth Harbour Engineering Co., Ltd.	550,834,612	-	463,463,188	-
CCCC Urban Investment Holding Co., Ltd.	309,781,302	-	204,334,090	-
CCCC First Harbour Consultants Co., Ltd.	228,798,947	-	60,755,430	-
CCCC Indonesia Co., Ltd.	191,376,359	-	285,191,975	-
CCCC First Harbour Engineering Co., Ltd.	177,294,551	-	127,896,527	-
CCCC Water Tranportation Consultants Co., Ltd.	155,195,664	-	114,035,818	-
CCCC Investment	108,772,185	-	209,492,185	-
CCCC Third Harbour Engineering Co., Ltd.	107,765,585	-	67,659,603	-
CCCC Fourth Harbour Engineering Consultants Co., Ltd.	102,169,750	-	102,169,750	-
CCCC Second Harbour Engineering Co., Ltd.	97,704,019	-	99,568,224	-
CCCC (Maoming) Shuidongwan Investment and Construction Co.,	84,308,428	(3,092,018)	55,892,328	(2,904,472)
CCCC Investment Development Qidong Co., Ltd.	74,417,957		69,699,557	-
Tangshan Caofeidian Dredging Co., Ltd.	62,904,876	(39,336,746)	71,765,157	(45,197,314)
Tianjin Lingang Industrial Investment Holding Co., Ltd.	62,469,630	(28,235,966)	62,469,630	(22,561,864)
Fuzhou Taiwanese Investment Zone China Investment Co., Ltd.	27,915,902	(184,245)	9,656,775	(63,735)
CCCC Urban Investment Construction (Liyang)Co., Ltd.	27,207,514	-	52,149,028	-
CCCC Third Harbour Consultants Co., Ltd.	26,627,446	-	4,440,975	-
Cangzhou Bohai New Area TDC Port Construction Management	23,542,166	(842,810)	23,542,166	(155,378)
Chengdu Jinjiang Greenway Construction Investment	21,089,267	(139,189)	-	-
CCCC Tunnel Engineering Co., Ltd.	20,746,386	-	9,283,180	-
Guigang CCCC Investment Development Co., Ltd.	16,048,882	-	185,068,342	(1,221,451)
Tianjin Port and Waterway Engineering Co., Ltd.	15,478,435	-	16,815,894	(2,524,098)
CCCC Second Highway Engineering Co., Ltd.	14,113,145	-	-	-
CCCC Financial Leasing	12,595,928	-	828,936	-
Others	40,356,796	(2,408,360)	54,564,907	(2,103,543)
	6,708,679,622	(103,940,806)	6,247,044,616	(106,430,410)

Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(c) Prepayments

	30 June 2019		31 December 2018	
	Carrying amount (Unaudited)	Provision for bad debt (Unaudited)	Carrying amount	Provision for bad debt
CCCC (Indonesia) Co., Ltd.	25,529,742	-	25,529,742	-
Sino-Japan Samsung (Beijing) International Trade Co., Ltd.	19,263,077	-	19,263,077	-
Guangdong Harbour Engineering Co., Ltd.	6,361,405	-	11,498,891	-
CCCC First Harbour Consultants Co., Ltd.	1,000,000	-	1,000,000	-
CCCC Marine Investment Holdings Ltd.	144,000	-	144,000	-
CCCC Electrical and Mechanical Engineering Co., Ltd	92,524	-	92,524	-
CCCC Tianfu Chengdu Industrial Co., Ltd.	26,903	-	8,226,016	-
CCCC First Harbour Engineering Co., Ltd.	-	-	48,175,060	-
CCCC Financial Leasing	-	-	44,216,606	-
CCCC Third Harbour Consultants Co., Ltd.	-	-	5,302,311	-
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	-	-	3,100,000	-
Others	59,000	-	334,000	-
	52,476,651	-	166,882,227	-

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X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(d) Dividend receivables

	30 June 2019		31 December 2018	
	Carrying amount (Unaudited)	Provision for bad debt (Unaudited)	Carrying amount	Provision for bad debt
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	25,079,493	-	25,079,493	-
China Harbour Engineering Co., Ltd.	65,194,601	-	7,652,374	-
CCCC Kunming Construction and Development Co., Ltd.	27,455,440	-	27,148,090	-
	117,729,534	-	59,879,957	-

Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(e) Other receivables

	30 June 2019		31 December 2018	
	Carrying amount (Unaudited)	Provision for bad debt (Unaudited)	Carrying amount	Provision for bad debt
CCCC Settlement Center	421,408,665	-	1,075,467,987	-
CCCC Financial Leasing Co., Ltd.	323,159,605	-	23,159,605	-
CCCC Southwest Investment Development Co., Ltd.	200,025,740	-	200,000,000	-
CCCC Fourth Harbour Engineering Co., Ltd.	93,940,000	-	68,940,000	-
CCCC Investment	90,000,000	-	90,000,000	-
Zhuhai Harbour Engineering Co., Ltd.	76,100,000	(60,880,000)	76,100,000	(30,637,860)
CCCC	51,527,351	-	53,096,508	-
CCCC First Highway Engineering Group Co., Ltd.	26,600,000	-	-	-
CHEC	17,368,410	-	38,808,597	-
CCCC Third Harbour Engineering Co., Ltd.	14,749,695	-	11,004,687	-
CCCC Kunming Construction and Development Co., Ltd.	13,515,600	-	13,500,000	-
China Road&Bridge	10,939,949	-	8,643,011	-
Tangshan Caofeidian Dredging Co., Ltd.	7,093,645	(552,433)	6,844,086	(550,100)
CCCC First Harbour Consultants Co., Ltd.	6,028,667	-	12,059,221	-
CCCC (Indonesia) Co., Ltd.	5,371,284	-	5,500,318	-
CCCC First Harbour Engineering Co., Ltd.	5,243,872	-	113,243,872	-
Fuyang CCCC SDC Donghua Water Environment	3,792,051	(23,246)	1,905,777	(7,494)
Shenhua Shanghai Dredging Co., Ltd.	3,493,783	(31,000)	2,022,843	(5,664)
CCCC Third Harbour Consultants Co., Ltd.	2,869,259	-	-	-
CCCC Investment Development Qidong Co., Ltd.	2,317,847	-	2,000,000	-
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd	1,020,297	-	106,563,838	-
Others	7,207,134	(577,177)	6,056,188	(529,952)
	1,383,772,854	(62,063,856)	1,914,916,538	(31,731,070)

Expressed in Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(f) Long-term receivables

	30 June 2019		31 December 2018	
	Carrying amount (Unaudited)	Provision for bad debt (Unaudited)	Carrying amount	Provision for bad debt
CCCC	1,848,399,195	-	1,852,557,951	-
China Harbour Engineering Co., Ltd.	413,108,241	-	424,627,185	-
Sanya Phoenix Island Internfational Cruise Port Development	206,342,239	(1,361,859)	208,678,159	(1,377,276)
CCCC (Malaysia) SDN BHD	158,122,373	-	145,209,731	-
CCCC First Harbour Engineering Co., Ltd.	140,448,697	-	120,379,800	-
CCCC Investment Development Qidong Co., Ltd.	140,082,083	-	131,402,483	-
CCCC Urban Investment Co., Ltd.	103,716,777	-	86,208,277	-
CCCC (Maoming) Shuidongwan Investment and Construction	98,524,758	(650,263)	103,055,045	(680,163)
Cangzhou Bohai New Area Jinhua Port Construction	92,206,381	(608,562)	92,206,381	(608,562)
Fuzhou Taiwanese Investment Zone CCCC Investment	65,531,699	(432,509)	58,333,579	(385,002)
CCCC Investment Development Guigang Co., Ltd.	43,840,296	(289,346)	41,875,021	(276,375)
Shenhua Shanghai Dredging Co., Ltd.	40,000,659	(264,004)	40,000,659	(264,004)
CCCC Investment	26,134,700	-	26,134,700	-
CCCC First Harbour Engineering Co., Ltd.	25,474,838	-	19,113,051	-
CCCC Water Tranportation Consultants Co., Ltd.	20,596,466	-	18,708,854	-
Tianjin Lingang Industrial Investment Holding Co., Ltd.	14,665,574	(96,793)	14,588,814	(96,286)
Chengdu Jinjiang Greenway Construction Investment Group	11,397,441	(75,223)	11,397,441	(75,223)
CCCC Third Harbour Engineering Co., Ltd.	10,930,591	-	32,247,250	-
Others	12,642,321	(70,105)	11,814,028	(70,105)
	3,472,165,329	(3,848,664)	3,438,538,409	(3,832,996)

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X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(g) Long-term prepaid expenses

	30 June 2019 (Unaudited)	31 December 2018
CCCC Financial Leasing	-	80,664,885

(h) Short-term borrowings

	30 June 2019 (Unaudited)	31 December 2018
CCCC Finance	1,900,000,000	1,910,000,000
CCCC Financial Leasing	920,000,000	628,346,082
CCCC Settlement Center	100,000,000	168,632,000
	2,920,000,000	2,706,978,082

(i) Accounts payable

	30 June 2019 (Unaudited)	31 December 2018
CCCC	456,032,153	507,521,341
Chuwa Bussan Co., Ltd.	176,885,426	358,788,417
CCCC Third Harbour Engineering Co., Ltd.	105,333,515	63,257,266
CCCC First Harbour Engineering Co., Ltd.	98,289,519	66,815,944
CCCC Fourth Harbour Engineering Co., Ltd.	78,932,603	107,815,595
CCCC Third Harbour Consultants Co., Ltd.	63,680,801	23,537,632
Tianjin Port and Waterway Engineering Co., Ltd.	53,824,341	55,718,741
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	53,076,463	-
Shandong CCCC Shipping Engineering Co., Ltd.	51,587,569	49,953,044
Guangdong Harbour Engineering Co., Ltd.	46,125,591	120,416,921
CCCC Second Harbour Engineering Co., Ltd.	34,563,846	45,790,654
PetroChina CCCC Oil Products Sales Co., Ltd.	32,908,973	15,232,154
Shenhua Shanghai Dredging Co., Ltd.	9,008,365	14,524,579
CCCC Highway ConsultantsCo., Ltd.	8,996,317	8,926,853
Tangshan Caofeidian Dredging Co., Ltd.	7,965,576	23,971,120
Shanghai Zhenhua Heavy Industries Co., Ltd.	2,016,200	21,088,780
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	-	137,133,578
Others	17,551,916	21,686,972
	1,296,779,174	1,642,179,591

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X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(j) Contract liabilities

	30 June 2019 (Unaudited)	31 December 2018
China Road & Brige	144,968,560	197,203,404
CCCC	115,122,201	125,226,613
CCCC Fourth Harbour Engineering Co., Ltd.	108,643,924	148,636,543
China Harbour Engineering Co., Ltd.	106,200,630	32,176,570
CCCC Urban Investment Co., Ltd.	92,795,264	16,778,812
CCCC Ocean Investment Holding Ltd.	48,301,150	29,901,150
CCCC Water Tranportation Consultants Co., Ltd.	42,263,297	79,048,695
CCCC Indonesia Co., Ltd.	34,269,621	53,595,159
CCCC Urban Investment Co., Ltd.	13,473,498	13,473,498
Shanghai Zhenhua Heavy Industries Co., Ltd.	12,924,970	800,000
Tianjin Port and Waterway Engineering Co., Ltd.	10,314,065	5,000,000
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	8,870,256	14,569,756
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd.	8,774,517	25,729,289
CCCC First Harbour Engineering Co., Ltd.	7,628,601	4,674,681
CCCC Second Harbour Consultants Co., Ltd.	7,404,581	-
CCCC First Harbour Consultants Co., Ltd.	1,517,060	14,371,200
Sanya Phoenix Island Internfational Cruise Port Development Co., Ltd.	89,672	266,979
Tangshan Caofeidian Dredging Co., Ltd.	50,791	-
Fuyang CCCC SDC Donghua Water Environment Governance Investment and Construction Co., Ltd	32,851	127,174,500
CCCC (Malaysia) SDN BHD	-	48,911,941
CCCC Third Highway Engineering Co., Ltd.	-	25,033,778
	763,645,509	962,572,568

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X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(k) Other payables

	30 June 2019 (Unaudited)	31 December 2018
CCCC	740,906,463	752,331,151
Chuwa Bussan Co., Ltd.	301,111,860	6,025,084
CCCC Finance Leasing	90,650,000	-
CCCC Haixi Investment Co., Ltd.	47,500,000	47,500,000
China Harbour Engineering Co., Ltd.	45,387,809	163,957,098
CCCC Third Harbour Engineering Co., Ltd.	45,000,000	-
PetroChina CCCC Oil Products Sales Co.,	19,803,199	-
CCCC Third Highway Engineering Co., Ltd.	14,762,105	38,612,105
CCCC Water Tranportation Consultants Co.,	9,000,000	-
CCCC First Harbour Engineering Co., Ltd.	4,064,714	4,064,714
CCCC Xiong'an Financial Leasing Co., Ltd.	-	240,000,000
Others	12,743,393	16,974,951
	1,330,929,543	1,269,465,103

(l) Long-term payables

	30 June 2019 (Unaudited)	31 December 2018
Guangdong Harbour Engineering Co., Ltd.	153,144,002	123,757,644
CCCC	104,498,426	104,498,426
CCCC First Harbour Engineering Co., Ltd.	67,528,802	79,088,022
CCCC First Highway Consultant Co. Ltd.	20,984,699	20,984,699
Tianjin Port and Waterway Engineering Co.,	9,923,272	5,035,498
Tangshan Jinhang Dredging Engineering Co.,	9,752,655	4,217,429
CCCC Highway Consultants Co., Ltd.	8,350,865	8,350,865
CCCC Infrastructure Maintenance Group	7,961,509	7,961,509
CCCC Third Harbour Consultants Co., Ltd.	3,681,475	3,681,475
CCCC Water Tranportation Consultants Co.,	1,680,728	1,680,728
CCCC Finance Leasing	-	535,677,261
	387,506,433	894,933,556

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X. Related party relationships and transactions (continued)

6. Due from/to related parties (continued)

(m) Dividends payable

	30 June 2019 (Unaudited)	31 December 2018
CCCC	7,609,700,763	3,964,942,384
China Harbour Engineering Co., Ltd.	9,022,388	-
China Road&Bridge	4,080,958	-
Chuwa Bussan Co., Ltd.	3,866,738	-
CCCC Haixi Investment Co., Ltd.	109,924	6,907,972
	7,626,780,771	3,971,850,356

(n) Lease liabilities

	30 June 2019 (Unaudited)
CCCC Finance Leasing Co., Ltd.	1,179,181,531
CCCC Haixi Investment Co., Ltd.	1,320,938
	1,180,502,469

7. Commitments between the Group and related parties

The following are the commitments related to related parties that have been signed by the Group on the balance sheet date but are not required to be listed on the balance sheet:

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X. Related party relationships and transactions (continued)

7. Commitments between the Group and related parties (continued)

(a) Provision of construction services

	30 June 2019 (Unaudited)	31 December 2018
CCCC	2,943,114,814	4,053,231,193
CCCC Fourth Harbour Engineering Co., Ltd.	2,636,061,279	2,709,502,873
CCCC Second Harbour Engineering Co., Ltd.	1,758,470,301	1,561,582,539
CCCC Water Tranportation Consultants Co.,Ltd.	896,374,560	1,040,339,534
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	882,412,084	1,087,820,600
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	701,545,818	701,545,818
CCCC Investment Development Qidong Co., Ltd.	689,718,408	731,852,388
CCCC Investment Development Guigang Co., Ltd.	613,982,789	716,487,115
CCCC Investment	484,996,804	-
CCCC First Harbour Consultants Co., Ltd.	438,457,234	190,113,811
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	389,640,324	422,387,227
CCCC Indonesia Co., Ltd.	340,206,940	311,629,178
Tianjin Port and Waterway Engineering Co., Ltd.	324,693,070	347,151,653
CCCC (M)SDN BHD	307,464,142	767,515,044
Tianjin Lingang Industrial Investment Holding Ltd.	299,523,373	302,239,382
Chifeng CCCC Investment Development Co., Ltd.	299,180,684	299,180,684
China Harbour Engineering Co., Ltd.	274,493,968	510,613,217
CCCC Urban Investment Co., Ltd.	258,702,513	397,251,690
CCCC Third Harbour Engineering Co., Ltd.	225,678,199	107,190,828
CCCC (Lianyungang) Construction and Development Co., Ltd.	154,118,850	154,118,850
China Road and Bridge	134,699,412	-
Tangshan Caofeidian Dredging Co., Ltd.	90,936,810	44,932,988
CCCG	75,228,234	-
Shenhua Shanghai Dredging Co., Ltd.	68,855,190	124,454,925
CCCC First Harbour Engineering Co., Ltd.	30,603,572	53,894,112
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	27,756,020	35,606,705
CCCC Second Harbour Consultants Co., Ltd.	26,165,410	2,763,911
CCCC Third Harbour Consultants Co., Ltd.	21,888,551	14,249,003
CCCC Urban Investment Construction (Liyang)Co., Ltd.	6,839,494	54,937,821
Sanya Phoenix Island Internfational Cruise Port Development Co., Ltd.	153,741	7,468,971
Others	6,777,347	6,777,347
	15,408,739,935	16,756,839,407

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X. Related party relationships and transactions (continued)

7. Commitments between the Group and related parties (continued)

(b) Receipts of services

	30 June 2019 (Unaudited)	31 December 2018
CCCC Third Harbor Consultants Co., Ltd.	453,486,202	-
CFHCC	293,358,594	1,196,144,356
Shenhua Shanghai Dredging Co., Ltd.	80,000,000	-
CCCC Third Harbour Engineering Co., Ltd.	19,758,367	8,184,689
Shanghai Zhenhua Heavy Industries Co., Ltd.	19,470,400	-
Shandong CCCC Navigation Engineering Co., Ltd.	14,000,000	-
Tangshan Caofeidian Dredging Co., Ltd.	3,000,000	-
Tianjin Port Aviation Engineering Co., Ltd.	1,561,600	-
	884,635,163	1,204,329,045

(c) Leases

	30 June 2019 (Unaudited)	31 December 2018
CCCC Financial Leasing	2,177,394,556	1,264,611,190
CCCG	5,640,750	7,521,000
CCCC Haixi Investment Co., Ltd.	1,716,477	-
	2,184,751,783	1,272,132,190

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XI. Commitments and Contingencies

1. Significant commitments

Capital expenditure commitments

	30 June 2019 (Unaudited)	31 December 2018
Contracted, but not provided for:		
Houses and buildings, machinery and equipment, ships	-	134,628,033
Intangible assets - Franchising	1,183,662,322	1,497,158,923
	1,183,662,322	1,631,786,956

2. Significant contingencies

(1) Pending litigations

	30 June 2019 (Unaudited)	31 December 2018
Pending litigations	280,989,464	157,574,086

The Group will involve disputes, litigation or claims with customers, subcontractors, suppliers, etc. in its daily operations. After consulting the relevant legal counsel and carefully estimating the outcome of these pending disputes, litigations or claims through management, no provision has been made for the above pending lawsuits, mainly related to disputes with customers and subcontractors, when the outcome of the lawsuits cannot be reasonably estimated or the Group's management believes the outflow of resources is not probable.

(2) Provision of guarantees

	30 June 2019 (Unaudited)	31 December 2018
Provision of guarantees	-	1,590,078

(3) In 2017, the company issued RMB1.151 billion of asset-backed securities, of which the priority asset-backed securities are RMB1.04 billion. The company shall undertake the liquidity replenishment payment obligation for the difference between the allocated funds and the fixed income and principal of the priority asset-backed securities in each period of the special asset-backed securities program. The company assessed the likelihood of underperformance as low.

XII. Events after the balance sheet date

On June 18, 2019, the 23rd meeting of the 4th Board of Directors CCCC, reviewed and approved the "Proposal on the Transfer of Shares and Capital Increase and Related Transactions of CCCC Dredging" and submitted to the shareholders meeting for approval. According to the transaction plan, CCCC intends to transfer 3,495,604,287 shares of the Company to CCCG. The share transfer price is RMB 8,634,142,588.89, and the Company intends to issue 2,024,291,498 shares to CCCG with a total capital increase of RMB 5,000,000,000.06.

At the same time, the Board of Directors of CCCC also reviewed and approved the "Proposal on the Introduction of Strategic Investors by CCCC Dredging". CCCC intends to introduce strategic investors to the Company through the public listing of shares held by the Company on the equity exchange. The total number of shares of the Company to be transferred shall not exceed 5,519,895,784 shares.

After the completion of the above transactions, the total number of shares of the Company is 13,799,739,462 shares, of which: CCCC will hold 5,519,895,785 shares of the Company, accounting for 40%; CCCC and China Road & Bridge will hold the Company's shares not less than 2,759,947,893 shares, and the proportion of shares will be not less than 20%; the number of shares held by the introduced strategic investors will be not higher than 5,519,895,784 shares, and the shareholding ratio will be not higher than 40%.

On August 5, 2019, CCCC's first extraordinary shareholders meeting reviewed and approved the "Proposal on the Transfer of Shares and Capital Increase and Related Transactions of CCCC Dredging". As of the date of issuance of the financial statements, the Company has not yet transferred the shares of the Company to CCCC through the public listing of the property rights exchange.

XIII. Other significant events

1. Segment reporting

(1) Operating segments

The reporting segments of the Group are business units that offer different products or services or operate in different regions. Since various businesses or regions require different technologies and market strategies, the Group independently manages the production and operation activities of each reporting segment and evaluates its operating results separately to determine the allocation of resources and evaluate its performance.

The Group has four reporting segments, namely:

- Dredging business, such as dredging and maintenance dredging of the waterway infrastructure of ports, rivers and lakes ("dredging business");
- Filling land reclamation business ("landfilling and reclamation business");
- Pre and after services, such as dredging and landfilling related hydraulic engineering, foundation treatment, dredging and landfilling related survey and design, dredging and landfilling related equipment design, construction and maintenance, mapping and providing fuel ("pre and after dredging service");
- Environmental, marine engineering and trading business, including marine and port services, environmental engineering, offshore engineering and trading business ("environmental, offshore and trading business").

The inter-segment transfer price is determined by reference to the price at which the third party sells or provides services.

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XIII. Other significant events (continued)

1. Segment reporting (continued)

(1) Operating segments (continued)

For the six months ended 30 June 2019 (Unaudited)

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental, offshore and trading business	Inter-segment offset	Total
Revenue	5,668,111,437	3,843,600,029	5,027,913,837	2,314,305,662	109,236,498	16,744,694,467
Including:						
Revenue from external customers	5,640,861,616	3,831,500,029	4,958,027,160	2,314,305,662	-	16,744,694,467
Inter-segment sales	27,249,821	12,100,000	69,886,677	-	109,236,498	-
Cost of sales	5,001,131,763	3,316,902,750	4,425,363,029	2,242,273,670	109,236,498	14,876,434,714
Including:						
Cost from external customers	4,973,881,942	3,304,802,750	4,355,476,352	2,242,273,670	-	14,876,434,714
Inter-segment cost	27,249,821	12,100,000	69,886,677	-	109,236,498	-
Profit before tax						570,170,060
Income tax expenses						77,076,413
Net profit						493,093,647

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XIII. Other significant events (continued)

1. Segment reporting (continued)

(1) Operating segments (continued)

For the six months ended 30 June 2018 (Unaudited)

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental, offshore and trading business	Inter-segment offset	Total
Revenue	4,718,067,883	4,940,905,661	2,820,980,877	3,610,731,790	211,879,338	15,878,806,873
Including:						
Revenue from external customers	4,675,331,174	4,839,582,575	2,753,161,334	3,610,731,790	-	15,878,806,873
Inter-segment sales	42,736,709	101,323,086	67,819,543	-	211,879,338	-
Cost of sales	4,140,125,778	3,794,490,194	2,521,656,812	3,541,710,865	211,879,338	13,786,104,311
Including:						
Cost from external customers	4,097,389,069	3,693,167,108	2,453,837,269	3,541,710,865	-	13,786,104,311
Inter-segment cost	42,736,709	101,323,086	67,819,543	-	211,879,338	-
Profit before tax						568,700,613
Income tax expenses						142,403,620
Net profit						426,296,993

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XIII. Other significant events (continued)

1. Segment reporting (continued)

(2) Other information

Geographical information

The total external transaction income of the Group in China and other countries and regions, and the total non-current assets of the Group other than financial assets, long-term equity investments and deferred income tax assets in domestic and other countries and regions are as follows:

Revenue from external customers

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Mainland China	13,058,844,377	12,474,361,039
Outside of Mainland China	3,685,850,090	3,404,445,834
	16,744,694,467	15,878,806,873

Revenue from external customers is based on the locations of the customers

Total non-current assets

	30 June 2019 (Unaudited)	31 December 2018
Mainland China	18,799,083,988	18,307,944,216
Outside of Mainland China	1,859,771,123	1,142,811,409
	20,658,855,111	19,450,755,625

Non-current asset information above is based on the locations of the non-current assets, excluding financial assets and deferred income tax assets.

Information about major customers

For the six months ended 30 June 2019, the Group did not derive more than 10% of its total revenue from any single customer(for the six months ended 30 June 2018: Nil).

XIII. Other significant events (continued)

2. Leases

As a lessor

Refer to Note V.15 for information of operating leased fixed assets.

As a lessee

The Group simplified the short-term lease and low-value asset leases, and did not recognize the right-of-use assets and lease liabilities. The short-term leases, low-value assets and variable lease payments not included in the lease liabilities are included in the current expenses as follows:

	30 June 2019 (Unaudited)
Short-term lease expenses	180,134,201
Low-value lease expenses (except short-term lease)	438,201
	180,572,402

Potential future cash outflows not included in the measurement of lease liability

The future potential cash outflows that the Group does not include in the measurement of lease liabilities are mainly derived from lease risk exposures that have been committed but not yet started.

Leasing that has been promised but not yet started

The leases that the Group has promised but have not yet started are expected to have future cash outflows in the future:

	30 June 2019 (Unaudited)
Within 1 year	112,047

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XIII. Other significant events (continued)

2. Leases (continued)

As a lessee (continued)

Financing leased fixed assets: As at 31 December 2018, the unrecognized financing expenses balance are RMB 100,660,606, and are apportioned over the lease term using the effective interest method. According to the lease contract signed with the lessor, the minimum lease payment for the non-cancellable lease is as follows

	31 December 2018
Within 1 year	416,551,740
1 to 2 years	300,126,452
2 to 3 years	239,201,998
Over 3 years	196,095,468
	1,151,975,658

Significant operating lease: According to the lease contract signed with the lessor, the minimum lease payment for the non-cancellable lease is as follows:

	31 December 2018
Within 1 year	261,437,221
1 to 2 years	129,276,523
2 to 3 years	93,818,222
Over 3 years	561,680,716
	1,046,212,682

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements

1. Cash and bank balance

	30 June 2019 (Unaudited)	31 December 2018
Cash	691,417	350,889
Cash at banks	3,718,595,151	5,341,759,954
	3,719,286,568	5,342,110,843

2. Other receivables

	30 June 2019 (Unaudited)	31 December 2018
Dividends receivable	6,175,436,850	1,561,165,426
Receivables due from subsidiaries	11,225,805,519	11,291,862,137
Receivables due from CCCC fellow subsidiaries	90,733,632	288,718,137
Deposits receivable	2,122,282	2,135,093
Others	44,381,038	17,300,643
	17,538,479,321	13,161,181,436
Less: Provision for bad debts	78,616	39,574
	17,538,400,705	13,161,141,862

3. Long-term equity investments

	31 December 2018	Increase	Decrease	30 June 2019 (Unaudited)
Subsidiaries(1)	26,024,662,162	-	-	26,024,662,162
Associates(2)	518,466,158	91,998,971	(3,890,459)	606,574,670
	26,543,128,320	91,998,971	(3,890,459)	26,631,236,832

Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements (continued)

3. Long-term equity investments (continued)

(1) Subsidiaries

	Accounting Method	Investment cost	31 December 2018	Increase	30 June 2019 (Unaudited)	Percentage of equity	Percentage of voting rights	Cash dividends declared this period
CCCC-SDC	Cost method	9,398,543,780	9,398,543,780	-	9,398,543,780	100%	100%	2,181,922,397
CCCC-TDC	Cost method	7,071,626,738	7,071,626,738	-	7,071,626,738	100%	100%	1,348,569,908
CCCC-GDC	Cost method	6,957,274,514	6,957,274,514	-	6,957,274,514	100%	100%	1,070,889,993
HK Marine (Note 1)	Cost method	221,410,800	221,410,800	-	221,410,800	25%	25%	-
CCCC Marine Construction Development Co., Ltd.	Cost method	250,000,000	250,000,000	-	250,000,000	50%	50%	12,889,126
CCCC Ecological Environmental Protection Investment Co., Ltd.	Cost method	634,000,000	634,000,000	-	634,000,000	63.4%	57%	-
CCCC Zhoushan Qiandao Central Business District Development Co., Ltd.	Cost method	1,400,000,000	1,400,000,000	-	1,400,000,000	70%	60%	-
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd. (Note 2)	Cost method	91,806,330	91,806,330	-	91,806,330	38%	38%	-
		26,024,662,162	26,024,662,162	-	26,024,662,162			4,614,271,424

Note 1: The remaining 75% of the shares and voting rights of HK Marine are indirectly held by the Company's subsidiaries CCCC-TDC, CCCC-SDC, CCCC-GDC, CCCC Marine Construction Development Co., Ltd. and CCCC Ecological Environmental Protection Investment Co., Ltd..

Note 2: Among the remaining shares and voting rights of CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd., 56% of t shares and voting rights are indirectly held by the Company's subsidiaries CCCC-TDC, CCCC-SDC and CCCC-GDC.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements (continued)

3. Long-term equity investments (continued)

(2) Associates

	Accounting Method	Investment cost	31 December 2018	Changes for the period: Increase in investment	Changes for the period: Investment profits or losses under equity method	30 June 2019 (Unaudited)	Percentage of equity	Percentage of voting rights	Cash dividends declared this period
CCCC Southern Latin America Regional Corporation	Equity method	106,966,530	98,466,158	91,998,971	(4,747,510)	185,717,619	15%	15%	-
CCCC Xiong'an Financial Leasing Co., Ltd.	Equity method	240,000,000	240,000,000	-	799,766	240,799,766	24%	24%	-
Yongding River Basin Investment Co., Ltd.(Note)	Equity method	180,000,000	180,000,000	-	57,285	180,057,285	6%	30%	-
		526,966,530	518,466,158	91,998,971	(3,890,459)	606,574,670			-

Note:
Yongding River Basin Investment Co., Ltd. was established in 2018, and the Company holds 6% of its equity. According to the company's articles of association, the Company has 11% of the voting rights in the board of directors of Yongding River Basin Investment Co., Ltd., which can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method. In addition, the Company signed a shareholding agreement with CFHCC, CCCC First Highway Engineering Co., Ltd., CCCC Fourth Harbour Engineering Co., Ltd., CCCC Fourth Highway Engineering Co., Ltd., CCCC Investment, CCCC Third Highway Engineering Co., Ltd. and CCCC Water Transportation Consultants Co., Ltd. According to the agreement, the Company will exercise the corresponding voting rights on its behalf. Therefore, the Company holds a total of 30% of the voting rights.

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements (continued)

4. Other payables

	30 June 2019 (Unaudited)	31 December 2018
Interests payable	-	135,962,712
Dividends payable	5,072,282,169	990,771,789
Payables due to subsidiaries	7,572,036,353	9,361,652,887
Payables due to CCCC subsidiaries	60,483,872	415,382,865
Others	186,703,184	218,620,255
	12,891,505,578	11,122,390,508

The Company's unpaid dividends of more than one year are RMB 977,068,512 at June 30, 2019 (December 31, 2018: RMB 630,780,086).

The Company's other payables aged over one year are RMB52,915,605 at June 30, 2019 (December 31, 2018: RMB13,233,588).

5. Revenue and cost of sales

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Revenue (Unaudited)	Cost (Unaudited)	Revenue (Unaudited)	Cost (Unaudited)
Primary business	955,039,937	944,707,118	326,429,997	316,646,391
Other businesses	4,601,770	1,252,455	4,444,444	1,181,765
	959,641,707	945,959,573	330,874,441	317,828,156

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements (continued)

6. Administrative expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Staff expenses	42,385,172	26,410,713
Travel expenses	5,950,406	7,276,304
Administrative expenses	2,996,318	3,072,318
Consulting fee	118,442	1,044,811
Depreciation and amortization of assets	2,426,284	725,178
Others	12,357,809	7,427,806
	66,234,431	45,957,130

7. Finance expenses

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Interest expenses	124,254,550	58,534,479
Lease liability interest expense	832,329	
Less: Interest income	128,261,895	92,481,889
Exchange loss/(profit)	88,699	(13,440)
Discounted interest	-	(3,931,320)
Others	174,883	16,575,753
	(2,911,434)	(21,316,417)

Details of interest income are as follows:

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Interest income of cash at banks	19,716,108	13,605,037
Interest income from settlement center or financial company	2,133,390	13,488,019
Interest income from internal funds occupation	106,410,180	65,386,468
Others	2,217	2,365
	128,261,895	92,481,889

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements (continued)

8. Investment income

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Long-term equity investment income of subsidiaries	4,614,271,424	-
Long-term equity investment income under the equity method	(3,890,459)	4,676,547
Derecognization loss of financial assets measured at amortized cost	(24,435,386)	(24,394,736)
	4,585,945,579	(19,718,189)

9. Supplementary information to the statement of cash flows

(1) Reconciliation of net profit/(loss) to cash flows from operating activities

	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
Net profit/(loss)	4,534,205,612	(8,413,133)
Add: Credit impairment losses	816,414	(23,266,169)
Depreciation of fixed assets	3,386,057	1,474,623
Depreciation of right-of-use assets	4,398,367	-
Amortization of intangible assets	1,955,993	432,320
Finance expenses	125,062,393	105,597,568
Investment income	(4,610,380,965)	(4,676,547)
Increase in deferred tax assets	(25,617)	-
(Increase)/decrease in contract assets	(10,045,947)	145,439
(Increase)/decrease in operating receivables	(438,309,286)	258,369,817
Decrease in operating payables	(2,304,367,946)	(2,852,286,628)
Net cash flows from operating activities	(2,693,304,925)	(2,522,622,710)

For the six months ended 30 June 2019 Expressed in Renminbi Yuan

XIV. Notes to key items of the Company financial statements (continued)

9. Supplementary information to the statement of cash flows (continued)

(2) Cash and cash equivalents

	30 June 2019 (Unaudited)	31 December 2018
Cash and bank balance (Notes XIV. 1)	3,719,286,568	5,342,110,843
Including: Cash	691,417	350,889
Cash at banks	3,718,595,151	5,341,759,954
Less: Restricted cash and bank balance	-	-
Closing balance of cash and cash equivalents	3,719,286,568	5,342,110,843
Including: Cash and cash equivalents used by the Company Cash at banks supervised by the owner	444,790,234	776,925,787

2. The audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2018 which were prepared in accordance with CASBE.

CCCC Dredging (Group) Co., Ltd.

Audited Financial Statements

31 December 2018

Important Notice

This set of audited financial statements is translated from the Chinese version. In the case where the English version does not conform to the Chinese version, the Chinese version shall prevail.

CONTENTS

Auditor's report

Ernst & Young Hua Ming (2019) Shenzi No. 61357567_A01
CCCC Dredging (Group) Co., Ltd.

To the shareholders of CCCC Dredging (Group) Co., Ltd.

(I) Opinion

We have audited the financial statements of CCCC Dredging (Group) (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2018, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2018, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(IV) Responsibilities of the management and those charged with governance for the financial statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(V) Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Auditor's report (Continued)

Ernst & Young Hua Ming (2019) Shenzi No. 61357567_A01
CCCC Dredging (Group) Co., Ltd.

(V) Auditor's responsibilities for the audit of the financial statements (Continued)

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

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

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

Ernst & Young Hua Ming LLP

Chinese Cerified Public Accountant
Zhang Yiqiang

Chinese Certified Public Accountant
Zhang Ying

Beijing, the People's Republic of China

29 March 2019

CCCC Dredging (Group) Co., Ltd.
Consolidated balance sheet
31 December 2018 **Expressed in Renminbi Yuan**

ASSETS	Notes V	31/12/2018	31/12/2017
Current assets			
Cash and Bank Balance	1	8,018,675,283	8,332,332,008
Notes receivable and accounts receivable	2	16,835,827,951	13,184,634,468
Prepayments	3	1,654,586,206	1,094,461,262
Other receivables	4	4,447,345,496	4,097,973,769
Inventories	5	2,232,017,060	13,012,226,963
Contract Assets	6	10,167,848,506	-
Current portion of non-current assets		7,136,022,192	7,829,216,962
Other current assets	7	2,131,677,339	833,815,431
Total current assets		52,624,000,033	48,384,660,863
Non-current assets			
Available-for-sale investments	8	-	3,803,885,919
Long-term receivables	9	12,252,081,771	10,814,695,586
Long-term equity investments	10	5,662,022,818	4,691,428,642
Investment in other equity instruments	11	4,537,721,617	-
Other non-current financial assets	12	133,650,000	-
Investment properties	13	420,439,783	95,694,636
Fixed assets	14	15,396,071,789	14,701,155,454
Construction in progress	15	597,949,646	1,373,481,488
Intangible assets	16	1,507,124,934	1,434,643,199
Development expenditure		2,561,758	-
Goodwill		30,420,616	30,420,616
Long-term prepayments		179,802,091	76,891,833
Deferred tax assets	17	378,981,863	394,859,731
Other non-current assets	18	1,316,385,008	254,847,650
Total non-current assets		42,415,213,694	37,672,004,754
Total assets		95,039,213,727	86,056,665,617

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Consolidated balance sheet
31 December 2018 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Notes V	31/12/2018	31/12/2017
Current liablities			
Short-term loans	20	4,451,010,518	6,253,500,412
Notes payable and accounts payable	21	25,963,249,045	22,171,148,701
Receipts in advance	22	-	2,831,007,001
Contract liabilities	23	3,538,542,376	-
Payroll payable	24	79,206,782	67,455,917
Taxes payable	25	522,259,045	769,644,158
Other payables	26	6,934,396,866	7,569,523,904
Current portion of non-current liabilities	27	2,158,040,320	2,161,531,891
Other current liabilities	28	1,718,519,507	1,161,957,113
Total current liabilities		45,365,224,459	42,985,769,097
Non-current liablities			
Long-term loans	20	2,931,236,975	3,377,453,767
Bonds payable	29	9,981,238,196	5,986,951,377
Long-term payable	30	3,214,034,129	3,051,355,122
Long-term employee benefits	31	187,370,000	190,490,000
Provisions		36,718,767	-
Deferred income	32	87,778,769	43,074,900
Deferred tax liabilities	17	318,287,737	203,819,521
Other non-current liablities		127,446,105	87,810,151
Total non-current liablities		16,884,110,678	12,940,954,838
Total liabilities		62,249,335,137	55,926,723,935

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Consolidated balance sheet
31 December 2018 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Notes V	31/12/2018	31/12/2017
Equity			
Share capital	33	11,775,447,964	11,775,447,964
Capital reserve	34	6,666,793,069	6,665,992,434
Other comprehensive income	35	2,177,181,704	1,417,360,253
Special reserve	36	866,322,579	857,536,175
Surplus reserves	37	167,272,198	158,508,179
Retained earnings	38	8,678,549,118	7,768,843,991
Total equity attributable to owners of the company		30,331,566,632	28,643,688,996
Non-controlling interests		2,458,311,958	1,486,252,686
Total equity		32,789,878,590	30,129,941,682
Total liabilities and equity		95,039,213,727	86,056,665,617

The accompanying notes form part of the financial statements.

This financial statements have been signed by:

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Co., Ltd.
Consolidated income statement
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

	Notes V	2018	2017
Revenue	39	34,228,362,237	34,581,721,275
Less:Cost of sales	39	29,278,352,153	29,669,028,245
Taxes and surcharges	40	124,672,998	100,456,183
Selling and distribution expenses		128,010,419	89,045,669
General and administrative expenses	41	2,248,772,902	2,316,418,053
Research and development expenses	42	695,101,872	514,988,864
Finance expenses	43	326,263,562	812,229,080
Including: Interest expenses		667,668,105	488,083,547
Interest income		240,868,973	104,406,212
Impairment losses of assets	45	-	608,214,140
Impairment of credit losses	46	315,105,698	-
Add: Other income	47	3,446,060	7,377,910
Investment income	48	327,497,022	1,935,866,561
Including: Share of profits/ (losses) of associates and joint ventures		181,910,604	174,727,408
Gains on fair value changes	49	-	6,391,967
Gains on disposal of assets	50	60,252,955	26,260,189
Operating profit		1,503,278,670	2,447,237,668
Add:Non-operating income	51 (a)	55,879,182	74,460,529
Less:Non-operating expenses	51 (b)	6,574,604	3,004,775
Profit before income taxes		1,552,583,248	2,518,693,422
Less:Income tax expenses	52	285,664,526	563,657,650
Net profit		1,266,918,722	1,955,035,772
Classified by continuity of operations			
Profit for the year from continuing operations		1,266,918,722	1,955,035,772
Classified by ownership			
Profit attributable to owners of the Company		1,281,370,481	2,009,374,366
Loss attributable to non-controlling interests		(14,451,759)	(54,338,594)

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Consolidated income statement (Continued)
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

	Note V	2018	2017
Other comprehensive expense, net of tax		(429,789,046)	(158,400,727)
Other comprehensive expense attributable to owners of the Company, net of tax	35	(430,064,795)	(158,781,980)
Other comprehensive income/ (expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit		(4,597,263)	7,382,500
Losses from changes in fair value of other equity instrument investments		(386,566,146)	-
		(391,163,409)	7,382,500
Other comprehensive expense to be reclassified to profit or loss			
Losses from changes in fair value of available-for-sale financial assets		-	(151,012,685)
Exchange differences on translation of foreign operations		(38,901,386)	(15,151,795)
		(38,901,386)	(166,164,480)
Other comprehensive income attributable to non-controlling interests, net of tax	35	275,749	381,253
Total amount of comprehensive income		837,129,676	1,796,635,045
Including:			
Total comprehensive income attributable to owners of the Company		851,305,686	1,850,592,386
Total comprehensive expense attributable to non-controlling interests		(14,176,010)	(53,957,341)

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Consolidated Statement of Changes in Equity
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

2018

	NoteV	Equity attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Capital reserve	Other Comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. As at 1 January 2018		11,775,447,964	6,665,992,434	1,417,360,253	857,536,175	158,508,179	7,768,843,991	28,643,688,996	1,486,252,686	30,129,941,682
Changes in accounting policies		-	-	1,189,886,246	-	-	(6,083,944)	1,183,802,302	(3,596,831)	1,180,205,471
II.Opening balance for the year		11,775,447,964	6,665,992,434	2,607,246,499	857,536,175	158,508,179	7,762,760,047	29,827,491,298	1,482,655,855	31,310,147,153
III.Changes for the year										
(I) Total comprehensive income										
1. Net profit		-	-	-	-	-	1,281,370,481	1,281,370,481	(14,451,759)	1,266,918,722
2. Other comprehensive income/ (Loss)	35	-	-	(430,064,795)	-	-	-	(430,064,795)	275,749	(429,789,046)
(II) Capital contributions and withdrawals by shareholders										
1. Capital contributions by shareholders		-	-	-	-	-	-	-	48,732,883	48,732,883
2. Capital contributions by others (Note V.57)		-	-	-	-	-	-	-	998,499,700	998,499,700
3. Others		-	800,635	-	-	-	(234,541)	566,094	-	566,094
(III) Profit distribution										
1. Appropriation to surplus reserve		-	-	-	-	8,764,019	(8,764,019)	-	-	-
2. Distribution to shareholders		-	-	-	-	-	(356,582,850)	(356,582,850)	(57,857,388)	(414,440,238)
(IV) Special reserve										
1. Appropriated in current year		-	-	-	286,343,826	-	-	286,343,826	1,177,222	287,521,048
2. Used in current year		-	-	-	(277,557,422)	-	-	(277,557,422)	(720,304)	(278,277,726)
IV. As at 31 December 2018		11,775,447,964	6,666,793,069	2,177,181,704	866,322,579	167,272,198	8,678,549,118	30,331,566,632	2,458,311,958	32,789,878,590

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Consolidated Statement of Changes in Equity
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

2017

	Note V	Equity attributable to owners of the Company							Non-controlling interests	Total equity
		Share capital	Capital reserve	Other Comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. As at 1 January 2017		11,775,447,964	6,731,377,683	1,576,142,233	732,953,430	79,591,754	6,095,934,515	26,991,447,579	1,219,342,662	28,210,790,241
Business combination under the same control		-	210,000,000	-	-	-	72,483,011	282,483,011	121,064,148	403,547,159
II. Beginning balance		11,775,447,964	6,941,377,683	1,576,142,233	732,953,430	79,591,754	6,168,417,526	27,273,930,590	1,340,406,810	28,614,337,400
III. Movement of the period										
(I) Total comprehensive income										
1. Net profit		-	-	-	-	-	2,009,374,366	2,009,374,366	(54,338,594)	1,955,035,772
2. Other comprehensive income/ (Loss)	35	-	-	(158,781,980)	-	-	-	(158,781,980)	381,253	(158,400,727)
(II) Injection and reduction										
1. Business combination under the same control		-	(278,647,289)	-	-	-	-	(278,647,289)	-	(278,647,289)
2. Capital contributions by shareholders		-	1,477,063	-	-	-	-	1,477,063	201,894,142	203,371,205
3. Other		-	1,784,977	-	-	-	-	1,784,977	-	1,784,977
(III) Profit distribution										
1. Appropriation to surplus reserve		-	-	-	-	78,916,425	(78,916,425)	-	-	-
2. Distribution to shareholders		-	-	-	-	-	(330,031,476)	(330,031,476)	(2,182,370)	(332,213,846)
(IV) Special reserve										
1. Appropriated in current year		-	-	-	412,684,880	-	-	412,684,880	91,445	412,776,325
2. Used in current year		-	-	-	(288,102,135)	-	-	(288,102,135)	-	(288,102,135)
IV. Ending balance		11,775,447,964	6,665,992,434	1,417,360,253	857,536,175	158,508,179	7,768,843,991	28,643,688,996	1,486,252,686	30,129,941,682

The accompanying notes form part of the financial statements

CCCC Dredging (Group) Co., Ltd.
Consolidated Statement of Cash Flows
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

	Note V	2018	2017
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sale of goods or rendering of services		27,119,304,463	30,648,650,325
Cash received from tax refund		637,376	294,793
Other operating activities	53 (a)	247,447,714	425,373,816
Sub-total of cash inflows		27,367,389,553	31,074,318,934
Cash paid for goods and services		(19,666,487,306)	(22,543,201,271)
Cash paid to and on behalf of employees		(3,171,651,378)	(2,853,439,157)
Cash paid for all types of taxes		(948,309,017)	(1,610,601,707)
Cash paid relating to other operating activities	53 (b)	(2,070,029,635)	(2,165,546,698)
Sub-total of cash outflows from opearating activities		(25,856,477,336)	(29,172,788,833)
Net cash flows from operating activities	54 (a)	1,510,912,217	1,901,530,101
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investment		1,954,170,803	4,036,531,258
Cash received from investment income		171,930,306	224,604,521
Net cash received from disposal of fixed assets,intangible assets and other long-term assets		40,222,820	61,180,071
Cash received from other investing activities		522,942,554	166,021,796
Subtotal of cash inflows from investing activities		2,689,266,483	4,488,337,646
Cash paid for acquisition of fixed assets, intangible assets, and other long-term assets		(1,219,461,579)	(1,346,156,232)
Cash paid for acquisition of investments		(3,525,658,195)	(4,139,339,491)
Net cash paid for acquisitions of subsidiaries	54 (b)	-	(28,236,796)
Cash paid for other investing activities		(1,096,000,000)	-
Subtotal of cash outflows from investing activities		(5,841,119,774)	(5,513,732,519)
Net cash flows from investing activities		(3,151,853,291)	(1,025,394,873)

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Consolidated Statement of Cash Flows(Continued)
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

	Note V	2018	2017
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received as capital contributions		49,208,632	203,371,205
Including: Cash received from non-controlling shareholders of subsidiaries		49,208,632	203,371,205
Cash received from borrowings		10,863,011,448	8,187,810,325
Cash received from issuing bonds		4,983,405,360	-
Cash received from other financing activities		-	371,651,500
Subtotal of cash inflows from financing activities		15,895,625,440	8,762,833,030
Cash repayments for borrowings		(13,168,618,475)	(7,806,115,105)
Cash paid for distribution of dividends or profits and for interest expenses		(1,108,814,181)	(1,270,375,067)
Cash paid from other financing activities	53 (c)	(399,286,844)	(443,722,561)
Subtotal of cash outflows from financing activities		(14,676,719,500)	(9,520,212,733)
Net cash flows from financing activities		1,218,905,940	(757,379,703)
IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH		52,318,888	(50,511,843)
V .NET INCREASE IN CASH AND CASH EQUIVALENTS	54 (c)	(369,716,246)	68,243,682
Add:Cash and cash equivalents at beginning of year		8,157,100,059	8,088,856,377
VI .CASH AND CASH EQUIVALENTS AT END OF YEAR	54 (d)	7,787,383,813	8,157,100,059

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Company balance sheet
31 December 2018 **Expressed in Renminbi Yuan**

ASSETS	Note XIV	31 December 2018	31 December 2017
Current assets			
Cash and bank balances	1	5,342,110,843	4,698,568,853
Notes receivable and accounts receivable		39,335,133	597,372,113
Prepayments		71,560,914	1,350
Other receivables	2	13,161,141,862	8,835,434,140
Inventories		-	145,439
Contract assets		1,945,534	-
Current portion of non-current assets		-	1,709,178,807
Other current assets		141	-
Total current assets		18,616,094,427	15,840,700,702
Non-current assets			
Long-term receivables		-	163,088,704
Long-term equity investments	3	26,543,128,320	25,872,801,985
Fixed assets		41,459,171	39,058,482
Intangible assets		15,480,345	2,127,846
Long-term prepayments		590,295	-
Deferred tax assets		150,053	-
Other non-current assets		85,173,225	-
Total non-current assets		26,685,981,409	26,077,077,017
TOTAL ASSETS		45,302,075,836	41,917,777,719

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Company balance sheet *(continued)*
31 December 2018 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Note XIV	31 December 2018	31 December 2017
Current liabilities			
Short-term loans		-	500,000,000
Notes payable and accounts payable		160,060,610	16,774,447
Receipts in advance		-	212,199
Contract liabilities		266,435,222	-
Payroll payable		2,798,594	6,228,901
Taxes payable		3,037,072	4,139,106
Other payables	4	11,122,390,508	11,349,363,705
Total current liabilities		11,554,722,006	11,876,718,358
Non-current liabilities			
Bonds payable		9,981,238,196	5,986,951,377
Total non-current liabilities		9,981,238,196	5,986,951,377
Total liabilities		21,535,960,202	17,863,669,735
Shareholders' equity			
Share capital		11,775,447,964	11,775,447,964
Capital reserve		11,745,491,507	11,745,491,507
Other comprehensive loss		(215,134)	(261,800)
Special reserve		3,598	3,011
Surplus reserve		167,272,198	158,508,179
Retained earnings		78,115,501	374,919,123
Total shareholders' equity		23,766,115,634	24,054,107,984
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		45,302,075,836	41,917,777,719

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Company income statement
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

	Note XIV	2018	2017
Revenue	5	948,569,454	25,728,413
Less: Cost of sales	5	940,168,121	21,303,238
Taxes and surcharges		919,159	144,786
General and administrative expenses	6	138,742,927	102,938,431
Finance costs	7	7,784,054	66,707,116
Including: Interest expenses		151,358,578	91,957,358
Interest income		221,219,427	100,118,676
Impairment losses of assets		-	(170,675,898)
Impairment of credit losses		(23,275,799)	-
Add: Investment income	8	206,347,803	776,165,798
Including: Share of profits/ (losses) of joint ventures		2,270,548	(10,770,920)
Operating profit		90,578,795	781,476,538
Add: Non-operating income		-	37,717
Less: Non-operating expenses		300,000	(7,650,000)
Profit before tax		90,278,795	789,164,255
Less: Income tax expenses		2,822,580	-
Net profit		87,456,215	789,164,255
Classified by the continuity of operation profit or loss for the year from continuing operations		87,456,215	789,164,255
Other comprehensive income/ (expense), net of tax		46,666	(261,800)
Other comprehensive income/ (expense) to be reclassified to profit or loss			
Exchange differences on translation of foreign operations		46,666	(261,800)
Total comprehensive income		87,502,881	788,902,455

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Company Statement of Changes in Equity
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

2018

	Share capital	Capital reserve	Other Comprehensive loss	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2018	11,775,447,964	11,745,491,507	(261,800)	3,011	158,508,179	374,919,123	24,054,107,984
Changes in accounting policies	-	-	-	-	-	(18,912,968)	(18,912,968)
II. Opening balance for the year	11,775,447,964	11,745,491,507	(261,800)	3,011	158,508,179	356,006,155	24,035,195,016
III. Increase/ (decrease) during the year							
(I) Total comprehensive income							
1. Net profit	-	-	-	-	-	87,456,215	87,456,215
2. Other comprehensive income/ (loss)	-	-	46,666	-	-	-	46,666
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	8,764,019	(8,764,019)	-
2. Distribution to shareholders	-	-	-	-	-	(356,582,850)	(356,582,850)
(III) Special reserve							
1. Appropriated in current year	-	-	-	587	-	-	587
IV. As at 31 December 2018	11,775,447,964	11,745,491,507	(215,134)	3,598	167,272,198	78,115,501	23,766,115,634

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Company Statement of Changes in Equity(continued)
Year ended 31 December 2017 **Expressed in Renminbi Yuan**

2017

	Share capital	Capital reserve	Other Comprehensive loss	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2017	11,775,447,964	11,745,491,507	-	-	79,591,754	(9,132,954)	23,591,398,271
II. Increase/ (decrease) during the year							
(I) Total comprehensive income							
1. Net profit	-	-	-	-	-	789,164,255	789,164,255
2. Other comprehensive income/ (Loss)	-	-	(261,800)	-	-	-	(261,800)
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	78,916,425	(78,916,425)	-
2. Distribution to shareholders	-	-	-	-	-	(326,195,753)	(326,195,753)
(III) Special reserve							
1. Appropriated in current year	-	-	-	3,011	-	-	3,011
III. As at 31 December 2017	11,775,447,964	11,745,491,507	(261,800)	3,011	158,508,179	374,919,123	24,054,107,984

The accompanying notes form part of the financial statements.

CCCC Dredging (Group) Co., Ltd.
Company Statement of Cash Flows
Year ended 31 December 2018 **Expressed in Renminbi Yuan**

	Note XIV	2018	2017
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		900,041,614	14,216,804
Cash received from tax refund		-	37,716
Other operating activities		224,791,379	2,199,468,530
Sub-total of cash inflows		1,124,832,993	2,213,723,050
Cash paid for goods and services		(769,837,040)	(9,502,190)
Cash paid to and on behalf of employees		(111,484,253)	(60,449,085)
Cash paid for all types of taxes		(9,159,425)	(759,691)
Cash paid relating to other operating activities		(2,483,656,909)	(2,530,736,514)
Sub total of cash outflows		(3,374,137,627)	(2,601,447,480)
Net cash flows from operating activities	9 (a)	(2,249,304,634)	(387,724,430)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from investment income		281,362,426	307,819,841
Cash received from other investing activities		687,277,356	-
Subtotal of cash inflows from investing activities		968,639,782	307,819,841
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,984,571)	(1,417,571)
Cash paid for acquisition of investments		(440,000,000)	(95,117,782)
Cash paid for acquisition of a subsidiary		(313,217,130)	(570,600,000)
Cash paid for other investing activities		(720,000,000)	-
Subtotal of cash outflows from investing activities		(1,479,201,701)	(667,135,353)
Net cash flows from investing activities		(510,561,919)	(359,315,512)

The accompanying notes form part of the financial statements.

Year ended 31 December 2018 Expressed in Renminbi Yuan

	Note XIV	2018	2017
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		2,700,000,000	1,000,000,000
Cash received from issuing bonds		3,984,905,660	-
Cash received from other financing activities		488,591,884	1,146,385,564
Subtotal of cash inflows from financing activities		7,173,497,544	2,146,385,564
Cash repayments for borrowings		(3,200,000,000)	(500,000,000)
Cash paid for distribution of dividends or profits and for interest expenses		(580,494,347)	(138,854,813)
Subtotal of cash outflows from financing activities		(3,780,494,347)	(638,854,813)
Net cash flows from financing activities		3,393,003,197	1,507,530,751
IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH		10,405,346	-
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		643,541,990	760,490,809
Add:Cash and cash equivalents at beginning of year		4,698,568,853	3,938,078,044
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR	9 (b)	5,342,110,843	4,698,568,853

The accompanying notes form part of the financial statements.

I. CORPORATE INFORMATION

CCCC Dredging (Group) Co., Ltd. (the "Company") is a joint stock limited company with limited liability initiated by China Communications Construction Co., Ltd. ("CCCC") and its subsidiary, China Road & Bridge Corporation ("China Road & Bridge") on 7 May 2015. The registered address of the Company's head office is located at Room 3655E, No.360-9 Feihong Road, Hongkou District, Shanghai, PRC. The company is headquartered at No. 85 Deshengmenwai Street, Xicheng District, Beijing, People's Republic of China.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly consist of Channel dredging, port and waterway construction, international ship transportation, domestic waterway transportation, international maritime auxiliary business, domestic ship management business, water conservancy and hydropower construction project construction, geotechnical engineering survey, soil and water geological survey, engineering survey survey survey, mineral resources mining; technology development, technology service, technology transfer, technology consultation, professional construction of offshore petroleum construction engineering, port operation, environmental protection construction engineering, municipal public construction engineering, project investment management, equity investment management, etc.

The Company's parent company is CCCC, and ultimate holding company is CCCG.

The financial statements were approved by the board of directors of the Company on March 29, 2019. According to the Articles of Association of the Company, the financial statements will be submitted to the shareholders meeting for deliberation.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued and amended subsequently by the Ministry of Finance (the MOF) (collectively referred to as —Accounting Standards for Business Enterprises).

The financial statements are presented on a going concern basis.

In preparing these financial statements, all the assets (other than certain financial instruments) are carried at historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the impairment of receivables an d the measurement of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, and the capitalization conditions of R&D Expenses and the policy for revenue recognition, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements fairly and fully present the financial condition of the company and the Group at 31 December 2018 and operation results and the cash flows for year 2018 in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting year is from 1 January to 31 December of calendar year.

3. Recording currency

The recording currency of the Company and the currency used in preparing the financial statements is Renminbi. Unless otherwise stated, the currency in the financial statements is Renminbi.

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing entity, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital premium under capital reserves. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination (continued)

Goodwill is initially recognised and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. If after that reassessment, the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

Where an enterprise is merged under different control through multiple transactions, the long-term equity investment of the purchased party held before the purchase date shall be re-measured according to the fair value of the long-term equity investment on the purchase date, and the difference between the fair value and its book value shall be included in the profits and losses of the current period; and the purchased party held before the purchase date shall be accounted for in accordance with the fair value of the long-term equity investment on the purchase date. The buyer's long-term equity investment under the Equity Method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities. The changes in shareholder's equity except net profit and loss, other comprehensive income and profit distribution shall be converted to the current profits and losses on the purchase date. For investments in other equity instruments held by the purchased party before the purchase date, the changes in the fair value of the equity instruments investment accumulated before the purchase date are transferred to the retained gains and losses.

5. Consolidated financial statement

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control. A subsidiary is an entity that is controlled by the Company (such as an enterprise, a deemed separate entity, or a structured entity controlled by the Company).

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. When the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, equities, income, expense and cash flows shall be fully offset during the consolidation.

Where the loss for the current period attributable to non-controlling interests of a subsidiary exceeds the non-controlling interests of the opening balance of equity of the subsidiary, the excess shall still be allocated against the non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Classification of joint arrangement and joint operation

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint operators have rights to the net assets of the arrangement.

A joint operator recognises the following items in relation to its interest in a joint operation: its solely-held assets, and its share of any assets held jointly; its solely-assumed liabilities, and its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its solely-incurred expenses, and its share of any expenses incurred jointly.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are shortterm, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency operations and foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are recorded, on initial recognition, in the reporting currency, by applying the foreign currency amount to the spot exchange rate prevailing on the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary item translation are taken to profit or loss in the current period, except for those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the recording currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognized in profit or loss for the current period or as other comprehensive income based on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the statement of financial position date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year equals the translated undistributed profit of the previous year; The undistributed profit at the end of the year is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.Foreign currency cash flows are translated using the spot exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

Foreign currency cash flows are translated using the spot exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Applicable since 1 January 2018)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to write off the financial asset from the account and balance sheet, when the following conditions are met:

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

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss for the current period.

Regular way purchase or sale of financial assets are recognized and derecognized using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group undertakes to buy or sell a financial asset.

Classification and Measurement of Financial Assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income according to business model for managing financial assets and contract cashflow features. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognition. However, if the initial recognition of accounts receivable or notes receivable arising from sales of merchandises or provision of services etc. does not include significant financing components or does not consider financing components not exceeding one year, it shall be recognized as the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss for the current period. Transaction costs related to other types of financial assets are included in their initial recognition amounts.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Applicable since 1 January 2018) (Continued)

The subsequent measurement of a financial asset is determined by its category:

Debt instrument investment measured at amortized cost
Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are only for the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is adopted to recognize interest income for this type of financial assets. The gain or loss from its derecognition, revision or impairment is taken to profit or loss for the current period. Financial assets includes cash, accounts receivable, notes receivable, other reveivables credit investment and long-term receivable. Credit investment and long-term receivable is taken as non-current assets due within one year, and original credit investment due within one year is taken as other current assets.

Investment in debt instruments at fair value through other comprehensive income
Financial assets which satisfy all of the following criteria are classified as financial assets at fair value through other comprehensive income: That the business model upon which the Group manages the financial asset targets at both obtaining the contracted cashflow and also disposing of the financial asset; that the financial asset contract provides that the cashflow generated on certain dates are only for paying the principal and interest which is based on the outstanding principal amount. The effective interest method is adopted to recognize interest income for this type of financial assets. Other than interest income, impairment losses and exchange differences which are recognized as profit or loss for the current period, other fair value changes are taken to other comprehensive income. The financial assets is taken as other credit investment assets, Other credit investment is taken as non-current assets due within one year, and original other credit investment due within one year is taken as other current assets.

Investment in equity instruments at fair value through other comprehensive income
The Group irrevocably opts to designate some of the investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, and only recognizes relevant dividend incomes (other than dividend income expressed to be partial recovery of investment cost) in profit or loss for the current period, while subsequent change in fair value is taken to other comprehensive income, and no impairment provision is needed. When the financial asset is derecognized, the accumulated gain or loss previously taken to other comprehensive income is transferred from other comprehensive income to retained earnings.

A financial asset held for trading shall satisfy one of the following conditions: assuming the relevant financial asset is mainly for the purpose of selling or repurchasing in the near future; it belongs to a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence that the company has recently adopted short-term profit-making methods; it is a derivative, except for derivatives that are designated as effective hedging instruments or derivatives that qualify for financial guarantee contracts.

Financial assets measured at fair value through profit or loss
The financial assets other than those measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss for the current period. For such financial assets, fair value is used for subsequent measurement, and all changes in fair value are recognised in profit or loss for the current period. This type of financial assets is presented as financial assets held for trading. Those to be due after one year as of the balance sheet date and expected to be held for more than one year are presented as other non-current financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Applicable since 1 January 2018) (Continued)

Classification and Measurement of Financial Liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of financial liability is determined by its category:

Financial liabilities at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated upon initial recognition as measured at fair value through profit or loss.

A financial liability held for trading shall satisfy one of the following conditions: assuming the relevant financial liability is mainly for the purpose of selling or repurchasing in the near future; it belongs to a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence that the company has recently adopted short-term profit-making methods; it is a derivative, except for derivatives that are designated as effective hedging instruments or derivatives that qualify for financial guarantee contracts. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are recognized in profit or loss.

Other financial liabilities
This kind of financial liabilities are measured at amortized costs by using the effective interest rate method.

Impairment of Financial Instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets carried at amortized cost, investment in debt instruments at fair value through other comprehensive income, lease receivables and contract assets and recognize the loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group that are discounted at the original effective interest rate, that is, the present value of all cash shortfalls. Among them, financial assets that have been creditdepleted by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For receivables and contractual assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses for the entire duration of the life.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Applicable since 1 January 2018) (Continued)

Impairment of Financial Instruments (Continued)

For financial assets other than those measured by the aforesaid simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition and it is still stage one, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months, and calculates interest income based on carrying amount and effective interest rate. It is stage two if credit risk has increased significantly without credit impairment after initial recognition, the Group assesses its loss according to expected credit loss within entire duration, and calculates interest income based on carrying amount and effective interest rate. It is stage three if credit loss occurred after initial recognition, the Group assesses its loss according to expected credit loss within entire duration, and calculates interest income based on amortized cost. For those financial implement contains lower credit risk at balance sheet date, the grpup assumes its credit risk has not increased significantly since the initial recognition.

Expected credit losses of financial instruments are assessed on individual basis and group basis. Expected credit losses of accounts receivable and long-term receivables are assessed taking into account the credit risk characteristics of different customers, on the basis of groupings by age, by quality of credit history and by overdue age.

In assessing expected credit losses, the Group considers reasonable and evidenced information, including those on relevant historical events, prevailing conditions and forecast on future economic conditions.

For the disclosure of the Group's criteria for judging the significant increase in credit risk, the definition of assets with impairment of credit, and the assumption of the measurement of anticipated credit losses, see Notes VIII, 3.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offset of Financial Instruments

At the same time, if the following conditions are met, the net amount of financial assets and liabilities offset by each other is shown on the balance sheet: they have the legal right to offset the recognized amount, and the legal right is currently enforceable; they plan to settle in net amount, or to liquidate the financial assets and to liquidate the financial liabilities at the same time.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward foreign exchange contracts, forward commodity contracts and interest rate swaps, to hedge exchange rate risk, commodity price risk and interest rate risk respectively. Derivative financial instruments are initially measured at the fair value of the day on which the derivative transaction contract is signed, and subsequently measured at its fair value. Derivative financial instruments with positive fair value are recognized as an asset and those with negative fair value are recognized as a liability.

Except in connection with hedging accounting, the gains or losses arising from changes in the fair value of derivatives are directly recorded in current profits and losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Applicable since 1 January 2018) (Continued)

Transfer of Financial Assets

If the Group has transferred almost all the risks and rewards in the ownership of financial assets to the transferee, it shall terminate the recognition of the financial assets; if it retains almost all the risks and rewards in the ownership of financial assets, it shall not terminate the recognition of the financial assets.

If the Group neither transfers nor retains almost all the risks and rewards in the ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, terminates the recognition of the financial assets and identifies the assets and liabilities arising therefrom; if it does not abandon its control over the financial assets, it shall continue to be involved in the transfer in accordance with its continued involvement. The extent of the financial assets confirms the relevant financial assets and the liabilities accordingly.

If the transfer of financial assets is continued to be involved by providing financial guarantee, the assets formed by the continued involvement shall be confirmed according to the lower of the book value of the financial assets and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount that will be required to be repaid in the consideration received.

10. Financial instruments (Applicable to year 2017)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to write off the financial asset from the account and balance sheet, when the following conditions are met:

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

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss for the current period.

Regular way purchase or sale of financial assets are recognized and derecognized using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group undertakes to buy or sell a financial asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Applicable to year 2017) (Continued)

Classification and Measurement of Financial Assets

Financial assets are, on initial recognition, classified into the following categories: loans and receivables, available-for-sale financial assets. A financial asset is recognized initially at fair value, and transaction costs relating to financial assets of other categories are included in the amount initially recognized.

The subsequent measurement of a financial asset is determined by its category:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from amortization or impairment are recognized in profit or loss for the current period.

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are on initial recognition designated as available for sale or are not classified as any of the aforesaid categories. After initial recognition, available-for-sale financial assets are measured at fair value. The discount/premium is amortized using effective interest method and recognized as interest income or expense. Changes in the fair value of an available-for-sale financial asset is recognized as other comprehensive income in capital reserve, except for impairment losses and exchange differences resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss is transferred to profit or loss for the current period. Dividends or interest income relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

Investment in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured shall be measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

Financial liabilities measurement depending on classification:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in the income statement of the current period.

Other financial liabilities
After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Applicable to year 2017) (Continued)

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of a financial asset. If there is objective evidence that the financial asset is impaired, the Company makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

Financial assets carried at amortized cost
If objective evidence shows that the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of the estimated future cash flow is discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition) and includes the value of any related collateral. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

If a financial asset is individually significant, the Company assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Company can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognised in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

Available-for-sale financial assets
When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in other comprehensive income are removed from equity and recognized in the income statement. The amount of the accumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

10. Financial instruments (Applicable to year 2017) (Continued)

Impairment of financial assets (continued)

The objective evidence of impairment of investments in marketable equity instruments includes a serious or non-temporary decline in fair value. "Seriousness" is judged according to the degree that fair value is lower than cost, and "non-temporariness" is judged according to the length of the period when fair value is lower than cost. Where there is objective evidence of impairment, the accumulated losses transferred shall be the balance after deducting the current fair value and the impairment losses previously recorded in profits and losses for the purpose of obtaining costs. The impairment losses incurred in the investment of marketable equity instruments shall not be reversed through gains and losses. The increase in fair value after impairment shall be recognized directly in other comprehensive gains.

In determining what is "serious" or "non-temporary", it needs to be judged. Based on the extent or duration of the fair value below the cost, the Group shall make a judgment in combination with other factors.

Financial assets carried at cost
If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision. The impairment loss recognized cannot be reversed.

Transfer of Financial Assets

If the Group has transferred almost all the risks and rewards in the ownership of financial assets to the transferee, it shall terminate the recognition of the financial assets; if it retains almost all the risks and rewards in the ownership of financial assets, it shall not terminate the recognition of the financial assets.

If the Group neither transfers nor retains almost all the risks and rewards in the ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, terminates the recognition of the financial assets and identifies the assets and liabilities arising therefrom; if it does not abandon its control over the financial assets, it shall continue to be involved in the transfer in accordance with its continued involvement. The extent of the financial assets confirms the relevant financial assets and the liabilities accordingly.

If the transfer of financial assets is continued to be involved by providing financial guarantee, the assets formed by the continued involvement shall be confirmed according to the lower of the book value of the financial assets and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount that will be required to be repaid in the consideration received.

Year ended 31 December 2018 Expressed in Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Accounts receivable

The confirmation criteria and methods for the provision for bad debts receivable in 2017 are as follows:

Receivables with significant individual amounts and separate provision for bad debts

For individual accounts receivable with significant amount, the impairment test shall be carried out separately. Provision for bad debts is made when there is objective evidence that the Group will not be able to recover the amount in accordance with the original terms of receivables.

The criteria for judging the significant amount of a single item are: the top five accounts receivable by a corporate company from third-party customers.

The method of drawing bad debts reserve for a single item with a significant amount is based on the difference between the present value of the expected future cash flow of the receivable and its book value.

Accounts Receivable for Bad Debt Provision Based on Credit Risk Characteristic Portfolio

The basis for determining combinations is as follows:

Portfolio	Method of provision for bad debts
Accounts Receivable due from CCCC and its subsidiaries	Normally no provision is made for bad debts
Retention (excluding quality retention)	Normally no provision is made for bad debts
Personal Loan and Reserve Fund for Employees	Normally no provision is made for bad debts
Aging	Age Analysis Method

In the above portfolio, the ratio of allowance for bad debts to accounts receivable and other receivables by age analysis is as follows:

	Proportion (%)	Proportion (%)
Within 6 months	-	-
6 months to one year	1	1
1 to 2 years	15	15
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	75	75
above 5 years	100	100

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Accounts receivable (Continued)

Receivables for provision for bad debts, though not significant, are charged separately

When there is objective evidence that the Group will not be able to recover the receivables according to the original terms of the receivables, provision for bad debts will be made.

The provision for bad debts is calculated on the basis of the difference between the present value of the expected future cash flow of receivables and their book value.

The confirmation criteria and methods for the provision for bad debts receivable of the Group as of January 1, 2018 are detailed in Notes III, 9.

12. Inventory

Inventories include raw materials, in-process products, development costs, developed products, inventory goods, turnover materials, which are measured at the lower of cost and net realiszable value.

Inventory is initially measured at cost. Inventory costs include procurement costs, processing costs and other costs. The weighted average method is used to determine the actual cost of the inventory. Inventory goods and production costs include raw materials, direct labor and manufacturing costs allocated in a systematic manner under normal production capacity; development costs and product development costs include land costs, construction costs, capitalized interest, and other direct and indirect development costs related to real estate development; After completion, it will be carried over to the development product according to the actual cost; when developing the carrying-over cost of the product, it will be accounted for according to the actual cost.

In 2017, the actual cost of construction is calculated, including direct material cost, direct labor cost, subcontracting cost, other direct cost and indirect cost of construction that should be allocated. On the balance sheet date, the accumulated construction contract cost and the recognized gross profit (loss) are greater than the amount of the settled price, and the difference is reflected as "completed and uncalculated" is included in the "contract assets" and shown as a current asset; the settled price is greater than the accumulated amount of the construction contract project under construction. The difference between the cost and the recognized gross profit (loss) is reflected in the fact that the "settled uncompleted" is included in the "contract liability" as a current liability.

Average amortization of project-specific materials in turnover materials during the project cycle is included in the current cost or cost. Other turnover materials are amortized according to the expected usage times and within a period of not more than three years. The current cost or cost is included. Low-value consumables and packages are amortized by one-time amortization method.

The Inventory System of Inventory Adopts the Sustainable Inventory System.

At the balance sheet date, inventories are measured at the lower of cost or net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist, so that the net realizable value is higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the decline in value of inventories. The amount of the reversal is recognized in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Inventory (Continued)

Net realizable value is, in the ordinary course, the estimated selling price of business less the estimated costs of completion, the estimated sales costs and relevant taxes. The provision for decline in value of inventories is made on an individual basis.

In 2017, during the execution of the construction contract, if the expected total cost of the contract will exceed the expected total revenue of the contract, the anticipated loss provision of the contract will be calculated and included in the current cost.

13. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, jointly controlled enterprises and associates.

Long-term equity investment is initially measured at the initial investment cost when it is acquired. The long-term equity investment obtained through the merger of enterprises under the same control takes the share of the book value of the owner's equity of the merged party in the final controlling party's consolidated financial statements on the merger day as the initial investment cost; the difference between the initial investment cost and the book value of the merger consideration, and adjusts the capital reserve (insufficient write-offs, Deduction of retained earnings; other comprehensive earnings prior to the merger date shall be accounted for on the same basis as the assets or liabilities directly disposed of by the invested entity. Shareholders' rights and interests recognized as a result of changes in shareholders' rights and interests other than net gains and losses, other comprehensive gains and profit distribution of the invested party shall be accounted for. When disposing of the investment, the profits and losses will be transferred to the current period; among them, the long-term equity investment will be carried forward proportionally after disposal, and the full amount will be carried forward after disposal into financial instruments. The changes in the cumulative fair value of equity investments held before the purchase date, which are included in other comprehensive gains as investments in other equity instruments, are all transferred to retained earnings when they are converted to cost accounting. In addition to the long-term equity investment formed by the merger of enterprises, the initial investment cost shall be determined according to the following methods: the purchase price actually paid and the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investment shall be taken as the initial investment cost when cash is paid; and the issuance shall be made as the initial investment cost. Where equity securities are acquired, the fair value of equity securities issued shall be taken as the initial investment cost.

The Company can exercise control over the investee for a long-term equity investment. The Company uses the cost method in the Company’s financial statements. Control refers to the power over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor’s returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or reduction of investments, the cost of long-term equity investments is adjusted. Cash dividend or profit distribution declared by an investee is recognized as profit or loss in the current period.

The equity method is adopted for a long-term equity investment when the Group holds joint control, or exercises significant influence on the investee. Joint control refers to the contractually agreed shared control over an arrangement and related activities under such arrangement shall be decided upon with the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but cannot control or jointly control with other parties over the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing entity’s interest in the fair values of the investee’s identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the investing entity’s interest in the fair values of the investee’s identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

Under the equity method, the Group recognizes its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income after the acquisition of the long-term equity investments, and adjusts the carrying amount of the investment accordingly. The Group recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its jointly controlled enterprises and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognized in full). The carrying amount of the investment is reduced accordingly based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognized to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in owners' equity of the investee (other than net profits or losses, other comprehensive income and profit distribution) and includes the corresponding adjustments in the shareholders' equity.

On disposal of the long-term equity investments, the difference between book value and market price is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred in full to current profit and loss. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee and transferred to current profit and loss on a prorate basis. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss on a pro-rata basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both. Investment properties include land use rights leased out, buildings for rental purposes, and buildings that will be used for rental during construction or development.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Group uses the cost model for the subsequent measurement of its investment properties. Investment properties are depreciated or amortized for buildings and land use rights based on their estimated useful lives and net residual value rates. The useful lives, estimated net residual value rate and annual depreciation (amortization) rate of investment properties are as follows:

	Useful life	Estimated Net Residual Value rate	Annual Depreciation Rate
Buildings	30 years	-	3.30%
Land use rights	50 years	-	2.00%

When the use of investment properties changes to self-use, the investment properties are converted into fixed assets or intangible assets from the date of change. When the use of self-use real estate changes to earn rent or capital appreciation, the fixed assets or intangible assets are converted into investment properties from the date of change. When a conversion occurs, the book value before conversion is used as the recorded value after conversion.

The Group reviews the estimated useful life, estimated net residual value and depreciation or amortization method of the investment properties at least at the end of each year, and adjusts if necessary.

The investment properties are derecognized when the investment properties are disposed of, or permanently withdrawn from use and are not expected to obtain economic benefits from their disposal. Disposal income from the sale, transfer, retirement or damage of investment properties is charged to the current profit and loss after deducting its carrying amount and related taxes.

15. Fixed assets and depreciation

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Fixed assets and depreciation (continued)

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

	Useful life	Estimated Net Residual Value rate	Annual Depreciation Rate
Building	20-40 years	-	2.5%-5%
Vessels	10-25 years	5%-10%	3.6%-9.5%
Vehicles	5 years	-	20%
Machinery	5-20 years	-	5%-20%
Office equipment	3-5 years	-	20%-33.3%
Other equipment	2-3 years	-	33.3%-50%

Fixed assets that are held under finance leases are depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

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

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and make adjustments if necessary.

16. Construction in progress

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

17. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Borrowing costs (Continued)

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

(1) Expenditures for the asset have been incurred;
(2) Borrowing costs have been incurred; and
(3) Activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised in profit or loss.

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows:

(1) Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
(2) Where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

18. Intangible assets

The Group's intangible assets include land use rights, franchise rights, software, and patents.

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and initially measured at the fair value at the date of acquisition.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Intangible assets with a finite useful life are amortized using the straight-line method over their useful lives.

Land use rights are amortized on average over their estimated useful lives. . Payments for the land and buildings purchased are allocated between the land use rights and the buildings; they are accounted for as fixed assets if they cannot be reasonably allocated.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Intangible assets (Continued)

Franchise rights refer to intangible assets recognized during the construction period in accordance with the intangible assets model under construction, operation and transfer contracts (“BOT” contracts). The franchise project is amortized using the straight-line method based on the expected realization of the economic benefits associated with the project during operations.

The software is recognized at the actual price paid at the time of acquisition and is amortized on average over the estimated useful life of 1 to 10 years.

The patent rights are recognized at the value confirmed by the investing parties or the price actually paid, and are amortized on average over the estimated useful life or the useful life specified in the contract.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

19. Impairment of assets

The Group shall determine the impairment of assets other than inventory, deferred income tax and financial assets using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for their intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Impairment of assets (Continued)

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups unless it is impossible to allocate to the related asset groups, in which case it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When testing an asset group (a set of asset groups) to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group (set of asset groups), excluding the amount of goodwill allocated, for impairment, i.e., the Group determines and compares the recoverable amount with the related carrying amount and recognises any impairment loss. After that, the Group tests the asset group (set of asset groups), including goodwill, for impairment, the carrying amount of the related asset group (set of asset groups) is compared to its recoverable amount. If the carrying amount of the asset group (set of asset groups) is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group (set of asset groups), and then used to reduce the carrying amount of other assets (other than the goodwill) within the asset group (set of asset groups), on a pro-rata basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

20. Long-term prepaid expenses

Long-term expenses to be apportioned, including the improvement of operating rented fixed assets and other expenses that have already occurred but should be borne by the current and future periods and whose apportionment period is more than one year, shall be amortized in stages according to the expected benefit period, and shall be shown in terms of actual expenditure minus net accumulated amortization.

21. Employee benefits

Employee benefits refer to all forms of consideration or compensation [other than share-based payments] given by the Group in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits given by the Group to an employee's spouse, children and dependents, family members of deceased employees and other beneficiaries are also employee benefits.

Salary

During the accounting period in which employees provide services, the short-term remuneration actually incurred shall be recognized as liabilities and included in current profits and losses or the cost of related assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Employee benefits(continued)

Post-employment benefits

The Group classifies post-employment benefits plans into withdrawal plans and benefit plans. Setting up a withdrawal plan is the Group's post-employment benefits plan that no longer assumes the obligation to pay further after depositing a fixed fee to an independent fund; Benefit plan is the post-employment benefits plan in addition to deposit plan. During the reporting period, the basic pension paid for employees in the Group's after-service benefits, unemployment insurance and the enterprise annuity plan established for employees who retire after December 31, 2005 belong to the set-up withdrawal plan; Supplementary retirement benefits provided by employees who retired before 31 December 2005 belong to the benefit plan.

Pension obligations
Employees of the Group have participated in the basic social endowment insurance organized and implemented by the local labor and social security departments. The group pays pension premiums to local social basic endowment insurance agencies on a monthly basis in accordance with the local basic social endowment insurance payment base and proportion. After retirement, the local labor and social security departments have the responsibility to pay the basic social pension to the retired employees. During the accounting period in which the employees provide services, the Group shall recognize the amount payable in accordance with the above-mentioned social security provisions as liabilities and include the current profits and losses or the cost of related assets.

Supplementary retirement benefits
For employees who retired before 31 December 2005, in addition to the insurance system prescribed by the State, the Group also provides supplementary retirement benefits, which are defined as benefit plans. The present value of the obligation to set a benefit plan is calculated annually by an independent actuary using the expected cumulative welfare unit method based on the interest rate of national debt similar to the duration and currency of the obligation. The net liabilities after setting the present value of the Beneficiary Plan obligation minus the fair value of the planned assets are shown below in the long-term payable remuneration of employees in the balance sheet. The service costs associated with supplementary retirement benefits (including current service costs, past service costs and settlement gains or losses) and the net interest based on the net liabilities of the Beneficiary Plan and the appropriate discount rate are included in the current profits and losses or related assets costs, and the changes resulting from the net liabilities of the Beneficiary Plan are recounted in the changes resulting from the redefinition of the net liabilities of the beneficiary plan. He has a comprehensive income. The supplementary retirement benefits provided by the Group for employees who retired before 31 December 2005 belong to the established benefit plan.

For employees who retire after December 31, 2005, in addition to the basic social pension insurance, the Group establishes an enterprise annuity plan in accordance with the relevant policies of the state enterprise annuity system. The Group draws an annuity according to a certain proportion of the total wages, and the corresponding expenditures are recorded in current profits and losses. The supplementary retirement benefits belong to the set-up withdrawal plan.

Termination benefits

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Employee benefits(continued)

Early retired benefits

The Group provides internal refund benefits to employees accepting internal retirement arrangements. Internal refund benefits refer to wages paid to employees who have not reached the retirement age stipulated by the state, who have voluntarily withdrawn from their jobs with the approval of the management of the group, and social insurance premiums paid for them. From the date of the commencement of the internal retirement arrangement until the employees reach the normal retirement age, the Group shall pay the internal retirement benefits to the retired employees. For the internal retirement benefits, the Group shall conduct accounting treatment by referring to the retirement benefits. When meeting the relevant confirmation conditions for the retirement benefits, it shall recognize the salaries and social insurance premiums of the internal retirement workers to be paid from the day when the employees cease to provide services to the normal retirement date as liabilities and include them in the profits and losses of the current period at one time. The difference caused by the change of actuarial hypothesis and the adjustment of welfare standard is included in the current profit and loss when it occurs.

The retirement benefits expected to be paid within one year from the balance sheet date are listed as current liabilities.

22. Estimated liabilities

In addition to contingent consideration and contingent liabilities incurred in mergers of enterprises not under the same control, the Group recognizes contingent liabilities as anticipated liabilities when the obligations relating to contingencies satisfy the following conditions at the same time:

(1) This obligation is the current obligation of the Group;
(2) The fulfilment of this obligation is likely to result in the outflow of economic interests from the Group;
(3) The amount of the obligation can be reliably measured.

The estimated liabilities are initially measured according to the best estimate of the expenditure required to fulfil the relevant current obligations, taking into account the risks, uncertainties and time value of money associated with contingencies. The book value of the estimated liabilities is reviewed on each balance sheet date. If there is conclusive evidence that the book value does not reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

The contingent liabilities of the purchased party acquired in the merger of enterprises under different control are measured at the fair value at the time of initial confirmation. After initial confirmation, the balance after the confirmation of the expected liabilities and the initial confirmation amount are deducted from the accumulated amortization determined by the principle of income confirmation, and subsequently measured by the higher of the two.

23. Other equity instruments

The Group has no maturity date for the issue of sustainable bonds. For the coupon interest on Sustainable bonds, the Group has the right to defer payment. The Group has no contractual obligation to pay cash or other financial assets, which are classified as equity instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Revenue recognition (applicable from 1 January 2018)

The Group has fulfilled its performance obligations under the contract to recognize revenue when the customer acquires control over the relevant goods or services. Obtaining control over related goods or services refers to the ability to dominate the use of such goods or the provision of such services and to derive almost all economic benefits from them.

Construction services

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

Provision of services

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

Sale of products

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

Variable consideration

Where there is a variable consideration in the contract, the Group determines the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price containing the variable consideration does not exceed the amount of the accumulated recognized revenue that will most likely not undergo significant reversal when the relevant uncertainties are eliminated. On each balance sheet day, the Group re-estimates the variable consideration amount accruing to the transaction price.

Significant financing component

For contracts that include a significant financing component, the Group adjusts the promised amount of consideration for the effects of a significant financing component and recognise revenue as the "cash selling price" of the underlying goods or services at the time of transfer. The "cash selling price" is generated by discounting the promised amount of consideration using the effective interest rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Revenue recognition (applicable from 1 January 2018) (Continued)

Significant financing component (Continued)

The Group selects to use the practical expedient that it will not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Warranty

As required by law or agreed in the contract terms, the Group provides assurance-type warranties that promise the customer that the asset created in the construction services is as specified in the construction contract. The Group recognises such assurancetype warranties as provisions. For the warranties that provide a service to the customer in addition to assurance that the asset created is as specified in the contract, the Group identifies such service-type warranties as a separate performance obligation and allocates the transaction price between construction service and service-type warranties using the proportion of their standalone selling prices. The Group recognises the revenue of service-type warranties when the customer obtains control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the asset created in the construction services complies with the agreed specifications, the Group considers factors including whether the warranty is required by law, the length of the warranty coverage period, and the nature of the tasks that the entity promises to perform.

Principal versus agent

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

Contract modifications

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

(1) if the creation of new construction service and contract price are separately identified, and the new contract price reflects the separate selling price of the new construction service, the Group will treat the contract modification as a separate contract for accounting;
(2) if the contract modification does not belong to the above situation (i), and there is a clear distinction between transferred construction services and non-transferred construction services at the date of contract modification, the Group will regard it as the termination of the original contract. Meanwhile, the unperformed part of the original contract and the part of contract modification will be merged into a new contract for accounting;
(3) if the contract does not belong to the above situation (i), and there is no clear distinction between transferred construction services and non-transferred construction services at the date of contract modification, the Group will treat the part of modification as the component of original contract for accounting. The effect that the contract modification has on the transaction price is recognised as an adjustment to revenue at the date of the contract modification.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Revenue recognition (applicable from 1 January 2018) (Continued)

Concession contract (“BOT contract”)

Franchise activities under BOT contracts usually include construction, operation and transfer. At the construction stage, the contract revenue and cost of construction service shall be confirmed in accordance with the accounting policy of the construction contract. Income from construction contracts is measured at the fair value of collection or consideration receivable, and financial assets or intangible assets are recognized at the same time as income is recognized in the following cases:

(1) The contract stipulates that within a certain period after the completion of the infrastructure, the Group may unconditionally collect money or other financial assets of a specified amount from the contract grantor, and recognize financial assets while recognizing revenue;
(2) The contract stipulates that the Group shall have the right to collect fees from the recipients of services within a certain period of time after the completion of the relevant infrastructure, but if the amount of fees is uncertain, the right does not constitute an unconditional right to collect cash. The Group shall recognize intangible assets while recognizing revenue. It shall be amortized by straight-line method from the date of completion and acceptance of the project to the date of operation and extension or termination of the franchise.

If the Group fails to provide actual construction services and contracts infrastructure construction to other parties, it does not recognize the revenue from construction services and, in accordance with the project price paid in the construction process and other provisions of the contract, recognizes respectively as financial assets or intangible assets.

In the operation stage, when providing labor services, the corresponding revenue is recognized; the daily maintenance or repair expenses incurred are recognized as current expenses.

The contract stipulates that in order to maintain a certain service capacity for the relevant infrastructure or to maintain a certain state of use before handing over to the contract grantor, the current obligations of the Group in expenditure expected to occur are partially recognized as an anticipated liability.

Construction and transfer contracts (“BT contracts”)

Activities under BT contracts usually include construction and transfer. For the construction services provided by the Group, in the construction stage, the revenue and cost of relevant construction services contracts are confirmed in accordance with the accounting policy of the construction contracts, and the income of construction contracts is measured at the fair value of the consideration chargeable, while the "long-term receivables" are confirmed. The real interest rate method is adopted and the balance cost is measured to be received by the owners. After payment is made, write-offs are made.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Revenue (Applicable to year 2017)

Revenue is recognized only when it is probable that the associated economic benefits will flow to the Group, its amount can be measured reliably, and the following conditions are satisfied.

Construction services

On the balance sheet date, when the results of the construction contract can be reliably estimated, the Group confirms the revenue and cost of the construction contract according to the completion percentage method. According to the nature of the contract, the percentage of completed works is as follows: (1) the proportion of contract cost to the estimated total cost of the contract arising from the project being executed at that time; (2) the proportion of the quantity of works confirmed by supervision to the estimated total workload of the contract; or (3) the calculation of the actual measured completion schedule of the contract works.

A reliable estimate of the results of a construction contract means that the following conditions are met at the same time:

(1) Total contract revenue can be measured reliably;
(2) The economic benefits associated with the contract are likely to flow into the group;
(3) The schedule of contract completion on the balance sheet date and the costs to be incurred to complete the contract can be reliably determined;
(4) The contract costs incurred in order to complete the contract can be clearly distinguished and reliably measured so that the actual contract costs can be compared with the previous expected costs.

When the results of the construction contract cannot be reliably estimated, the Group recognizes the revenue from the construction contract based on the actual contract costs that have occurred and are expected to be recoverable, and the contract costs are recognized as contract costs in the current period of their occurrence. If the contract cost cannot be recovered, it shall be recognized as the contract cost immediately when it occurs and the contract income shall not be recognized. If the estimated total cost of the construction contract exceeds the estimated total revenue, the estimated loss shall be recognized as the current cost immediately.

The total amount of contract income, including the initial income stipulated in the contract and the income formed by contract changes, claims, awards, etc.

Revenue From Providing Services

When the results of providing services can be reliably estimated, the Group recognizes the income and cost of providing services on the balance sheet date based on the percentage of completion method. According to the nature of the contract, the percentage of completion is calculated as (1) the proportion of the estimated total cost of the services performed at that time; or (2) the confirmed workload; or (3) the proportion of the services provided to the total amount of services to be provided. Including royalty income under franchise, economic benefits are likely to flow into the group, and the results of the provision of services can be reliably estimated.

Revenue From the Sales of Goods

Revenue is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable under contract or agreement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Revenue (Applicable to year 2017)

Interest Income

It is determined according to the length of time for which the Group’s cash and cash equivalents is used by others and the effective interest rate.

Lease income

The rental income of operating lease is confirmed by the straight line method during each period of the lease period, and the contingent rent is included in the profits and losses of the current period when it actually occurs.

26. Contract assets and contract liabilities (applicable from 1 January 2018)

According to the relationship between performance obligations and customer payments, the Group presents contract assets or contract liabilities in the balance sheet.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

The determination and accounting treatment of the Group's anticipated credit losses on contract assets are detailed in Notes III, 9.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

27. Contract costs (applicable from 1 January 2018)

Assets related to contract costs The Group's assets related to contract costs include contract acquisition costs and contract performance costs. According to their liquidity, they are presented separately in inventory, other current assets and other non-current assets.

If the incremental cost incurred by the Group in order to obtain the contract is expected to be recovered, it shall be recognized as an asset as the acquisition cost of the contract, unless the amortization period of the asset does not exceed one year.

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

(1) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
(2) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future;
(3) The costs are expected to be recovered.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Contract costs (applicable from 1 January 2018) (Continued)

The Group amortizes the assets related to the contract cost on the same basis as the revenue recognition related to the assets, which are recorded in current profits and losses.

If the book value of the assets related to the contract cost is higher than the following two differences, the Group will exceed part of the provision for impairment and consider the impairment loss of the assets:

(1) Remaining consideration expected by an enterprise for transferring commodities related to the asset；
(2) Estimate the cost to be incurred for the transfer of the related commodity.

If the factors of impairment in the previous period have changed so that the difference of (1) minus (2) is higher than the book value of the asset, it shall be transferred back to the original provision for impairment of the asset and recorded into the current profit and loss, but the book value of the transferred asset shall not exceed the book value of the asset on the transfer date assumed that the provision for impairment is not included.

28. Government grants

Government grants are recognised when all attaching conditions will be complied with and the grants will be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets pursuant to government provisions. When government provisions are not stated clearly, subsidiary conditions restricting the fundamental conditions of acquiring the grant may also be attached. Grants related to income are government grants other than those related to assets.

A government grant related to income is accounted for as follows: (1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss or offset against related expenses over the periods in which the related costs are recognised; (2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or offset against relevant expenses.

A government grant relating to an asset shall be recognised as deferred income and amortised in profit or loss over the useful life of the related asset by annual instalments in a systematic and rational way (however, a government grant measured at a nominal amount is recognised directly in profit or loss). Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in the statement of profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in shareholders' equity if it arises from a transaction or event which is recognised directly in shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the differences between the carrying amount of an asset or liability on the balance sheet and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

(1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss.
(2) taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

(1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss.
(2) deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Income tax (Continued)

When the following conditions are met, the deferred income tax assets and deferred income tax liabilities are shown in net amounts as follows: The legal right to have a net settlement of the current income tax assets and the current income tax liabilities Deferred income tax assets and deferred income tax liabilities are related to the income tax levied on the same taxable entity by the same tax collection department or to different tax payers, but in the period of the return of each important deferred income tax asset and deferred income tax liability in the future,The taxpayer concerned is intended to settle the current income tax assets and the current income tax liabilities at the same time, or to obtain the assets and repay the debts.

30. Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. All the other leases are treated as operating leases.

As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss when incurred.

As lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessee of a finance lease

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

31. Distribution of profit

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Production safety expenses

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation <CaiQi [2012]No.16> and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

33. Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have significant impacts on the amounts recognised in the financial statements:

Method for determining the construction contract performance schedule
The Group determines the implementation progress of the construction contract according to the input method. Specifically, the Group determines the implementation progress according to the proportion of the construction cost actually incurred in the total estimated cost. The accumulated actual cost includes the direct cost and indirect cost incurred in the process of transferring goods from the Group to the customer. The Group believes that the construction contract price with the customer is determined on the basis of the construction cost, and the proportion of the actual construction cost to the estimated total cost can faithfully reflect the implementation progress of the construction service. The Group shall determine the implementation progress according to the proportion of the accumulated construction cost to the estimated total cost, and recognize the income accordingly. In view of the long duration of the construction contract, which may span several accounting periods, the Group will adjust the amount of revenue recognition accordingly as the construction contract is reviewed and the budget is revised.

Determination of control over investees
The Group invests in several infrastructure construction project companies. Based on the assessment in accordance with the Accounting Standard for Business Enterprise No. 33 – Consolidated Financial Statements and Accounting Standard for Business Enterprise No. 2 – Long-term Equity Investments, the Group determines whether it has actual control of the invested companies. Where the Group exercise actual control, the Group shall include the invested enterprise in the scope of consolidated financial statements. In the case that the Group does not actually control the invested enterprise but exercises joint control with other parties or can only exert significant influence on the invested enterprise, the Group will regards the invested enterprise as a joint venture or joint venture.

Equity Instruments
The equity instruments issued by the Group need not be settled by the Group's own equity instruments, and do not include contractual obligations to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially adverse conditions. Therefore, the Group accounts for it as other equity instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

Impairment of available-for-sale financial assets
Before 1 January 2018, the Group classified certain assets as available for sale and recognised movements of their fair values in equity. When the fair value declined, management made assumptions about the decline in value to determine whether there is was an impairment that should be recognised in the statement of profit or loss.

Impairment of financial instruments
The Group uses the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires the Group to make significant judgments and estimates, taking into account all reasonable and substantiated information, including forward-looking information. In making such judgments and estimates, the Group deduces the expected change of the debtor's credit risk based on historical repayment data and economic policies, macroeconomic indicators, industrial risks and other factors.

Construction and service contracts
Recognition of the revenue and cost of construction and service contracts is subject to management's judgment. If it is anticipated that there will be losses in construction and service contracts, such losses shall be recognized as current costs. The management of the Group estimates the possible loss according to the construction and service contract budget. Due to the characteristics of infrastructure, design and sparse business, contract signing date and project completion date are often attributed to different accounting periods. During the progress of the contract, the Group continuously reviews and revises the estimated total revenue and total estimated cost of the contract.

In accordance with the terms of the contract, the Group shall continuously monitor the payment progress of the owner, and regularly evaluate the credit standing of the owner. If it is indicated that the owner is likely to default on the payment of all or part of the contract price, or the owner is unable to fulfill the relevant obligations stipulated in the terms of the contract, the Group will re-evaluate the impact of the matter on the consolidated financial statements and may modify the amount of the expected loss in the contract. This change will be reflected in the Group's current financial statements, where it is necessary to reassess and revise the estimated contract losses.

Impairment of concession assets
The Group evaluates the franchise on the balance sheet date for any indication of impairment. If there is any sign of impairment, the Group will conduct an impairment test on it and make an impairment provision according to the difference between the recoverable amount and its book value and record the impairment loss. The recoverable amount of the franchise shall be determined according to the fair value less the disposal cost and the usable value. The useable value is generally based on the present value of the future cash flow of the franchise. That is to say, the discounted amount is determined according to the expected future cash flow generated during the continuous use of the franchise and the appropriate discount rate is selected. The estimated future cash flow is based on the estimated revenue from franchise services provided and other franchise income minus necessary maintenance and operating costs.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Fair value of unlisted equity investments
The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

Development Expenditures
Determining the amounts to be capitalised requires the management to make assumptions regarding the expected future cash flows from the assets, discount rates to be applied and the expected period of benefits.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group's judgment based on market conditions at the balance sheet date and the valuation method adopted may be affected by changes in market conditions, which may cause the actual results to differ from those of the following year.

Determination of fair value of financial instruments
The fair value of a financial instrument traded in an active market is based on the market quote on the balance sheet date. A market is deemed to be active if an offer is readily and regularly available to an exchange, securities firm, broker, trade body, quotation service or regulatory agency and represents an actual or regular market transaction conducted on a fair trading basis. The fair value of financial instruments without active market is confirmed by valuation method. The Group selects a variety of methods in accordance with its judgment and makes assumptions mainly based on the prevailing market conditions on each balance sheet date.

The Group's judgment based on market conditions at the balance sheet date and the valuation method adopted may be affected by changes in market conditions, which may cause the actual results to differ from those of the following year.

Depreciation of fixed assets
The depreciation of the Group's fixed assets is calculated and withdrawn by the straight-line method within the expected service life by subtracting the expected net salvage value from the recorded value of the assets. The Group regularly evaluates the expected service life and expected net salvage value to ensure that the depreciation method and depreciation rate are consistent with the expected economic benefit realization mode of fixed assets. The Group's estimates of the expected life and net residual value of fixed assets are based on historical experience and take into account expected technical updates. When the estimated service life and estimated net residual value change significantly, depreciation expense may need to be adjusted accordingly. Therefore, the estimated result based on existing experience may be different from the actual result of the next year, which may lead to significant adjustment of the book value and accumulated depreciation amount of fixed assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Supplementary benefits for retired employees
The Group undertakes the supplementary benefit expense for retired employees, which is the responsibility of setting benefit plan. Its present value depends on a number of actuarial assumptions, including the discount rate. Any change in these assumptions will affect the carrying value of the retiree benefit liabilities payable.

The Group reevaluates the discount rate it uses to calculate the present value of the liabilities of pension benefits for retired employees every year. The Group reassessed by reference to the currency used to pay future supplementary benefits to retired employees and the interest rate on Treasury bonds corresponding to the payment period.

Other actuarial assumptions are based on current market conditions, referred in notes V, 31.

35. Changes in accounting policies

In 2017, the MOF issued Accounting Standards for Business Enterprises No. 14 – Revenue (the "New Standard on Revenue"); Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets; Accounting Standards for Business Enterprises No. 24 – Hedge Accounting; and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the "New Standard on Financial Instruments"). With effect from 1 January 2018, the Group has adopted the newly amended accounting standards set out above for accounting treatment. According to the transitional requirements, no adjustment is made to information for the comparative period. Adjustments arising from the difference in first adopting the new standards and the original standards will be dealt with in the opening retained earnings or other comprehensive income on a retrospective basis.

New Standard on Revenue
The New Standard on Revenue establishes a new model to recognize revenue arising from contracts with customers. According to the New Standard on Revenue, the method of revenue recognition should reflect the model under which goods and services are delivered to a customer. Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for delivering goods and services to a customer. The standard also provides for the judgments and estimates to be made on each part of revenue recognition.

The Group recorded the assets and liabilities related to the construction contract into the contract assets and contract liabilities in accordance with the New Standard on Revenue, and recorded the related assets and liabilities into the inventory and advance payment in accordance with the original standard on revenue; According to the New Standard on Revenue, the Group recorded the expected loss of construction contract as the expected liability and recorded it as the inventory according to the original standard on revenue; According to the New Standard on Revenue, the Group recorded the quality deposit receivable of construction contract into other non-current assets and non-current assets due within one year, and recorded it as long-term receivables and non-current assets due within one year according to the original standard on revenue.

The Group's implementation of the New Standard on Revenue this year has no significant impact on retained earnings at the beginning of the period and other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Changes in accounting policies (Continued)

New Standard on Financial Instrument

The New Standard on Financial Instruments has changed the classification and measurement of financial assets, affirming three major categories of measurement, namely at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Such categorization takes into account the entity's own business model and the characteristics of the contract cashflow of its financial assets. An investment in equity instruments is required to be measured at fair value through profit or loss with the irrevocable option at inception to be measured at fair value through other comprehensive income for equity instruments not held for trading.

The New Standard on Financial Instruments requires the measurement of impairment of financial assets be changed from the "incurred loss model" to the "expected credit loss model", which is applicable to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

In its day-to-day capital management, the Group endorses or discounts some of its bank acceptance notes. The business model for managing the aforesaid notes receivable is for the dual purposes of receipt of contract cashflow and sale. Therefore, after January 1, 2018, such notes receivable were re-classified as financial assets at fair value through other comprehensive income.

After January 1, 2018, the Group designated the equity investment it holds as a financial asset measured at fair value through other comprehensive income, and report it as other equity instrument investment.

Year ended 31 December 2018 Expressed in Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Changes in accounting policies (Continued)

On the first execution date, financial assets are classified and measured according to the provisions of financial instrument confirmation measurement standards before and after the revision as follows:

	Before the revision of the standard on the recognition and measurement of financial instrument		After the revision of the standard on the recognition and measurement of financial instrument			
	Classification and Measurement of Financial Assets	Book value	measurement criteria	reclassification	Remeasurement	Book value
Accounts receivable (long-term andshort-term, excluding notes receivable)	measured at amortized cost	33,930,488,868	measured at amortized cost	(2,447,344,710)	102,577,707	31,585,721,865
Notes receivable	measured at amortized cost	1,974,246,290	investment measured at fair value with change included in other comprehensive incomes	-	-	1,974,246,290
Other non-curruent assets (including those due within one year)	measured at amortized cost	254,847,650	measured at amortized cost	2,447,344,710	(18,418,768)	2,683,773,592
	Available-for-sale financial assets	135,750,000	investment measured at fair value with change included in profit and loss	-	-	135,750,000
Equity investment	Available-for-sale financial assets	3,668,135,919	investment measured at fair value with change included in profit and loss	-	1,512,279,227	5,180,415,146

On the first execution date, the amount of the original financial asset impairment provision on December 31, 2017 was adjusted to the new loss provision adjustment table classified and measured in accordance with the revised financial instrument standards:

	Provision for losses before changes	Changes in accounting policies	Provision for losses after changes
Accounts receivable	2,911,999,759	(283,869,254)	2,628,130,505
Other receivables	211,155,162	109,378,385	320,533,547
Contract asset	-	76,451,615	76,451,615
Long-term receivables (including due within one year)	94,671,979	71,913,162	166,585,141
Other non-current assets (including due within one year)	-	18,418,768	18,418,768
	3,217,826,900	(7,707,324)	3,210,119,576

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Changes in accounting policies (Continued)

Format changes of financial statements

As required by the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), “notes receivable and “accounts receivable” are classified under the new “notes receivable and accounts receivable” item in the balance sheet; “dividend receivable” and “interest receivable’ are classified under the “other receivables” item; “notes payable” and “accounts payable” are classified under the new “notes payable and accounts payable” item; “special payables” are classified under the “long-term payables” item; Add "research and development expenses" items to report the expenses incurred in the research and development process in the income statement; the “interest expenses” and “interest income” items are separately listed under the finance expenses item; and the Group has restated the financial statements for the comparative period on a retrospective basis. The changes in accounting policies has no impact on consolidated and company net profit and shareholders’ equity.

Year ended 31 December 2018 Expressed in Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Changes in accounting policies (Continued)

The cumulative effect of retrospective adjustments caused by the above changes in accounting policies are stated as follows:

The Group

	Book value before changes	Impact of New Standard on Revenue	Impact of New Standard on Financial Instruments		Other presentation of financial statements	Book value after changes
	31 December 2017	Reclassification	Reclassification	Remeasurement		1 January 2018
Notes receivable	1,974,246,290	-	-	-	(1,974,246,290)	-
Accounts receivable	11,210,388,178	-	-	-	(11,210,388,178)	-
Notes receivable and accounts receivable	-	-	-	283,869,254	13,184,634,468	13,468,503,722
Interest receivable	942,553	-	-	-	(942,553)	-
Dividend receivable	34,633,945	-	-	-	(34,633,945)	-
Other receivables	4,062,397,271	-	-	(109,378,385)	35,576,498	3,988,595,384
Inventories	13,012,226,963	(10,931,123,352)	-	-	-	2,081,103,611
Contract asset	-	10,433,706,721	-	(76,451,615)	-	10,357,255,106
Available-for-sale financial assets	3,803,885,919	-	(3,803,885,919)	-	-	-
Other non-current financial assets	-	-	135,750,000	-	-	135,750,000
Other equity instruments investment	-	-	3,668,135,919	1,512,279,227	-	5,180,415,146
Long-term receivables (including due within one year)	18,622,126,921	-	(2,447,344,710)	(71,913,162)	-	16,102,869,049
Other non-current assets (including due within one year)	254,847,650	-	2,447,344,710	(18,418,768)	-	2,683,773,592

Year ended 31 December 2018 Expressed in Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Changes in accounting policies (Continued)

The cumulative effect of retrospective adjustments caused by the above changes in accounting policies are stated as follows (continued):

The Group (continued)

	Book value before changes	Impact of New Standard on Revenue	Impact of New Standard on Financial Instruments		Other presentation of financial statements	Book value after changes
	31 December 2017	Reclassification	Reclassification	Remeasurement		1 January 2018
Deferred tax assets	394,859,731			(8,732,575)	-	386,127,156
Receipts in advance	2,831,007,001	(2,831,007,001)	-	-	-	-
Contract liability	-	2,295,043,609	-	-	-	2,295,043,609
Notes payables	2,132,097,828	-	-	-	(2,132,097,828)	-
Accounts payables	20,039,050,873	-	-	-	(20,039,050,873)	-
Notes payables and account payables	-	-	-	-	22,171,148,701	22,171,148,701
Interest payable	270,629,269	-	-	-	(270,629,269)	-
Dividend payable	4,452,649,173	-	-	-	(4,452,649,173)	-
Other payables	2,846,245,462	-	-	-	4,723,278,442	7,569,523,904
Special payables	70,066,503	-	-	-	(70,066,503)	-
Long-term payables	2,981,288,619	-	-	-	70,066,503	3,051,355,122
Provisions	-	38,546,761	-	-	-	38,546,761
Deferred tax liabilities	203,819,521	-	-	322,434,380	-	526,253,901
Administartive expenses	2,831,406,917	-	-	-	(514,988,864)	2,316,418,053
Research expenses	-	-	-	-	514,988,864	514,988,864

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

35. Changes in accounting policies (Continued)

The cumulative effect of retrospective adjustments caused by the above changes in accounting policies are stated as follows (continued):

The company

	Book value before changes	Impact of New Standard on Revenue	Impact of New Standard on Financial Instruments		Other presentation of financial statements	Book value after changes
	31 December 2017	Reclassification	Reclassification	Remeasurement		1 January 2018
Accounts receivable	597,372,113	-	-	-	(597,372,113)	-
Notes receivable and accounts receivable	-	-	-	(6,513,981)	597,372,113	590,858,132
Dividend receivable	1,161,226,715	-	-	-	(1,161,226,715)	-
Other receivables	7,674,207,425	-	-	(1,729)	1,161,226,715	8,835,432,411
Inventories	145,439	(145,439)	-	-	-	-
Contract asset	-	145,439	-	(960)	-	144,479
Long-term receivables (including due within one year)	1,872,267,511	-	-	(12,396,298)	-	1,859,871,213
Advance from customers	212,199	(212,199)	-	-	-	-
Contract liability	-	212,199	-	-	-	212,199
Interest payable	108,641,481	-	-	-	(108,641,481)	-
Dividend payable	978,100,044	-	-	-	(978,100,044)	-
Other payables	10,262,622,180	-	-	-	1,086,741,525	11,349,363,705

Year ended 31 December 2018 Expressed in Renminbi Yuan

IV. TAXATION

1. Major taxes and the respective tax rates

Corporate income tax	Except for certain preferential treatments available to the Company's domestic subsidiaries and overseas subsidiaries which are required to accrue CIT based on tax laws and regulations of foreign jurisdictions, the entities within the Group are subject to CIT at a rate of 25%.
Value-added tax	For the Company and certain subsidiaries which are recognised as general VAT payers, VAT payable is imposed on the taxable sales amount multiplied by the tax rate of 6%, 11% or 17% (output-VAT) before May 1, 2018 and imposed on the taxable sales amount multiplied by the tax rate of 6%, 10% or 16% (output-VAT) after May 1, 2018, less deductible input-VAT of the current period. VAT of other subsidiaries recognised as small scale taxpayers is levied at the rate of 3%. According to the relevant tax laws and regulations (Provisions on the Pilot Program of Replacing Business Tax with Value-Added Tax) issued by the Ministry of Finance and the State Administration of Taxation in 2016, tax for projects started before the year 2018 are calculated according to the simple tax method, and the tax payable is calculated at 3% of the taxable income.
City maintenance and construction tax	It is levied at 7%, 5% or 1% on the actual turnover taxes paid.
Education surcharge	It is levied at 3% on the actual turnover taxes paid.
Real estate tax	Real estate tax is levied by means of ad valorem at a rate of 1.2% based on 70%, 75% or 80% of the original cost of the properties. For those levied on prices, the tax is charged at 12% of the rental income. Real estate tax is filed and paid by the Company and its subsidiaries accordingly.
Land value increment tax	The land value increment tax is levied at the ultra progressive tax rate based on the appreciation value.

Year ended 31 December 2018 Expressed in Renminbi Yuan

IV. TAXATION (CONTINUED)

2. Tax preference

The corporate income tax preferences enjoyed by the main subsidiaries of the Group are summarized as follows:

	Preferential tax rate 2018	Preferential tax rate 2017	Income tax preferential policy
CCCC Guangzhou Dredging Company Limited("CCCC-GDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC Guangzhou Water Transport Engineering Design and Consultants Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC Tianjin Dredging Company Limited ("CCCC-TDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2021
CCC TDC Environmental Protection Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC TDC Southern Traffic Construction Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC TDC Harbour Construction Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC TDC Binhai Environmental Protection Harbour Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC (Tianjin) Ecological Design Institute Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2021
CCCC-TDC Yantai Environmental Protection Dredging Co.,Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2019
CCCC Shanghai Dredging Company Limited("CCCC-SDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020
Shanghai Dahua Surveying and Mapping Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2021
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd.	15%	12.5%	Enjoy high-tech enterprise tax preferential policies, valid until 2020
Zhonggang Dredging Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020
CCCC Shanghai Waterway Engineering Design and Consultants Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2020

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank Balance

	31 December 2018	31 December 2017
Cash	7,216,589	8,199,712
Cash at bank	7,727,219,558	8,074,326,847
Others	284,239,136	249,805,449
	8,018,675,283	8,332,332,008

Others includes Cashier's check deposit, Bank draft note, Outport Bank deposit, Credit card deposit. Restricted bank deposit (Note V. 56) mainly fo issurance of bank acceptance note, performance bond, letters to customer, and mandatory reserve deposits for loan purpose, etc.

As at 31 December 2018, the cash and bank balances of the Group denominated in RMB amount to RMB1,216,812,856 (2017/12/31: RMB1,632,284,381). The RMB is not freely convertible into other currencies under Mainland China's Foreign Exchange Control Regulations. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. As at 31 December 2018, less than 3% (2017/12/31: 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.

2. Notes receivable and accounts receivables

	31 December 2018	31 December 2017
Bills Receivable	2,173,464,365	1,974,246,290
Accounts Receivable	14,662,363,586	11,210,388,178
	16,835,827,951	13,184,634,468

Notes receivable

	31 December 2018	31 December 2017
Bank Acceptance Bill	680,702,570	926,787,697
Commercial Acceptance Bill	1,492,761,795	1,047,458,593
	2,173,464,365	1,974,246,290

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable and accounts receivable (Continued)

Notes receivable (continued)

Endorsed or discounted bills not due on balance sheet date:

	31 December 2018		31 December 2017	
	Derecognition	Recognition	Derecognition	Recognition
Bank Acceptance Bill	142,146,366	112,367,056	386,633,475	-
Commercial Acceptance Bill	-	71,820,714	-	32,131,614
	142,146,366	184,187,770	386,633,475	32,131,614

Transfer from bills receivables to accounts receivables due to default of drawer :

	31 December 2018	31 December 2017
Commercial Acceptance Bill	200,000,000	-

Accounts Receivable

Accounts receivables of the Group is mainly from construction project contract business. Term of credit of receivables varies from 1 month to 3 months and free of interest. The quality guarantee deposit for construction contract would due within 1 to 3 years after completion of construction. The guarantee deposit which shall be due more than one year will be listed in other non-current asset.

An aging analysis of accounts receivable as at the end of the reporting period, net of loss allowance, is as follows::

	31 December 2018	31 December 2017
Within one year	11,902,817,471	8,780,996,183
One to two years	1,967,629,756	1,721,586,714
Two to three years	832,377,866	1,431,267,520
Three to four years	964,577,092	799,198,550
Four to five years	698,641,152	262,961,938
Over five years	1,155,772,914	1,126,377,032
	17,521,816,251	14,122,387,937
Less: provison for bad debts	2,859,452,665	2,911,999,759
	14,662,363,586	11,210,388,178

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable and accounts receivable (continued)

Accounts Receivable (continued)

Impairment movement of accounts receivable:

	Ending balance of prior year	Change of Accounting Policy (Note III.35)	Opening balance	Provision	Reverse	Other Deduction	Ending Balance
2018	2,911,999,759	(283,869,254)	2,628,130,505	709,899,498	(478,564,668)	(12,670)	2,859,452,665

	Opening balance	Provision	Reverse	Write-off	Ending Balance
2017	2,721,648,081	1,314,403,040	(1,123,807,562)	(243,800)	2,911,999,759

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable and accounts receivable (continued)

Accounts Receivable (continued)

	31 December 2018			
	Carrying Amount		Provision	
	Amount	Percent	Amount	Percent
Specific identification	2,488,393,628	14	(1,147,502,491)	46
On the basis of common credit risk characteristics	15,033,422,623	86	(1,711,950,174)	11
Including:CCCC and its subsidary	4,974,305,650	-	-	-
	17,521,816,251	100	(2,859,452,665)	

	31 December 2017			
	Carrying Amount		Provision	
	Amount	Percent	Amount	Percent
CCCC and its subsidary	4,114,006,003	29	-	-
Specific identification	791,033,792	6	(791,033,792)	100
On the basis of Aging	9,217,348,142	65	(2,120,965,967)	23
	14,122,387,937	100	(2,911,999,759)	

As at 31 December 2018,Bad debts based on specific identification:

	Book amount	Provision	Expected credit loss rate	Reason
Company 1	231,273,023	(231,273,023)	100%	Note
Company 2	626,338,780	(177,620,162)	28%	Note
Company 3	120,846,780	(102,093,407)	84%	Note
Company 4	86,511,438	(86,511,438)	100%	Note
Company 5	150,000,000	(76,433,110)	51%	Note

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable and accounts receivable (continued)

Accounts Receivable (continued)

As at 31 December 2017,Amount of receivable is immaterial and recognized provision.as below:

	Book amount	Provision	Rate	Reason
Company 1	231,273,023	(231,273,023)	100%	Note
Company 2	86,511,438	(86,511,438)	100%	Note
Company 3	75,819,900	(75,819,900)	100%	Note
Company 4	35,897,000	(35,897,000)	100%	Note
Company 5	29,243,396	(29,243,396)	100%	Note

Note: Those customers purchase material and construction service from group. The Group made provison for receivable from those customers due to their financial constrain or defaulted record.

As at 31 December 2018,amount of receivables and provison recognized by aging analysis as below:

	31 December 2018		
	Book amount of expected default	Expected credit loss rate (%)	Expected credit loss through entireduration
Within 1 year (Including 1 year)	5,602,240,654	1.00	(55,907,414)
1 year to 2 years	1,623,539,787	13.51	(219,399,981)
2 year to 3 years	766,235,411	24.72	(189,443,604)
3 year to 4 years	839,211,162	39.06	(327,689,106)
4 year to 5 years	254,196,572	55.13	(140,133,526)
Over 5 years	973,693,387	80.04	(779,376,543)
	10,059,116,973		(1,711,950,174)

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable and accounts receivable (continued)

Accounts Receivable (continued)

As at 31 December 2017, amount of receivables and provison recognized by aging analysis are as below:

	31 December 2017			
	Carrying Amount		Provison	
	Amount	Percent (%)	Amount	Percent (%)
Within 6 months	3,657,261,084	40	-	-
6 months to 1 year	1,136,771,303	12	(11,467,324)	1
1 year to 2 years	1,368,060,417	15	(205,206,812)	15
2 years to 3 years	998,018,948	11	(299,405,684)	30
3 years to 4 years	773,411,015	8	(386,705,508)	50
4 years to 5 years	262,578,949	3	(196,934,213)	75
Over 5 years	1,021,246,426	11	(1,021,246,426)	100
	9,217,348,142	100	(2,120,965,967)	

In 2018, the amount of bad debt provision made by the Group was RMB709,899,498 (2017: RMB1,314,403,040), and the amount of bad debt provison reversed in 2018 was RMB478,564,668 (2017: RMB1,123,807,562), some significant reverse are listed below:

	Reason of reverse	Basis of provsion	Amount of reverse	Method
Company1	Collection of Receivable	Recoverability	83,419,881	Bank Deposit
Company2	Collection of Receivable	Recoverability	29,143,349	Bank Deposit
Company3	Collection of Receivable	Recoverability	28,737,208	Bank Deposit
Company4	Collection of Receivable	Recoverability	25,819,900	Bank Deposit
Company5	Collection of Receivable	Recoverability	20,862,006	Bank Deposit

In 2018, no provision was written-off by the Group (2017: RMB243,800).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable and accounts receivable (continued)

Accounts Receivable (continued)

Total amount of top five customers accounts receivable and its provision:

31 December 2018

	Amount	Provision	Percentage of Total accounts receivable (%)
Total amount of top five receivables	4,344,506,098	(329,558,593)	25

31 December 2017

	Amount	Provision	Percentage of Total accounts receivable (%)
Total amount of top five receivables	4,149,384,753	(151,075,920)	29

Transfer of accounts receivable and bills receivable see note VIII. 2.

Accounts receivable and bills receivable with restricted ownership see note V. 56.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Prepayment

Aging analysis of prepayments are listed below:

Aging	31 December 2018 Amount	31 December 2018 Percentage (%)	31 December 2017 Amount	31 December 2017 Percentage (%)
Within 1 year	1,546,275,734	93	988,334,984	90
1 to 2 years	58,922,065	4	74,324,193	7
2 to 3 years	26,798,133	2	18,343,718	2
Over 3 years	22,590,274	1	13,458,367	1
	1,654,586,206	100	1,094,461,262	100

As at 31 December 2018, the amount of prepayment whose aging exceeded one year was RMB108,310,472 (2017: RMB106,126,278),and the main compoment of prepayment was for subcontract construction and purchase material.

Total amount of top five prepayments are listed below:

31 December 2018	Amount	Percentage of total amount
Total amount of top 5 prepayments	557,805,869	34%

31 December 2017	Amount	Percentage of total amount
Total amount of top 5 prepayments	292,907,914	27%

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other Receivable

Other receivable classified by its nature:

	31 December 2018	31 December 2017
Dividend receivable	60,857,199	34,633,945
Interest receivable	564,246	942,553
Deposit in CCCC settlement center	1,075,467,987	413,867,900
Performance Bond	940,175,083	1,384,791,560
Outlay receivable and Pledge	542,910,311	396,680,389
Other guarantee receivable	541,325,837	478,207,882
Tender bond receivable	347,330,717	340,003,476
Other receivable from CCCC and its subsidary	298,552,090	150,578,237
Reserve fund receivable	54,443,760	46,120,586
Others	912,702,049	1,063,302,403
	4,774,329,279	4,309,128,931
Less: provison for bad debts	326,983,783	211,155,162
	4,447,345,496	4,097,973,769

Interest receivable

	31 December 2018	31 December 2017
Time deposit	564,246	942,553

Dividend receivable

	31 December 2018	31 December 2017
Guangdong CCCC Longsha Logistics Co.,Ltd.	977,242	977,242
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd	25,079,493	25,079,493
China Harbour Engineering Co., Ltd.	7,652,374	7,652,374
CCCC Kunming Construction and Development Co., Ltd.	27,148,090	924,836
Total	60,857,199	34,633,945

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other Receivable (Continued)

Other receivable (Continued)

Provision movement of other receivable made by the 12-month expected credit losses or full lifetime expected credit losses are listed below:

	Stage 1	Stage 2	Stage 2	Stage 3	Total
	12-month expected credit losses	full lifetime expected credit losses	full lifetime expected credit losses	Purchased or originated credit-impaired financial assets	
		(Individual)	(Combined)	(Lifetime)	
Balance at 2018.1.1	20,271,015	164,400,000	135,594,620	316,535	320,582,170
Balance at 2018.1.1					
--Transfer to stage 2	(716,183)	-	716,183	-	-
--Transfer to stage 3	-	-	(4,425,875)	4,425,875	-
Provision	4,588,176	-	35,627,715	1,957,719	42,173,610
Reverse	(12,849,744)	-	(22,954,086)	-	(35,803,830)
Write-off	-	-	(2,500)	-	(2,500)
Other movement	9,373	-	24,960	-	34,333
	11,302,637	164,400,000	144,581,017	6,700,129	326,983,783

Carrying amount movement of other receivable that affect the provision are listed below:

	Stage 1	Stage 2	Stage 2	Stage 3	Total
	12-month expected credit losses	full lifetime expected credit losses	full lifetime expected credit losses	Purchased or originated credit-impaired financial assets	
		(Individual)	(Combined)	(Lifetime)	
Balance at 2018.1.1	3,381,030,571	274,000,000	653,781,825	316,535	4,309,128,931
Balance at 2018.1.1					
--Transfer to stage 2	(9,588,243)	-	9,588,243	-	-
--Transfer to stage 3	-	-	(6,383,594)	6,383,594	-
Addition	1,387,630,707	-	95,114,421	-	1,482,745,128
Derecognition	(1,017,518,043)	-	-	-	(1,017,518,043)
Write-off	-	-	(26,737)	-	(26,737)
	3,741,554,992	274,000,000	752,074,158	6,700,129	4,774,329,279

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other Receivable (continued)

Other receivable (continued)

Movement of full lifetime expected credit losses:

2018	Ending balance of last year	Change of accounting policy Note III.35	Open banlance	Provison	Other additon	Reverse	Write-off	Ending balance
Expected credit loss	211,155,162	109,378,385	320,533,547	42,173,610	82,956	(35,803,830)	(2,500)	326,983,783

	Opening balance	Provision	Reverse	Write-off	Other deduction	Ending balance
2017	81,180,922	132,542,812	(2,518,572)	(50,000)	-	211,155,162

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other Receivable (continued)

Other receivable (continued)

	31 December 2017			
	Carrying amount		Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposit (Not including quality guarantee) Combination	2,288,598,255	72	-	-
Staff loan and reverse fund combination	54,675,541	2	-	-
Other receivable provsion made by aging analysis	535,679,089	17	(46,638,627)	9
Material individual receivable	274,000,000	9	(164,400,000)	60
Immaterial individual receivable	116,535	-	(116,535)	100
	3,153,069,420	100	(211,155,162)	7

Amount of other receivables and provison recognized by aging analysis as below:

	31 December 2017			
	Carrying amount		Provison	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 6 months	358,765,645	67	-	-
6 months to 1 year	100,835,990	19	(1,008,250)	1
1 year to 2 years	22,539,369	4	(3,380,906)	15
2 year to 3 years	15,411,883	3	(4,623,565)	30
3 year to 4 years	793,631	-	(396,815)	50
4 year to 5 years	413,920	-	(310,440)	75
Over 5 years	36,918,651	7	(36,918,651)	100
	535,679,089	100	(46,638,627)	9

As at 31 December 2018, Other receivbales whose provision is made by specific identification with amount material to the Group presented as below:

	Carrying amount	Provsion	Percentage	Reason
Company 1	274,000,000	(164,400,000)	60%	Note

Note: Other receivable due from the company listed above is not expected to be collected, provision amounting to 60% of whose carrying amount was thus made to provision.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other Receivable (continued)

In 2018, the Group made provision of RMB42,173,610 for other receivable (2017: RMB132,542,812), and the amount of provison reversed was RMB35,803,830 (2017: RMB2,518,572). Significant amounts reversed or recollection are listed below:

	Reason for reverse	Basis of Bad debt	Amount reverse	Method
Company1	Collection	recoverablility	8,630,910	Bank Deposit
Company2	Collection	recoverablility	2,991,758	Bank Deposit
Company3	Collection	recoverablility	2,771,875	Bank Deposit

In 2018, provision totalling RMB2,500 was written-off by the Group (2017: RMB50,000), which was not arised from related party transactions.

Total amount of top 5 other receivable are listed below:

31 December 2018	Amount	Provison	Percetage of total ot her receivable
Total amount of top 5 other receivable	1,051,159,376	(169,529,252)	22%

31 December 2017	Amount	Provison	Percetage of total other receivable
Total amount of top 5 other receivable	1,635,524,028	(164,400,000)	38%

5. Inventories

(a) Classification of inventory:

	31 December 2018		
	Carrying amount	Provision	Net value
Raw materials	906,745,106	-	906,745,106
Goods in process	31,872,924	-	31,872,924
Finished Goods	250,710,868	-	250,710,868
Revolving Materials	558,770,712	-	558,770,712
Development Cost (i)	454,155,433	-	454,155,433
Properties under development (ii)	29,762,017	-	29,762,017
	2,232,017,060	-	2,232,017,060

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Inventories (Continued)

(a) Classification of inventory (continued):

	31 December 2017		
	Carrying amount	Provision	Net value
Raw materials	991,390,146	-	991,390,146
Goods in process	43,617,444	-	43,617,444
Finished Goods	81,763,513	-	81,763,513
Revolving Materials	628,040,987	-	628,040,987
Development Cost (i)	304,888,552	-	304,888,552
Properties under development (ii)	31,402,969	-	31,402,969
Completed properties held for sale	10,969,670,113	(38,546,761)	10,931,123,352
	13,050,773,724	(38,546,761)	13,012,226,963

(i) Development cost are listed below:

	31 December 2018	31 December 2017
Opening balance	304,888,552	292,530,148
Addition for the year	149,266,881	12,613,635
Transfer to Properties under development	-	(255,231)
Ending balance	454,155,433	304,888,552

(ii) Properties under development are listed below:

	31 December 2018	31 December 2017
Opening balance	31,402,969	34,126,706
Addition for the year	-	255,231
Sales	(1,640,952)	(2,978,968)
Ending balance	29,762,017	31,402,969

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Inventories (continued)

(b) Completed properties held for sale are listed below:

	31 December 2017
Completed properties held for sale	
- aggregate amount of costs incurred	68,898,009,527
- aggregate gross profits	5,727,623,254
-Anticipated loss	(38,546,761)
-Settlement Amount	(63,655,962,668)
	10,931,123,352

Aggregate amount of costs incurred,Aggregate gross profits,Anticipated loss and Settlement Amount are not include the data which project was completed as end of the year.

(c) Provision for decline in value of inventory are listed below:

2018:Nil.

2017

	31 December 2016	Provision	Write-off	31 December 2017
Completed and unsettled project	15,609,462	192,922,443	(169,985,144)	38,546,761

The net realizable value is determined by the estimated selling price of the inventories minus the estimated cost of completion, the estimated selling expenses and the relevant taxes and fees. The inventory provision is reversed when the construction contract revenue is recognized based on the percentage of completion method.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Contract Assets

	2018		
	Carrying amount	Provision	Net Value
Completed & Unsettled Project	10,241,145,515	(73,297,009)	10,167,848,506

Provision of contract asset movement is listed below :

	Balance of Last year	Change of accounting policy (Note III.35)	Opening Balance	Provision	Reverse	Ending Balance
Except credit loss of contract asset	-	76,451,615	76,451,615	31,155,306	(34,309,912)	73,297,009

	2018			
	Carrying amount		Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision made by aging	10,241,145,515	100	73,297,009	0.72

7. Other current assets

	31 December 2018	31 December 2017
Pending deduct VAT on purchase	2,093,876,617	803,902,475
Tax prepayment	37,800,722	29,912,956
	2,131,677,339	833,815,431

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale financial assets

	31 December 2017		
	Carrying amount	Provision	Net Value
Equity instruments hold for sale measured at fair value	2,654,797,418	-	2,654,797,418
Equity instruments measured at cost	1,149,088,501	-	1,149,088,501
	3,803,885,919	-	3,803,885,919

Available-for-sale financial assets measured at fair value:

	31 December 2017
Euqity intruments hold for sale	
Cost	863,449,313
Accumulative changes in fair value through OCI	1,791,348,105
Fair value	2,654,797,418

Available-for-sale financial assets measured at cost:

2017

	Book value					
	Opening balance	Addition	Deduction	Ending balance	Holding ratio (%)	Cash dividend
China Harbour Engineering Co., Ltd. ("CEHC")	349,520,634	-	-	349,520,634	10.00	30,047,409
Dalian Taiping Bay Investment Holding Ltd	300,000,000	-	-	300,000,000	7.69	-
CCCG Real Estate(Yixing) Co., Ltd.	180,000,000	-	-	180,000,000	20.00	-
Other	319,567,867	-	-	319,567,867		1,251,022
	1,149,088,501	-	-	1,149,088,501		31,298,431

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long term receivables

	31 December 2018	31 December 2017
Construction receivable and project deposit (Note)	10,463,813,661	12,237,834,319
PPP project receivables	7,904,793,739	6,478,964,581
	18,368,607,400	18,716,798,900
Less:Provsion for long term receivable	248,840,912	94,671,979
	18,119,766,488	18,622,126,921
Less:Due within one year	5,867,684,717	7,807,431,335
	12,252,081,771	10,814,695,586

Note:Quality guarantee deposit was transfer to other non-current assets at 1 Jan 2018.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long term receivables (Continued)

Movement of long-term receivable provision is listed below:

	Prior year ending balance (Note)	Change of accounting policy (Note III.35)	Opening balance	Provision for the year	Other addition	Reverse for the year	Write-off	Other deduction	Ending balance
2018	94,671,979	71,913,162	166,585,141	109,499,858	5,138,117	(32,382,204)	-	-	248,840,912
2017	-	-	-	94,671,979	-	-	-	-	94,671,979

Long-term receivables are listed according to the net value after discounting, discount rate is 4.75%-4.90% (2017:4.75%-4.90%).

Transfer of long term receivable, see note VIII.2.

Restricted long-term receivable owned by the group,see note V.56.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long term receivables (continued)

Provision movement of long term receivable made by the 12-month expected credit losses or full lifetime expected credit losses are listed below:

	Stage 1 12-month expected credit losses	Stage 2 full lifetime expected credit losses (Individual)	Stage 3 Purchased or originated credit-impaired financial assets (lifetime)	Total
Balance on 2018.1.1	71,913,162	94,671,979	-	166,585,141
Provision for the year	52,126,076	57,373,782	-	109,499,858
Reverse for the year	(32,382,204)	-	-	(32,382,204)
Other movement	5,138,117	-	-	5,138,117
	96,795,151	152,045,761	-	248,840,912

10. Long term investments

	31 December 2018	31 December 2017
Investment in joint venture (b)	1,960,913,941	1,765,487,259
Investment in Associate (c)	3,702,108,877	2,926,941,383
	5,663,022,818	4,692,428,642
Less: Provision for impairment (a)	1,000,000	1,000,000
	5,662,022,818	4,691,428,642

(a) Provsion for long term investment

	31 December 2018	31 December 2017
Investment in Joint Venture		
Zhongyang Asset Management Co., Ltd.	1,000,000	1,000,000

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long term investment (Continued)

(b) Investment in joint venture

2018	Initial cost	Opening Balance	Movement for the year: Addition/ (Disposal)	Movement for the year: Gain & loss On equity method	Movement for the year: Subsidary transfer to Joint venture / (Joint venture transfer to subsidary)	Movement for the year: Declare Dividend	Movement for the year: Other	Ending Balance
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	975,000,000	975,500,699	-	4,560,758	-	-	-	980,061,457
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.(Note 1)	263,640,000	167,766,098	97,275,000	7,619	-	-	-	265,048,717
Cangzhou Bohai New Area TDC Construction Port Construction Management Co., Ltd.	203,464,300	203,464,300	-	-	-	-	-	203,464,300
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	113,574,861	133,014,392	-	9,109,631	-	(6,978,663)	-	135,145,360
Tangshan Jinhang Dredging Engineering Co., Ltd.	35,000,000	77,381,186	-	1,262,242	-	-	1,279	78,644,707
Tangshan Caofeidian Dredging Co., Ltd.	30,006,000	88,948,606	-	(11,274,851)	-	-	-	77,673,755
CCCC Hemei Environmental Ecology Construction Co., Ltd. (Note 2)	51,123,300	-	51,123,300	11,290,260	-	-	-	62,413,560
Chifeng CCCC Investment Construction Development Co., Ltd. (Note 4)	51,000,000	28,275,000	22,725,000	-	-	-	-	51,000,000
Cangzhou Bohai New Area Jinyu Port Construction Engineering Co., Ltd.	10,000,000	45,691,978	-	(1,197,305)	-	-	(2,091)	44,492,582
Guigang CCCC Investment Development Co., Ltd. (Note 3)	35,000,000	-	35,000,000	-	-	-	-	35,000,000
CCCC (Jiaocheng) Investment and Construction Co., Ltd. (Note 4)	22,000,000	22,000,000	82,218,400	7,933	(104,226,333)	-	-	-
Yuxi CCCC Xingyun Lake Environmental Treatment Co., Ltd. (Note 4)	18,000,000	18,000,000	102,280,000	(1,043,961)	(119,236,039)	-	-	-
Jishou CCCC Water Conservancy Construction Development Co., Ltd. (Note 4)	16,335,000	5,445,000	10,890,000	-	-	-	-	16,335,000
Zhoushan CCCC Qiandao Central Business District Industrial Co., Ltd. (Note 5)	9,800,000	-	9,800,000	(248,025)		-	-	9,551,975
Hui'an CCCC Chongfa Fishing Port Investment Co., Ltd. (Note 6)	1,500,000	-	1,500,000	73	-	-	582,455	2,082,528
		1,765,487,259	412,811,700	12,474,374	(223,462,372)	(6,978,663)	581,643	1,960,913,941

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long term investment (Continued)

(b) Investment in joint venture (Continued)

Note 1: CCCC-TDC, a subsidiary of the Company,CCCC Fourth Harbour Engineering Co., Ltd, Fuzhou Taiwanese Investment Zone Development and Construction Co., Ltd. (hereinafter referred to as “Fuzhou Taiwan Investment Corporation”) invested in the establishment of Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd. (hereinafter referred to as “Fuzhou Taiwanese Business”),is responsible for the implementation of investment, construction, operation, maintenance and maintenance management of infrastructure projects in Songshan District A of Fuzhou Taiwanese Investment Zone. Those three companies hold 60%, 10% and 30% respectively. CCCC-TDC and CCCC Fourth Harbour Engineering Co., Ltd. signed a shareholding agreement,Therefore, the proportion of voting rights of CCCC-TDC is 70%. According to the company's articles of association and actual operations, Fuzhou Taiwan Investment Corporation has a veto power over major issues such as financing decisions of Fuzhou Taiwanese businessmen. Therefore, CCCC-TDC cannot actually control Fuzhou Taiwanese Business,Therefore, as a joint venture, it is accounted for equity method. In accordance with the investment agreement, the shareholders of each party will make additional investments according to the progress of the project.

Note 2: CCCC Ecological Environmental Protection Investment Co., Ltd. (hereinafter referred to as “ecological environmental protection”),This year, through the transfer of CCCC Second Highway Consultants Co., Ltd., it obtained a 49% equity interest in CCCC Environmental Protection Construction Co., Ltd. Eco-Environmental Protection and CCCC Second Highway Consultants Co., Ltd. jointly control CCCC and MeiHe Environmental Ecology Construction Co., Ltd., so they are accounted for as joint ventures by equity method.

Note 3: Guigang CCCC Investment Development Co., Ltd. was newly established this year,CCCC-TDC, a subsidiary of the Company, holds a 35% equity interest. According to the company's articles of association, CCCC-TDC and Shanghai Xinyi Enterprise Management Center (Limited Partnership) jointly control it, so it is accounted for as a joint venture by equity method.

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Note 4: In accordance with the investment agreement, the shareholders of each party will make additional investments according to the progress of the project..

Note 5: Zhoushan Zhongjia Qiandao Lake Central Business District Industrial Co., Ltd. was established in this year. The company's subsidiary Eco-Environment holds 49% of its equity. According to the company's articles of association, the eco-environmental protection and the Zhejiang Free Trade Zone Xiaogandao Business District Construction Holdings Co., Ltd. jointly control it, so it is accounted for as a joint venture by the equity method.

Note 6: Hui'an CCCC Chongfa Fishing Port Investment Co., Ltd. was established in this year. The company's subsidiary, CCCC-SDC, holds 7.5% of its equity. According to the company's articles of association, SAIC and CCCC Investment Fund Management (Beijing) Co., Ltd., CCCC First Highway Engineering Co., Ltd. and Hui'an Chongfa Fishing Port Development Co., Ltd. jointly control it, so it is accounted for as a joint venture by the equity method.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long term investment (Continued)

(b) Investment in joint venture (Continued)

2017	Initial cost	Opening Balance	Movement for the year: Addition/ (Disposal)	Movement for the year: Gain & loss On equity method	Movement for the year: Subsidary transfer to Joint Venture / (Joint Venture transfer to subsidary)	Movement for the year: Declare Dividend	Movement for the year: Other	Ending Balance
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	975,000,000	-	975,000,000	500,699	-	-	-	975,500,699
Cangzhou Bohai New Area TDC Construction Port Construction Management Co., Ltd.	203,464,300	-	203,464,300	-	-	-	-	203,464,300
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.(Note 1)	48,000,000	48,506,771	118,365,000	894,327	-	-	-	167,766,098
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	113,574,861	125,580,480	-	7,433,912	-	-	-	133,014,392
Tangshan Caofeidian Dredging Co., Ltd.	30,006,000	95,631,976	-	(6,683,370)	-	-	-	88,948,606
Tangshan Jinhang Dredging Engineering Co., Ltd.	35,000,000	76,426,462	-	954,724	-	-	-	77,381,186
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	10,000,000	45,581,800	-	116,358	-	-	(6,180)	45,691,978
Chifeng CCCC Investment Construction Development Co., Ltd.	28,275,000	-	28,275,000	-	-	-	-	28,275,000
CCCC (Jiaocheng) Investment Construction Co., Ltd.	22,000,000	-	22,000,000	-	-	-	-	22,000,000
Yuxi CCCC Xingyun Lake Environmental Treatment Co., Ltd.	18,000,000	-	18,000,000	-	-	-	-	18,000,000
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	5,445,000	-	5,445,000	-	-	-	-	5,445,000
Guangdong Dachangqing Engineering Construction Co., Ltd.	36,640,992	5,121,764	(5,121,764)	-	-	-	-	-
		396,849,253	1,365,427,536	3,216,650	-	-	(6,180)	1,765,487,259

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long term investment (Continued)

(c) Investment in Assocate

2018	Initial cost	Opening Balance	Movement for the year Addition/ (Disposal)	Gain & loss On equity method	Subsidary transfer to Associate / (Associate transfer to subsidary)	Opening Balance	Addition/ (Disposal)	Gain & loss On equity method
CCCC (Shantou) East Coast New City Investment and Construction Co., Ltd. (Note 1)	681,000,000	997,757,843	-	96,813,000	-	-	(8,211,912)	1,086,358,931
Shenhua Shanghai Dredging Co., Ltd. (Note 2)	300,000,000	359,651,949	-	18,853,911	-	(45,284,315)	219,125	333,440,670
Yongding River Basin Investment Co., Ltd. (Note 3)	324,000,000	-	324,000,000	-	-	-	-	324,000,000
Tianjin Port Aviation Engineering Co., Ltd.	98,951,331	291,068,713	-	20,824,872	-	-	-	311,893,585
Tianjin Lingang Industrial Investment Holdings Co., Ltd. (Note 4)	300,000,000	300,000,000	-	-	-	-	-	300,000,000
CCCC Xiong'an Financial Leasing Co., Ltd. (Note 5)	240,000,000	-	240,000,000	-	-	-	-	240,000,000
CCCC South China Investment Co., Ltd.	100,000,000	100,024,062	-	1,060,164	-	-	-	101,084,226
CCCC Construction Co., Ltd. Southern Latin America Regional Corporation (Note 6)	106,966,530	96,195,610	-	2,270,548	-	-	-	98,466,158
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	52,776,000	90,275,646	-	204,656	-	-	-	90,480,302
Chengdu Tuo River Basin Investment and Development Group Co., Ltd.	49,000,000	48,967,718	24,500,000	(1,995,921)	-	-	-	71,471,797
Fuyang CCCC SDC Donghua Water Environment Management Investment and Construction Co., Ltd. (Note 7)	1,425,000	-	71,250,000	53,699	-	-	-	71,303,699
Shouguang Zhongtong Port Investment Port Management Co., Ltd.	70,000,000	70,000,000	-	10,859	(70,010,859)	-	-	-
Other	391,775,000	572,999,842	71,019,358	31,340,442	-	(1,750,000)	(133)	673,609,509
		2,926,941,383	730,769,358	169,436,230	(70,010,859)	(47,034,315)	(7,992,920)	3,702,108,877

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long term investment (Continued)

(c) Investment in Assocate (Continued)

Note 1: The company's subsidiary CCCC-GDC holds a 15% stake in China Eastern (Shantou) East Coast New City Investment and Construction Co., Ltd. According to the company's articles of association, the CCCC-GDC has one director attached to its board of directors and is entitled to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 2: CCCC-SDC, a subsidiary of the Company, holds a 50% stake in Shenhua Shanghai Dredging Co., Ltd. According to the company's articles of association, SAIC only holds 28.57% of the voting rights in the board of directors of Shenhua Shanghai Dredging Co., Ltd., and exerts only significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 3: Yongding River Basin Investment Co., Ltd. was newly established this year, and the Company and its subsidiaries have a 10.8% stake in Eco-Environment. According to the company's articles of association, the company and its subsidiaries' eco-environmental protection accounted for 22% of the voting rights of the board of directors of Yongding River Basin Investment Co., Ltd., which can exert significant influence on them. Therefore, they are accounted for as joint ventures by the equity method.

Note 4: CCCC-TDC, a subsidiary of the Company, holds a 10% stake in Tianjin Lingang Industrial Investment Holding Ltd. According to the company's articles of association, the board of directors of Tianjin Lingang Industrial Investment Holdings Ltd. has 10 director seats. Since CCCC-TDC has one director in its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. As an associate, it is accounted for using the equity method.

Note 5: CCCC Xiong'an Finance Leasing Co., Ltd. was newly established this year. The Company and its subsidiary, Hong Kong Maritime, hold 49% of its equity. As the Group has one director on its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method. As of December 31, 2018, as the Hong Kong Maritime Affairs did not actually contribute, the actual capital contribution of the Group was 24%.

Note 6: The company holds a 15% stake in the South American Latin American Regional Corporation of China Communications Construction Co., Ltd. According to the company's articles of association, the board of directors of the South American Latin American Regional Corporation of China Communications Construction Co., Ltd. has six director seats. Since the company has one director in its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 7: Puyang CCCC SDC Donghua Water Environment Management Investment Construction Co., Ltd. was newly established this year. The subsidiary of the Company, CCCC-SDC, holds 47.50% of the equity of Xiangyang CCCC Shanghai Donghua Water Environment Management Investment Construction Co., Ltd. According to the company's articles of association, SAIC has two directors on its board of directors, and has the right to participate in its business decisions, which can exert significant influence on them. Therefore, it is accounted for as an associate by the equity method.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long term investment (Continued)

(c) Investment in Assocate (Continued)

			Movement for the year					
2017	Initial cost	Opening Balance	Addition/ (Disposal)	Gain & loss on equity method	Subsidary transfer to Associate / (Associate transfer to subsidary)	Opening Balance	Addition/ (Disposal)	Gain & loss On equity method
CCCC (Shantou) East Coast New City Investment and Construction Co., Ltd.	681,000,000	886,983,323	-	110,774,520	-	-	-	997,757,843
Shenhua Shangha IDredging Co., Ltd.	300,000,000	339,259,066	-	20,495,855	-	-	(102,972)	359,651,949
Tianjin Lingang Industrial Investment Holdings Co., Ltd.	300,000,000	300,000,000	-	-	-	-	-	300,000,000
Tianjin Port Aviation Engineering Co., Ltd.	98,951,331	268,977,521	-	22,091,192	-	-	-	291,068,713
CCCC South China Investment Co., Ltd.	100,000,000	-	100,000,000	24,062	-	-	-	100,024,062
China Communications Construction Co., Ltd. Southern Latin America Regional Corporation	106,966,530	-	106,966,530	(10,770,920)	-	-	-	96,195,610
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	55,190,588	55,553,847	34,344,490	377,309	-	-	-	90,275,646
Tianjin CCCC Haibin New District Construction Co., Ltd.	181,800,000	135,315,163	(133,483,320)	(1,831,843)	-	-	-	-
Other	681,000,000	440,722,848	219,000,000	30,350,583	-	-	1,894,129	691,967,560
		2,426,811,768	326,827,700	171,510,758	-	-	1,791,157	2,926,941,383

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other equity instruments investment (Only applicable for 2018)

31 December 2018

	Initial cost	Changes in Fair Value through OCI	Fair value	Dividend (Note V.48)	Reason for designate to FVTOCI
China Merchants Bank (600036)	278,058,864	1,751,016,887	2,029,075,751	67,635,858	strategic investment
China Harbour Engineering Co., Ltd.	349,520,634	1,283,539,366	1,633,060,000	35,136,528	strategic investment
Hong Kong International Construction Investment Management Group	583,190,712	(222,099,930)	361,090,782	-	strategic investment
CCCG Real Estate(Yixing) Co., Ltd.	186,211,000	(14,955,000)	171,256,000	14,459,760	strategic investment
Dalian Taipingwan Investment Holdings Co., Ltd.	300,000,000	(164,657,696)	135,342,304	-	strategic investment
CCCC Real Estate (Tianjin) Co., Ltd.	95,000,000	(8,012,000)	86,988,000	-	strategic investment
Tianjin Gangwan Real Estate Co., Ltd.	50,000,000	(2,190,000)	47,810,000	-	strategic investment
Shanghai Jiali Grain and Oil Industry Co., Ltd.	9,911,170	23,427,330	33,338,500	-	strategic investment
CCCC (Lianyungang) Construction Development Co., Ltd.	17,259,657	(2,626,730)	14,632,927	-	strategic investment
Others	15,702,440	9,424,913	25,127,353	26,696,260	strategic investment
Total	1,884,854,477	2,652,867,140	4,537,721,617	143,928,406	

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other non-current financial asset (Only applicable for 2018)

	31 December 2018
Financial asset at FVTPL	133,650,000

13. Investment Properties

2018

	Buildings	Land	Total
Cost			
Opening balance	141,382,239	37,716,020	179,098,259
Additions	-	310,573,040	310,573,040
Transfer from fixed assets (Note V.14)	31,635,839	-	31,635,839
Transfer from Intangible asset (Note V.16)	-	11,340,926	11,340,926
Closing	173,018,078	359,629,986	532,648,064
Accumulated depreciation & amortization			
Opening balance	70,944,793	12,458,830	83,403,623
Additions	5,124,870	1,073,320	6,198,190
Transfer from fixed assets (Note V.14)	18,404,750	-	18,404,750
Transfer from Intangible asset (Note V.16)	-	4,201,718	4,201,718
Closing	94,474,413	17,733,868	112,208,281
Carrying amount			
At end of year	78,543,665	341,896,118	420,439,783
At beginning of year	70,437,446	25,257,190	95,694,636

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Investment Property (Contiuned)

2017

	Buildings	Land	Total
Cost			
Opening balance	127,585,305	37,716,020	165,301,325
Transfer from fixed assets (Note V.14)	13,796,934	-	13,796,934
Closing balance	141,382,239	37,716,020	179,098,259
Accumulated depreciation & amortization			
Opening balance	60,790,769	11,911,592	72,702,361
Additions	4,417,215	547,238	4,964,453
Transfer from fixed assets (Note V.14)	5,736,809	-	5,736,809
Closing balance	70,944,793	12,458,830	83,403,623
Carrying amount			
At end of year	70,437,446	25,257,190	95,694,636
At beginning of year	66,794,536	25,804,428	92,598,964

As at 31 December 2018 and 2017, no provision was made for investment property.

As at 31 December 2018, the land use right with a book value of RMB 310,573,040 is being processed for the relevant land use right certificate. (31 December 2017: Nil).

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets

2018	Buildings	Machinery	Vessels	Vehicles	Furniture & Electrics	Temporary Facilities	Total
Cost							
Opening balance	1,177,721,565	879,664,669	23,590,054,221	170,117,752	177,931,384	74,250,227	26,069,739,818
Addition	1,032,746,148	109,279,487	644,275,395	22,775,652	29,696,667	25,122,403	1,863,895,752
Purchase	13,391,010	42,496,491	44,750,742	21,408,132	28,778,304	8,059,553	158,884,232
Transfer from construction in progress (Note V.15)	1,016,732,944	65,899,427	592,053,316	-	51,771	7,752,505	1,682,489,963
Other	2,622,194	883,569	7,471,337	1,367,520	866,592	9,310,345	22,521,557
Deduction	(153,505,035)	(29,879,191)	(225,911,400)	(15,793,289)	(16,602,561)	(551,801)	(442,243,277)
Disposal	(5,081,957)	(29,071,735)	(225,911,400)	(14,508,254)	(15,824,929)	(551,801)	(290,950,076)
Transfer to investment property (Note V.13)	(31,635,839)	-	-	-	-	-	(31,635,839)
Other	(116,787,239)	(807,456)	-	(1,285,035)	(777,632)	-	(119,657,362)
Ending balance	2,056,962,678	959,064,965	24,008,418,216	177,100,115	191,025,490	98,820,829	27,491,392,293
Accumulated depreciation							
Opening balance	513,380,568	523,620,520	10,022,511,206	117,709,706	130,012,796	61,349,568	11,368,584,364
Addtion	66,217,397	90,268,707	799,687,674	20,381,682	24,005,656	6,844,172	1,007,405,288
Accual	64,475,829	90,127,669	810,023,577	19,839,278	23,532,167	6,844,172	1,014,842,692
Other	1,741,568	141,038	(10,335,903)	542,404	473,489	-	(7,437,404)
Deduction	(23,482,980)	(26,693,346)	(198,752,100)	(15,182,608)	(16,064,424)	(493,690)	(280,669,148)
Transfer to investment property (Note V.13)	(18,404,750)	-	-	-	-	-	(18,404,750)
Disposal	(1,177,538)	(26,367,337)	(198,752,100)	(14,401,838)	(15,568,776)	(493,690)	(256,761,279)
Other	(3,900,692)	(326,009)	-	(780,770)	(495,648)	-	(5,503,119)
Ending balance	556,114,985	587,195,881	10,623,446,780	122,908,780	137,954,028	67,700,050	12,095,320,504
Carrying amount							
Beginning	1,500,847,693	371,869,084	13,384,971,436	54,191,335	53,071,462	31,120,779	15,396,071,789
Closing	664,340,997	356,044,149	13,567,543,015	52,408,046	47,918,588	12,900,659	14,701,155,454

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (Continued)

2017	Buildings	Machinery	Vessels	Vehicles	Furniture & Electrics	Temporary Facilities	Total
Cost							
Opening balance	1,159,992,698	741,771,910	24,050,746,640	187,270,889	181,500,845	62,094,815	26,383,377,797
Addition	34,463,477	178,601,144	449,821,408	29,780,997	32,290,011	13,042,935	737,999,972
Purchase	3,541,120	39,860,833	10,861,317	24,808,185	29,226,111	8,311,910	116,609,476
Transfer from construction in progress (Note V.15)	18,395,485	130,959,789	435,082,162	1,895,680	2,259,210	-	588,592,326
Acquisition of subsidiaries	12,526,872	7,486,330	-	1,250,300	167,700	-	21,431,202
Other	-	294,192	3,877,929	1,826,832	636,990	4,731,025	11,366,968
Deduction	(16,734,610)	(43,541,200)	(927,247,333)	(45,692,018)	(17,535,267)	(887,523)	(1,051,637,951)
Disposal	(2,937,676)	(43,541,200)	(921,482,767)	(43,958,848)	(17,338,553)	(887,523)	(1,030,146,567)
Transfer to investment property (Note V.13)	(13,796,934)	-	-	-	-	-	(13,796,934)
Other	-	-	(5,764,566)	(1,733,170)	(196,714)	-	(7,694,450)
Reclassification	-	2,832,815	16,733,506	(1,242,116)	(18,324,205)	-	-
Ending Balance	1,177,721,565	879,664,669	23,590,054,221	170,117,752	177,931,384	74,250,227	26,069,739,818
Accumulated depreciation							
Opening balance	485,549,827	470,893,887	10,162,304,230	141,181,144	136,227,540	58,354,218	11,454,510,846
Addition	35,105,682	90,927,275	750,853,171	18,181,318	23,962,653	3,882,873	922,912,972
Accual	33,489,827	85,601,628	750,853,171	16,639,020	23,312,961	3,882,873	913,779,480
Acquisition of subsidiaries	1,615,855	2,734,842	-	574,992	142,052	-	5,067,741
Other	-	2,590,805	-	967,306	507,640	-	4,065,751
Deduction	(7,274,941)	(40,056,362)	(899,869,691)	(45,202,758)	(15,548,179)	(887,523)	(1,008,839,454)
Disposal	(1,538,132)	(39,496,362)	(894,399,445)	(43,728,188)	(15,177,035)	(887,523)	(995,226,685)
Transfer to investment property (Note V.13)	(5,736,809)	-	-	-	-	-	(5,736,809)
Other	-	(560,000)	(5,470,246)	(1,474,570)	(371,144)	-	(7,875,960)
Reclassification	-	1,855,720	9,223,496	3,550,002	(14,629,218)	-	-
Ending balance	513,380,568	523,620,520	10,022,511,206	117,709,706	130,012,796	61,349,568	11,368,584,364
Carrying amount							
Beginning	664,340,997	356,044,149	13,567,543,015	52,408,046	47,918,588	12,900,659	14,701,155,454
Closing	674,442,871	270,878,023	13,888,442,410	46,089,745	45,273,305	3,740,597	14,928,866,951

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (Continued)

As at 31 December 2018,The property, plant and equipment with a book value of RMB 82,586,657 (2017/12/31:RMB26,517,145) are fully deprecated and still in use.

(a) The book value of the fixed assets that are operating leased out as follows

	31 December 2018	31 December 2017
Vessels and vehicles	337,606,407	2,853,153

(b) Financing leased fixed assets

31 December 2018	Cost	Accumulated depreciation	Carrying amount
Vessels and vehicles	3,164,702,824	1,556,685,908	1,608,016,916
Machinery	184,564,755	107,033,159	77,531,596
Temporary facilities	10,800,000	1,620,000	9,180,000
	3,360,067,579	1,665,339,067	1,694,728,512

31 December 2017	Cost	Accumulated depreciation	Carrying amount
Vessels	3,164,702,824	1,190,664,124	1,974,038,700
Machinery	184,564,755	97,914,431	86,650,324
	3,349,267,579	1,288,578,555	2,060,689,024

(c) As at 31 December 2018,the fixed assets that have not been validated are as follows:

	Carrying amount	Reason
Buildings	872,572,564	In procedure

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress

Main changes for work in progress as below:

2018

	Budgets (RMB '0000) (Note)	31 December 2017	Increases	Transfer to fixed assets (Note V.14)	Transfer to intangible assets (Note V.16)	Deduction	31 December 2018	Souce of funds	Capitalization of borrowing cost	Capitalization of borrowing cost this year	Proportion to budget
Southern China Headquarters Phase II Project	159,710	606,940,035	373,444,347	(980,384,382)	-	-	-	Self-financing and borrowing	144,492,023	-	100%
DCM shipbuilding supervision fee	14,945	2,349,562	147,101,397	(148,779,324)	-	-	671,635	Self-financing	-	-	100%
6500 square class squirting boat	55,000	183,738,724	238,000,505	-	-	-	421,739,229	Self-financing and borrowing	758,453	758,453	78%
Condensate project	36,049	319,884,868	40,604,500	(360,489,368)	-	-	-	Self-financing	-	-	100%
Free Trade Service Center Office Building	3,441	34,275,365	129,949	(34,405,314)	-	-	-	Self-financing	-	-	100%
3005 ship and 3006 Ship construction	5,946	37,392,657	22,070,411	(59,463,068)		-	-	Self-financing	-	-	100%
Financial sharing system	54	375,623	160,981	-	(536,604)	-	-	Self-financing	-	-	100%
Others		188,524,654	90,965,933	(98,968,507)	-	(4,983,298)	175,538,782		1,117,179	513,102	
Carrying amount		1,373,481,488	912,478,023	(1,682,489,963)	(536,604)	(4,983,298)	597,949,646		146,367,655	1,271,555	

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress (continued)

2017

	Budgets RMB ('0000) (Note)	31 December 2016	Increases	Transfer to fixed assets (Note V.14)	Transfer to intangible assets (Note V.16)	Deduction	31 December 2017	Souce of funds	Capitalization of borrowing cost	Capitalization of borrowing cost this year	Proportion to budget
Southern China Headquarters Phase II Project	159,710	448,002,012	158,938,024	-	-	-	606,940,036	Self-financing and borrowing	144,492,023	26,927,689	38%
Innovation Road Semi-submersible ship manufacturing	26,751	65,104,938	202,403,086	(267,508,024)	-	-	-	Self-financing and borrowing	3,322,749	3,322,749	100%
DCM shipbuilding supervision fee	14,180	2,226,217	139,574,630	(139,451,285)	-	-	2,349,562	Self-financing	-	-	100%
6500 square class squirting boat	55,000	-	183,738,725	-	-	-	183,738,725	Self-financing and borrowing	22,113	22,113	33%
Research experimental platform and simulation platform construction project	11,088	109,822,175	-	(109,822,175)	-	-	-	Self-financing	-	-	100%
Condensate project	33,978	-	319,884,867	-	-	-	319,884,867	Self-financing	-	-	94%
LYNC project implementation	254	2,543,892	-	-	(2,543,892)	-	-	Self-financing	-	-	
Ship equipment management system	52	516,880	75,472	-	(592,352)	-	-	Self-financing	-	-	
Security management system	104	1,042,761	-	-	(1,042,761)	-	-	Self-financing	-	-	
Others		176,119,126	174,442,882	(71,810,842)	-	(18,182,868)	260,568,298		1,117,179	-	
Carrying amount		805,378,001	1,179,057,686	(588,592,326)	(4,179,005)	(18,182,868)	1,373,481,488		148,954,064	30,272,551	

2018,The annual capitalization rate used to determine the capitalization amount of borrowing costs is 2.50% (2017:4.09%).

Note:The project budget value is adjusted according to the change of the amount of construction in progress, and the project progress is calculated based on the budget and accumulated investment.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

2018	Land use rights	Software	Franchise and others	Total
Cost				
Opening balance	1,583,415,228	29,691,530	69,400,904	1,682,507,662
Addition	1,914,936	18,059,189	90,913,435	110,887,560
Purchases	1,914,936	17,522,585	90,913,435	110,350,956
Transfers from construction in progress (Note V.15)	-	536,604	-	536,604
Deductions	11,340,926	-	-	11,340,926
Transfer to investment propertie (Note V.13)	11,340,926	-	-	11,340,926
Closing balance	1,573,989,238	47,750,719	160,314,339	1,782,054,296
Accumulated depreciation				
Opening balance	224,772,795	15,604,386	7,487,282	247,864,463
Addition	24,603,189	6,637,828	25,600	31,266,617
Depreciation provided during the year	24,603,189	6,637,828	25,600	31,266,617
Deductions	4,201,718	-	-	4,201,718
Transfer to investment propertie (Note V.13)	4,201,718	-	-	4,201,718
Closing balance	245,174,266	22,242,214	7,512,882	274,929,362
Accounting amount				
At end of year	1,328,814,972	25,508,505	152,801,457	1,507,124,934
At beginning of year	1,358,642,433	14,087,144	61,913,622	1,434,643,199

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

2017	Land use rights	Software	Franchise and others	Total
Cost				
Opening balance	1,516,691,285	21,458,206	43,483,704	1,581,633,195
Addition	66,723,943	8,233,324	25,917,200	100,874,467
Purchases	66,723,943	4,054,319	25,917,200	96,695,462
Transfers from development expenditures (Note V.15)	-	4,179,005	-	4,179,005
Closing balance	1,583,415,228	29,691,530	69,400,904	1,682,507,662
Accumulated depreciation				
Opening balance	186,262,013	11,340,739	7,487,282	205,090,034
Addition	38,510,782	4,263,647	-	42,774,429
Depreciation provided during the year	38,510,782	4,263,647	-	42,774,429
Closing balance	224,772,795	15,604,386	7,487,282	247,864,463
Accounting amount				
At end of year	1,358,642,433	14,087,144	61,913,622	1,434,643,199
At beginning of year	1,330,429,272	10,117,467	35,996,422	1,376,543,161

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

During 2018, development expenditures are amounting to RMB1,097,152,004 (2017: RMB1,124,164,033), with RMB1,094,053,642 (2017:RMB1,118,302,011) included in profit or loss and RMB536,604 (2017: RMB1,683,017) was recognised as intangible assets. During 2018, the proportion of intangible assets transferred from development expenditures to the carrying amount of intangible assets is 0.04% (2017:0.29%).

As at 31 December 2018, the carrying amount of land use rights which is getting land use right certificate is RMB11,499,722 (2017: RMB12,113,278).

17. Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	31 December 2018		31 December 2017	
	Deductible temporary differences and tax losses	Deferred tax assets	Deductible temporary differences and tax losses	Deferred tax assets
Provision for impairment of assets	3,135,654,104	507,788,923	2,951,270,541	551,155,355
Tax losses	349,503,514	85,093,176	216,788,353	54,197,088
Discount on long-term receivable	340,101,378	51,968,518	356,677,669	63,393,887
Provsion for employee benefits	236,639,469	35,817,500	165,756,412	31,771,294
Accured expenses	138,880,858	20,965,535	184,223,435	27,748,939
Fair value changes	197,432,230	28,683,185	-	-
Others	68,655,166	10,408,890	51,361,342	8,389,811
	4,466,866,719	740,725,727	3,926,077,752	736,656,374

	31 December 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value changes	3,072,399,300	457,827,929	2,077,225,905	362,945,799
Depreciation and amortisation	6,379,447	1,594,862	28,508,984	7,127,246
Others	982,440,750	220,608,810	739,702,152	175,543,119
	4,061,219,497	680,031,601	2,845,437,041	545,616,164

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax assets and liabilities (continued)

(b) Deferred tax assets and liabilities during the year taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	31 December 2018		31 December 2017	
	Offsetting amount	Net amount after offsetting	Offsetting amount	Net amount after offsetting
Deferred tax assets	361,743,864	378,981,863	341,796,643	394,859,731
Deferred tax liabilities	361,743,864	318,287,737	341,796,643	203,819,521

(c) Deferred tax assets and liabilities which have not been recognised are as follows:

	31 December 2018	31 December 2017
Taxable losses	1,336,657,678	1,208,909,669
Taxable temporary differences	232,842,630	222,142,509
	1,569,500,308	1,431,052,178

(d) Deferred tax assets and liabilities which have not been recognized will be expired as follows:

	31 December 2018	31 December 2017
Less than 1year	76,808,068	9,974,733
1-2years	258,378,915	76,843,764
2-3years	699,849,603	258,378,915
3-4years	163,862,654	699,849,603
4-5years	137,758,438	163,862,654
	1,336,657,678	1,208,909,669

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other non-current assets

	31 December 2018	31 December 2017
Retentions	2,316,454,202	-
Prepayment for equipments	158,312,921	166,060,931
Prepayment for land and bulidings	126,786,719	88,786,719
Others	605,906	-
	2,602,159,748	254,847,650
Subtract:Provision for impairment of retentions	17,437,265	-
Subtract:Current portion of Other non-current assets	1,268,337,475	-
	1,316,385,008	254,847,650

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

At ending of previous year	Changes in accounting policies	At beginning of year	Impairment losses recognised	Impairment losses reversed	Other reductions	At ending of year
-	18,418,768	18,418,768	9,247,048	(5,809,008)	(4,419,543)	17,437,265

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Provision for impairment of assets

2018

	At ending of previous year	Changes in accounting policies	At beginning of year	Additon		Deductions			At ending of year
				Accural	Others	Reverse	Write off	Others	
Provison for bad debt	3,217,826,900	(102,577,707)	3,115,249,193	861,572,966	5,221,073	(546,750,702)	(2,500)	(12,670)	3,435,277,360
Including:Accounting Receivable bad debt	2,911,999,759	(283,869,254)	2,628,130,505	709,899,498	-	(478,564,668)	-	(12,670)	2,859,452,665
Other Receivable bad debt	211,155,162	109,378,385	320,533,547	42,173,610	82,956	(35,803,830)	(2,500)	-	326,983,783
Long-term Receivable bad debt	94,671,979	71,913,162	166,585,141	109,499,858	5,138,117	(32,382,204)	-	-	248,840,912
Impairment of other non-current assets	-	18,418,768	18,418,768	9,247,048	-	(5,809,008)	-	(4,419,543)	17,437,265
Impairment of contract assets	-	76,451,615	76,451,615	31,155,306	-	(34,309,912)	-	-	73,297,009
Impairment of inventories	38,546,761	(38,546,761)	-	-	-	-	-	-	-
	3,256,373,661	(46,254,085)	3,210,119,576	901,975,320	5,221,073	(586,869,622)	(2,500)	(4,432,213)	3,526,011,634

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Provision for impairment of assets (continued)

2017	At beginning of year	Additions	Deductions		At ending of year
			Reverse	Write-off	
Accounting Receivable bad debt	2,721,648,081	1,314,403,040	(1,123,807,562)	(243,800)	2,911,999,759
Other Receivable bad debt	81,180,922	132,542,812	(2,518,572)	(50,000)	211,155,162
Long-term Receivable bad debt	-	94,671,979	-	-	94,671,979
Impairment of inventories	15,609,462	192,922,443	(169,985,144)	-	38,546,761
	2,818,438,465	1,734,540,274	(1,296,311,278)	(293,800)	3,256,373,661

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Short-term loans and Long-term loans

(a) Short-term loans

	31 December 2018	31 December 2017
Loans with credit	3,762,954,596	5,643,842,812
Secured loans (Note1)	628,346,082	511,644,600
Guaranteed loans (Note2)	59,709,840	98,013,000
	4,451,010,518	6,253,500,412

Note1: As at 31 December 2018, these borrowings were secured by the Group's trade receivables amounting to RMB190,000,000 (2017/12/31:RMB 488,678,728) and long-term receivables amounting to RMB438,346,082 (2017/12/31: RMB27,083,248. As at 31 December 2018, no borrowings were secured by time deposits (2017/12/31: RMB104,350,000).

Note2: Guaranteed loans amounting to RMB59,709,840 (2017/12/31: 98,013,000) were guaranteed by certain subsidiaries of the Group.

As at 31 December 2018, those loans of the Group bear interest at effective rates ranging from 1.00% to 8.00% (2017: 0.64% to 5.00%) per annum.

As at 31 December 2018, no loasns were due (2017/12/31:None).

(b) Long-term loans

	31 December 2018	31 December 2017
Loans with credit	1,473,262,410	2,893,879,021
Secured loans (Note1)	1,440,077,352	540,315,592
Guaranteed loans (Note2)	455,296,421	377,890,951
	3,368,636,183	3,812,085,564
Subtract:Current portion of long-term loans (Note V. 27)		
Loans with credit	344,219,752	296,285,297
Secured loans	-	49,980,000
Guaranteed loans (Note 2)	93,179,456	88,366,500
	437,399,208	434,631,797
	2,931,236,975	3,377,453,767

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Short-term loans and Long-term loans (continued)

(b) Long-term loans (continued)

Note1: As at 31 December 2018, these borrowings were secured by the Group's trade receivables amounting to RMB2,658,960,000 (2017/12/31:RMB249,980,000) and long-term receivables amounting to RMB1,348,307,847 (2017/12/31: RMB414,765,131).

Note2: As at 31 December 2018, guaranteed borrowings amounting to RMB260,261,405 (2017/12/31:RMB349,106,394) were guaranteed by certain subsidiaries of the CCCC Group; guaranteed borrowings amounting to RMB142,805,016 (2017/12/31:RMB5,784,557) were guaranteed by certain subsidiaries of the Group; guaranteed borrowings amounting to RMB52,230,000 (2017/12/31:RMB23,000,000) were guaranteed by certain third parties.

As at 31 December 2018, those loans of the Group bear interest at effective rates ranging from 0.30% to 6.00% (2017: 0.30% to 6.00%) per annum.

As at 31 December 2018, no loasns were due (2017/12/31:None).

21. Notes payable and accounts payable

	31 December 2018	31 December 2017
Notes payable	3,860,775,407	2,132,097,828
Accounts payable	22,102,473,638	20,039,050,873
	25,963,249,045	22,171,148,701

Notes payable

	31 December 2018	31 December 2017
Bank acceptance bill	3,682,417,078	1,939,031,935
Commercial Acceptance bill	178,358,329	193,065,893
	3,860,775,407	2,132,097,828

As at 31 December 2018, no notes payable were due (2017/12/31:None).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Notes payable and accounts payable (continued)

Accounts payable

Accounts payable are non-interest-bearing,and are settled as agreed.

	31 December 2018	31 December 2017
Less than 1 year	17,049,578,193	17,803,787,899
1-2years	4,050,601,275	1,715,972,431
2-3years	720,087,112	249,930,915
More than 3 years	282,207,058	269,359,628
	22,102,473,638	20,039,050,873

As at 31 December 2018, accounts payable more than 1year amounting to RMB5,052,895,445 (2017/12/31:RMB2,235,262,974) were payable for engineering and equipments, as related business was still in process, the accouts payable was not settled.

Accounts payable classified by nature are as followed:

	31 December 2018	31 December 2017
Accounts payable for projects	18,552,560,661	16,298,419,620
Accounts payable for material	2,129,325,156	2,318,809,290
Accounts payable for leasing	343,213,920	339,044,921
Accounts payable for equipments	533,469,066	387,788,994
Accounts payable for logistic	132,461,665	214,181,733
Others	411,443,170	480,806,315
	22,102,473,638	20,039,050,873

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Receipts in advance

	31 December 2018	31 December 2017
Receipts in advance for projects	-	1,479,786,153
Infrastructure construction	-	1,213,962,754
Receipts in advance for sales of goods	-	137,258,094
	-	2,831,007,001

As at 31 December 2018, there was no receipts in advance with aging of more than 1year (2017/12/31: RMB231,611,325).

Incompleted projects settled that was contained in recepits in advance as below:

	31 December 2017
Accumulated cost	27,553,728,161
Accumulated gross profit	5,450,674,128
Accumulated settlement	34,218,365,043
Project Settled without completed	1,213,962,754

The above amounts did not include completed projects at year end.

23. Contract liabilities

	At beginning of year	Additon	Revenue recognition	Settled	At ending of year
Receipts in advance for projects	1,479,786,153	913,687,795	-	(775,246,174)	1,618,227,774
Project Settled without completed	1,213,962,754	1,313,116,836	(825,499,567)	-	1,701,580,023
Receipts in advance for sales of goods	137,258,094	197,615,471	(116,138,986)	-	218,734,579
	2,831,007,001	2,424,420,102	(941,638,553)	(775,246,174)	3,538,542,376

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Payroll payable

2018

	At beginning of year	Additon	Deductions	At ending of year
Payroll payable-short term (a)	6,665,975	2,851,387,339	(2,851,520,025)	6,533,289
Defined contribution plan (b)	38,729,942	402,551,401	(389,947,850)	51,333,493
Portion of termination benefits paid within 1 year (Note V.31)	22,060,000	1,948,043	(2,668,043)	21,340,000
	67,455,917	3,255,886,783	(3,244,135,918)	79,206,782

2017

	At beginning of year	Addition	Deductions	At ending of year
Payroll payable-short term (a)	5,455,085	2,982,072,088	(2,980,861,198)	6,665,975
Defined contribution plan (b)	24,224,310	366,621,857	(352,116,225)	38,729,942
Portion of termination benefits paid within 1 year (Note V.31)	-	22,060,000	-	22,060,000
	29,679,395	3,370,753,945	(3,332,977,423)	67,455,917

(a) Payroll payable-short term

2018

	At beginning of year	Addition	Deductions	At ending of year
Salaries, bonuses, allowances and subsidies	-	1,998,799,976	(1,996,164,207)	2,635,769
Staff welfare	-	161,748,565	(161,748,565)	-
Social security	1,418,616	173,267,666	(174,089,634)	596,648
Including: Medical insurance	1,262,649	147,024,670	(147,739,817)	547,502
Work injury insurance	72,567	6,709,549	(6,739,713)	42,403
Maternity insurance	83,400	12,756,273	(12,832,930)	6,743
Others	-	6,777,174	(6,777,174)	-
Housing funds	41,531	213,676,315	(213,261,139)	456,707
Union running costs and employee education costs	5,205,828	72,502,047	(74,863,710)	2,844,165
Other short-term benefits	-	231,392,770	(231,392,770)	-
	6,665,975	2,851,387,339	(2,851,520,025)	6,533,289

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Payroll payable (continued)

(a) Payroll payable-short term (continued)

2017

	At beginning of year	Additon	Deductions	At ending of year
Salaries, bonuses, allowances and subsidies	-	1,902,968,799	(1,902,968,799)	-
Staff welfare	-	111,554,705	(111,554,705)	-
Social security	161,635	150,134,070	(148,877,089)	1,418,616
Including: Medical insurance	161,504	132,090,791	(130,989,646)	1,262,649
Work injury insurance	44	7,367,060	(7,294,537)	72,567
Maternity insurance	87	10,676,219	(10,592,906)	83,400
Housing funds	39,333	191,332,926	(191,330,728)	41,531
Union running costs and employee education costs	5,015,875	65,830,001	(65,640,048)	5,205,828
Other short-term benefits	238,242	560,251,587	(560,489,829)	-
	5,455,085	2,982,072,088	(2,980,861,198)	6,665,975

As at 31 December 2018, no defaulted payment was involved in payroll payables,and all payroll payables are expected to square up in the next year (2017/12/31：None).

(b) Defined contribution plan

2018

	At beginning of year	Additon	Deductions	At ending of year
Basic pension insurance	3,214,587	283,464,037	(284,921,923)	1,756,701
Contribution to pension fund	35,304,459	111,790,249	(97,695,227)	49,399,481
Unemployment insurance	210,896	7,297,115	(7,330,700)	177,311
	38,729,942	402,551,401	(389,947,850)	51,333,493

2017

	At beginning of year	Addition	Deductions	At ending of year
Basic pension insurance	3,327	265,167,420	(261,956,160)	3,214,587
Contribution to pension fund	24,221,534	93,563,220	(82,480,295)	35,304,459
Unemployment insurance	(551)	7,891,217	(7,679,770)	210,896
	24,224,310	366,621,857	(352,116,225)	38,729,942

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Taxes and surcharges payable

	31 December 2018	31 December 2017
Corporate income tax	259,061,132	465,076,419
VAT	203,195,789	220,103,363
Individule income tax	15,925,059	41,920,839
Land appreciation tax	35,741,021	36,161,785
Urban maintenance and construction tax	771,652	860,129
Educational Surcharge	458,280	528,767
Business tax	-	122,031
Others	7,106,112	4,870,825
	522,259,045	769,644,158

26. Other payables

	31 December 2018	31 December 2017
Ordinary stock dividend payable	4,035,787,805	4,452,649,173
Interest payable	244,555,671	270,629,269
Coupon payable	135,962,712	108,641,481
Interest payable	108,592,959	161,987,788
Other payable to CCCC and its subsidary	978,023,461	898,576,658
Bond and outlay payable	196,183,290	321,669,777
Performance bond payable	142,000,950	194,957,200
Acquisition payable	278,647,289	278,647,289
Tend bond payable	22,534,571	27,806,486
Payable on equipments	125,084,370	113,211,879
Other	911,579,459	1,011,376,173
	6,934,396,866	7,569,523,904

As at 31 December 2018, other payable with over 1 year age was RMB4,081,941,454 (2017/12/31： RMB4,690,515,705), the main portion of which was the bond, guaranty collected from customers and dividend payable in the future. Among them, deposit and bond are still not settled due to continuing transcations. Dividends have not been paid due to reasons such as shareholders not requesting payment.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Current portion of non-current liabilities

	31 December 2018	31 December 2017
Current portion of long-term liabilities (NoteV.30)	1,720,641,112	1,726,900,094
Current portion of long-term loans (NoteV.20 (b))	437,399,208	434,631,797
	2,158,040,320	2,161,531,891

28. Other current liabilities

	31 December 2018	31 December 2017
VAT to be recovered	1,718,519,507	1,161,957,113

29. Bonds payable

	31 December 2018	31 December 2017
Bonds payable	9,981,238,196	5,986,951,377

The information of the bonds are listed below:

	Face value yuan	Issue date	Term	Annual rate	Issue Amount Ten thousand yuan	Interest payment term	Approved document
CCCC 2016 corporate bonds (Round 1)	100	2016/2/24	3+2	2.99%	200,000	Interests were paid once a year and principal was repayed when bond goes to maturity	CSRC Approval [2016]No.162
CCCC 2016 corporate bonds (Round 2)	100	2016/7/05	3+2	3.01%	300,000		CSRC Approval [2016]No.162
CCCC 2016 corporate bonds (Round 2)	100	2016/7/05	5	3.35%	100,000		CSRC Approval [2016]No.162
CCCC 2018 corporate bonds (Round 1)	100	2018/10/25	3+2	4.25%	400,000		CSRC Approval [2018]No.1512

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Bonds payable (continued)

	Opening balance	Issue	Adjustment On interest	Closing balance
CCCC 2016 corporate bonds	5,986,951,377	-	8,879,644	5,995,831,021
CCCC 2018 corporate bonds	-	4,000,000,000	(14,592,825)	3,985,407,175
	5,986,951,377	4,000,000,000	(5,713,181)	9,981,238,196

30. Long-term payables

	31 December 2018	31 December 2017
Finance lease	1,150,772,542	1,552,900,649
Special payable	61,092,190	70,066,503
Others	3,722,810,509	3,155,288,064
	4,934,675,241	4,778,255,216
Less:Current portion of long-term payable (Note V.27)	1,720,641,112	1,726,900,094
	3,214,034,129	3,051,355,122

31. Long-term employee benefits

	31 December 2018	31 December 2017
Defined benefit liability -- Supplementary retirement benefits	208,710,000	212,550,000
Less：Supplementary retirement benefits due within one year (Note V.24)	21,340,000	22,060,000
	187,370,000	190,490,000

Supplementary retirement benefits are only available to employees who retire before December 31, 2005. The benefits they receive after retirement depend on their retirement status, length of service, and salary, and are affected by inflation and other factors. The Group's supplementary retirement benefit obligations on the balance sheet date are calculated based on the expected cumulative welfare unit method.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits (continued)

The principal actuarial assumptions used as at the balance sheet date are as follows:

	31 December 2018	31 December 2017
Discount rate	3.25%	4.00%
Future pension cost increase	4.00%-8.00%	4.00%-8.00%

The quantitative sensitivity analysis for significant assumptions used is as follows:

2018

	Increase	Increase/ (decrease) in defined benefit obligations	Decrease	Increase/ (decrease) in defined benefit obligations
Discount rate	0.25%	(3,690,000)	0.25%	3,810,000
Future pension cost increase	1.00%	6,640,000	1.00%	(5,860,000)

2017

	Increase	Increase/ (decrease) in defined benefit obligations	Decrease	Increase/ (decrease) in defined benefit obligations
Discount rate	0.25%	(3,730,000)	0.25%	3,850,000
Future pension cost increase	1.00%	6,660,000	1.00%	(5,870,000)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the balance sheet date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term employee benefits (continued)

The total expenses recognised in profit or loss in respect of the plan are as follows:

	2018	2017
Past service cost	360,000	1,012,020
Net interest	10,459,627	5,441,005
Gain or loss on settlement	-	(48,562)
Net cost of post-employment benefits	10,819,627	6,404,463
Recognised in administrative expenses	360,000	963,458
Recognised in finance expenses	10,459,627	5,441,005
	10,819,627	6,404,463

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

	2018	2017
Opening balance	212,550,000	238,070,000
Included in profit or loss		
Net interest	10,819,627	6,404,463
Included in other comprehensive income		
- Actuarial gain/ (loss) on accounting assumption	10,730,000	(11,950,000)
- Actuarial gain/ (loss) on demographic hypothesis changes	-	2,660,000
- Actuarial gain on experience difference	(4,040,000)	(220,000)
Benefits paid	(21,349,627)	(22,414,463)
Closing balance	208,710,000	212,550,000
Less: Current portion (Note V.24)	21,340,000	22,060,000
	187,370,000	190,490,000

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Deferred income

	31 December 2018	31 December 2017
Government grants	87,778,769	43,074,900

Government grants	31 December 2017	Additions	Current year in Non-operating income/other income	31 December 2018	Related to assets /income
Infrastructure subsidy funds	38,990,000	38,990,000	-	77,980,000	Related to assets
Other government grants related to assets	4,084,900	7,938,300	(2,224,431)	9,798,769	Related to assets
	43,074,900	46,928,300	(2,224,431)	87,778,769	

33. Share capital

Year 2018 and Year 2017

	Ratio	Beginning balance	Increase	Decrease	Closing balance
CCCC	99.90%	11,763,672,516	-	-	11,763,672,516
CRBC	0.10%	11,775,448	-	-	11,775,448
	100.00%	11,775,447,964	-	-	11,775,447,964

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Capital reserve

	31 December 2017	Increase	Decrease	31 December 2018
Equity premium				
- Restructuring and issuing new shares	6,730,330,088	-	-	6,730,330,088
- Equity premium	74,473,449	-	-	74,473,449
- Trading with minority shareholders	(15,210,807)	-	-	(15,210,807)
- Reconstruction of the acquisition of CCCC International Shipping Co., Ltd. (hereinafter referred to as "CCCC Shipping") and Hong Kong Maritime Construction Co., Ltd. (hereinafter referred to as "Hong Kong Maritime")	(79,698,563)	-	-	(79,698,563)
- Business combination under the same control	(68,647,289)	-	-	(68,647,289)
Other capital reserve				
- Impact of changes in other owners' equity of the investee under the equity method	3,734,006	800,635	-	4,534,641
-Other	21,011,550	-	-	21,011,550
	6,665,992,434	800,635	-	6,666,793,069

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Capital reserve (continued)

	31 December 2016 (Restatement)	Increase	Decrease	31 December 2017
Equity premium				
- Restructuring and issuing new shares	6,730,330,088	-	-	6,730,330,088
- Equity premium (Note 1)	74,560,666	-	(87,217)	74,473,449
- Transactions with minority shareholders (Note 2)	(16,775,087)	1,564,280	-	(15,210,807)
- Reorganization in the acquisition of China Shipping and	(79,698,563)	-	-	(79,698,563)
Hong Kong Maritime	210,000,000	-	(278,647,289)	(68,647,289)
- Business combination under the same control				
Other capital reserve	1,949,029	1,784,977	-	3,734,006
- Impact of changes in other owners' equity of the investee under the equity method	21,011,550	-	-	21,011,550
	6,941,377,683	3,349,257	(278,734,506)	6,665,992,434

Note1: The reduction in the share premium is for the subsidiary's CCCC Ecological Environmental Protection Investment Co., Ltd.. When the minority shareholder of Zhonghe Property Co., Ltd. accepts the second US dollar capital injection, the RMB is less than the minority interest agreed in the investment agreement at the time of the capital injection.

Note2: The increase in other capital reserves was for CCCC-TDC to increase the capital of the non-wholly-owned subsidiary CCCC-TDC (Indonesia) Ocean Heavy Industry Co., Ltd. and purchase some minority shares. The shareholding ratio increased from 83.78% to 88.27%. The equity transactions with minority shareholders are transferred to capital reserve in accordance with the guidelines.

Year ended 31 December 2018 — Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income

			Accumulated balance of other comprehensive income in the consolidated balance sheet			Other comprehensive income in the consolidated income statement of 2018			
	Opening balance	Changes in accounting policies	Opening balance	Attributable to owners of the parent	Ending balance	Before tax	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss									
Remeasurement gains or losses of a defined benefit plan	(9,449,599)	-	(9,449,599)	(4,597,263)	(14,046,862)	(6,690,000)	2,092,737	(4,597,263)	-
Other comprehensive income using the equity method that will not be reclassified to profit or loss	-	834,565	834,565	-	834,565	-	-	-	-
Change in the fair value of financial assets	-	2,649,787,912	2,649,787,912	(386,566,146)	2,263,221,766	(643,529,834)	256,963,688	(386,566,146)	-
Other comprehensive income that may be reclassified to profit or loss									
Other comprehensive income using the equity method that may be reclassified to profit or loss	834,565	(834,565)	-	-	-	-	-	-	-
Change in the fair value of available-for-sale financial assets	1,459,901,666	(1,459,901,666)	-	-	-	-	-	-	-
Exchange differences on translation of foreign currency financial statements	(33,926,379)	-	(33,926,379)	(38,901,386)	(72,827,765)	(38,901,386)	-	(38,901,386)	275,749
	1,417,360,253	1,189,886,246	2,607,246,499	(430,064,795)	2,177,181,704	(689,121,220)	259,056,425	(430,064,795)	275,749

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income (continued)

	Accumulated balance of other comprehensive income in the consolidated balance sheet			Other comprehensive income in the consolidated income statement of 2017				
	31 December 2016	Attributable to owners of the parent	31 December 2017	Before tax	Less: Reclassification from other comprehensive income to profit or loss	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss								
Remeasurement gains or losses of a defined benefit plan	(16,832,099)	7,382,500	(9,449,599)	9,510,000	-	(2,127,500)	7,382,500	-
Other comprehensive income that may be reclassified to profit or loss								
Other comprehensive income using the equity method that may be reclassified to profit or loss	834,565	-	834,565	-	-	-	-	-
Change in the fair value of available-for-sale financial assets	1,610,914,351	(151,012,685)	1,459,901,666	863,727,567	(1,247,613,247)	232,872,995	(151,012,685)	-
Exchange differences on translation of foreign currency financial statements	(18,774,584)	(15,151,795)	(33,926,379)	(14,770,542)	-	-	(15,151,795)	381,253
	1,576,142,233	(158,781,980)	1,417,360,253	858,467,025	(1,247,613,247)	230,745,495	(158,781,980)	381,253

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Specialised reserves

	31 December 2017	Increase	Decrease	31 December 2018
Safety production fee	857,536,175	286,343,826	(277,557,422)	866,322,579

	31 December 2016	Increase	Decrease	31 December 2017
Safety production fee	732,953,430	412,684,880	(288,102,135)	857,536,175

37. Surplus reserves

	31 December 2017	Increase	Decrease	31 December 2018
Statutory Surplus Reserves	158,508,179	8,764,019	-	167,272,198

	31 December 2016	Increase	Decrease	31 December 2017
Statutory Surplus Reserves	79,591,754	78,916,425	-	158,508,179

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the net profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Retained Earnings

	2018	2017
Retained earnings at the end of year (Before restatement)	7,768,843,991	6,095,934,515
Add:Business combination under the common control (Note 1)	-	72,483,011
Changes in accounting policies	(6,083,944)	-
Retained earnings at the beginning of year	7,762,760,047	6,168,417,526
Net profit attributable to the owners	1,281,370,481	2,009,374,366
Less:Appropriation to statutory surplus reserve	8,764,019	78,916,425
Less:Cash dividend declared for ordinary shares (Note 2)	346,288,426	330,031,476
Less:Others	10,528,965	-
Balance at end of the current year	8,678,549,118	7,768,843,991

Note 1: On July 1, 2017, the company's subsidiary, TDC, completed the merger of the company under the same control of CCCC Dredging (Fuqing) Co., Ltd. has been in existence since the control of the controlling shareholder, and its retained earnings are retrospectively adjusted. Undistributed profit at the beginning of 2017 was RMB 72,483,011.

Note 2: According to the resolution of the shareholders' meeting on June 29, 2018, based on the net profit attributable to the owner of the parent company in 2016, the company discovered gold dividends of RMB 346,288,426 to the shareholders of CCCC and CRBC. As at 31 December 2018, the cash dividend was paid.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and cost of sales

	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	33,926,681,962	29,095,619,864	34,368,328,360	29,527,325,973
Other operating revenue	301,680,275	182,732,289	213,392,915	141,702,272
	34,228,362,237	29,278,352,153	34,581,721,275	29,669,028,245

Revenue and cost of sales of primary business is as follows:

	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Dredging business	11,152,093,289	9,564,612,700	14,353,251,815	12,687,403,343
Filling Land Reclamation Business	11,174,917,569	8,921,067,362	12,153,101,139	10,000,876,335
Pre and after service	7,000,956,122	6,172,484,329	6,294,604,379	5,282,138,141
Environmental and offshore business	5,117,637,582	4,956,378,073	2,254,436,900	2,243,974,027
Inter-segment offset	(518,922,600)	(518,922,600)	(687,065,873)	(687,065,873)
	33,926,681,962	29,095,619,864	34,368,328,360	29,527,325,973

Revenue and cost of sales of other business is as follows:

	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Asset leasing	65,363,192	31,090,136	33,113,781	28,446,781
Sales of material	21,469,996	8,365,980	23,300,908	14,917,199
Consulting service	17,926,224	15,595,338	24,222,452	13,205,107
Others	196,920,863	127,680,835	132,755,774	85,133,185
	301,680,275	182,732,289	213,392,915	141,702,272

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and cost of sales (Continued)

The construction contract has been started as follows:

2018

	Total Amount	Accumulated Cost Total	Accumulated Gross Profit	The amount of the settlement price
Constraction operations	233,362,214,177	104,332,882,080	12,968,251,080	108,377,497,290

2017

	Total Amount	Accumulated Cost Total	Accumulated Gross Profit	The amount of the settlement price
Construction contract	245,432,025,544	96,451,737,688	11,178,297,382	97,874,327,711

In 2018, due to rising raw material prices and changes in contract revenue, the Group estimated the net loss of contracted RMB 139,428,446 (2017: RMB 187,943,632).

Accumulated incurred costs, accumulated confirmed gross profit and the settled settlement amount do not include relevant data for completed projects as of the end of the year.

Decomposition of operating income

2018

Reporting division	Dredging business	Filling Land Reclamation Business	Pre and after service	Environmental and offshore business	Total
Main business area					
China (except Hong Kong, Macao and Taiwan)	8,308,208,215	8,792,345,373	6,072,833,858	4,526,058,951	27,699,446,397
Other countries and regions	2,820,712,361	2,119,363,857	997,260,991	591,578,631	6,528,915,840
	11,128,920,576	10,911,709,230	7,070,094,849	5,117,637,582	34,228,362,237
Main product type					
Construction	11,128,920,576	10,911,709,230	7,070,094,849	378,012,778	29,488,737,433
Trading business	-	-	-	4,739,624,804	4,739,624,804
	11,128,920,576	10,911,709,230	7,070,094,849	5,117,637,582	34,228,362,237
Revenue recognition time					
Confirm revenue at a certain point in time	-	-	401,148,541	5,117,637,582	5,518,786,123
Confirm revenue within a certain period of time	11,128,920,576	10,911,709,230	6,668,946,308	-	28,709,576,114
	11,128,920,576	10,911,709,230	7,070,094,849	5,117,637,582	34,228,362,237

As of December 31, 2018, the Group's remaining performance contract obligations were mainly related to the Group's construction contract. The remaining performance contract obligations are expected to be recognized as income in the next one to five years in accordance with the progress of the construction contract.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Tax and surcharges

	2018	2017
Sales tax	7,564,171	13,637,543
City maintenance and construction tax	14,815,599	14,816,552
Education surcharge	7,522,426	8,370,865
Property tax	20,473,357	8,331,413
Land appreciation tax	23,957,783	7,143,684
Others	50,339,662	48,156,126
	124,672,998	100,456,183

41. Administrative expenses

	2018	2017
Employee compensation costs	1,290,902,861	1,316,938,437
Depreciation and amortization expenses	220,444,227	177,986,098
Traveling and transportation expenses	176,984,386	145,466,738
Consulting expenses	110,439,907	118,894,756
Office expenses	95,040,502	93,774,013
Property insurance premium	51,802,522	57,423,675
Professional agency service expenses	35,827,814	35,941,988
Bidding expenses	11,496,822	7,993,329
Others	255,833,861	361,999,019
	2,248,772,902	2,316,418,053

42. Research and development expenses

	2018	2017
Personnel and material expenses	695,101,872	514,988,864

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Finance costs

	2018	2017
Interest expenses	691,827,314	606,488,431
Less:interest income	(240,868,973)	(104,406,212)
interest capitalised	(24,159,209)	(117,982,094)
Financial assets measured at amortized cost (Note VIII.2)	48,233,042	105,627,058
Exchange (gains)/losses	(140,778,751)	285,438,137
Discounted interest	(150,212,246)	(10,423,633)
Others	142,222,385	47,487,393
	326,263,562	812,229,080

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets in the Group. Borrowing costs of RMB24,159,209 (2017:RMB117,982,094) were capitalised in the year ended 31 December 2018, of which approximately RMB1,271,555 (2017:RMB30,272,551) was included in cost of construction-in-progress, approximately RMB19,861,843 (2017:RMB87,461,238) was charged to contract assets and approximately RMB3,025,811 (2017:RMB248,305) was charged to intangible assets.

Interest income is as follows:

	2018	2017
Bank loans	55,070,434	43,183,718
Other loans	75,849,656	41,983,010
Interest income of PPP project	52,379,666	13,615,809
Othes	57,569,217	5,623,675
	240,868,973	104,406,212

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Cost and expenses classified by nature

The Group's costs and expenses classified by nature are listed as follows:

	2018	2017
Project subcontracting expenses	13,065,963,378	15,698,569,098
Employee benefits	3,115,107,472	2,764,588,674
Material	2,630,397,217	1,861,541,304
Costs of goods sold	4,638,205,968	1,616,901,708
Costs of fuel	1,593,234,238	1,388,214,111
Rental	1,186,847,207	1,358,473,923
Depreciation and amortisation	1,128,170,170	1,073,717,708
Costs of maintenance	691,239,046	596,011,703
Research and development expense	695,198,959	514,988,864
Safety production expenses	286,343,826	412,684,880
Property insurance premium	165,277,487	218,975,622
Transportation costs	197,678,619	161,279,069
Others	2,956,573,759	4,923,534,167
	32,350,237,346	32,589,480,831

45. Impairment losses on assets

	2018	2017
Provision for bad debts	-	415,297,754
Losses from decline in value of inventories	-	192,916,386
	-	608,214,140

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Impairment of credit losses

	2018	2017
Losses from Impairment of trade receivables	231,334,830	-
Losses from Impairment of other receivables	6,369,780	-
Losses from Impairment of long-term receivables	77,117,654	-
Losses from Impairment of other non-current assets	3,438,040	
Expected credit loss on contract assets	(3,154,606)	-
	315,105,698	-

47. Other income

Government grants relating to daily operations are as follows:

	2018	2017	Related to assets/income
Haizhu District Science and Technology Industry Business and Information Technology project funding	-	3,400,000	Related to income
Technology Center Innovation Capacity Building Project	-	1,200,000	Related to assets
Mud pump and pipeline transportation technology research and experimental platform construction special funds	1,068,395	640,210	Related to assets
Zhuhai Headquarters Economic Enterprise Support Fund	-	524,000	Related to income
TDC High-tech Enterprise Award	-	500,000	Related to income
Haizhu District Science and Technology Industry Business and Information Technology High-tech Enterprise Award	691,300	404,200	Related to income
Guangzhou Municipal Finance Treasury Payment Branch 2016 Fund for Research and Development Funds	-	263,100	Related to income
Guangzhou Haizhu District Science and Technology Industry Business and Information Technology special funds	-	263,100	Related to income
Special Fund for Service Outsourcing Development of Science and Technology Industry Business and Information of Haizhu District, Guangzhou	900,000	177,300	Related to income
Guangzhou Municipal People's Government Local Records Office Annual Report Fund	-	6,000	Related to income
Thirteen Five-Year Taihu Meiliang Bay Water Special Project Fund	539,531	-	Related to assets
Other	246,834	-	Related to income
	3,446,060	7,377,910	

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Investment income

	2018	2017
Investment income from holding the available-for-sale financial assets	-	147,493,747
Share of profits of long-term equity investments under the equity method (Note V.10 (b) (c))	181,910,604	174,727,408
Dividend income from holding other equity instruments (Note V.11)	143,928,406	-
Investment income form dividend income by holding other non-current assets	212,311	-
Investment loss from disposal of financial liabilities at fair value through profit or loss	-	(6,992,851)
Investment income from disposal of other non-current assets	120,803	-
Investment income from disposal of available-for-sale financial assets	-	1,643,222,523
Share of losses of long-term equity investments under the equity method	-	(22,584,266)
Others	1,324,898	-
	327,497,022	1,935,866,561

49. Gains on fair value changes

	2018	2017
Derivative financial instruments	-	6,391,967

50. Asset disposal income

	2018	2017
Disposal income of fixed assets	54,188,960	26,212,137
Disposal income of other long-term assets	330,811	(129,916)
Others	5,733,184	177,968
	60,252,955	26,260,189

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Non-operating income and expenses

(a) Non-operating income

	2018	2017
Government grants	30,199,843	39,454,595
Insurance claims income	6,183,262	26,189,506
Others	19,496,077	8,816,428
	55,879,182	74,460,529

Government grants credited to profit or loss for the year are as follows:

	2018	2017	Related to assets/income
Energy conservation project government grants	3,488,650	7,038,933	Related to income
Refund taxes	598,743	1,007,580	Related to income
Key enterprise funds	6,039,969	8,211,850	Related to income
Project development funds	11,490,788	12,550,400	Related to income
Research funding subsidy	4,126,500	4,003,012	Related to income
Others	7,901,253	14,020,730	Related to assets/income
	33,645,903	46,832,505	
Less:Other income	3,446,060	7,377,910	Related to assets/income
Non-operating income	30,199,843	39,454,595	

(b) Non-operating expenses

	2018	2017
Donations	2,274,192	2,582,000
Others	4,300,412	422,775
	6,574,604	3,004,775

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Income tax expenses

	2018	2017
Current tax	228,819,040	497,029,925
Deferred tax	56,845,486	66,627,725
	285,664,526	563,657,650

A reconciliation of the income tax expenses applicable to profit before taxes is listed as follows:

	2018	2017
Profit before tax	1,552,583,248	2,518,693,422
Income tax at the statutory income tax rate	388,145,812	629,673,356
Tax effect of preferential tax rates for some subsidiaries	(110,264,798)	(125,120,009)
Effect of non-taxable income	(65,554,769)	(80,555,289)
Income tax benefits on research and development expenses	(87,577,027)	(55,842,372)
Effect of non-taxable costs, expenses and losses	38,844,005	127,908,936
Adjustments to current tax of previous periods	85,200,386	-
Deductible temporary differences in previous years	(239,223)	(3,407,153)
Deductible losses in previous years	-	(3,452,712)
Effect of unrecognised deductible tax losses	34,439,610	40,965,663
Deductible temporary differences not recognised as deferred tax assets	2,670,530	33,487,230
Income tax	285,664,526	563,657,650

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Notes to items in the statement of cash flows

(a) Cash paid relating to other operating activities

	2018	2017
Margin and deposit	5,271,915	186,908,630
Recovery of restricted funds	-	164,232,687
Factorized trade receivable	108,788,004	-
Others	133,387,795	74,232,499
	247,447,714	425,373,816

(b) Cash paid relating to other financing activities

	2018	2017
Margin and deposit	217,671,051	143,386,830
Research and development expenses	695,101,872	514,988,864
Payment of restricted funds	56,059,521	-
Travel and transportation expenses	197,667,222	159,760,902
Office expenses	103,689,253	102,403,608
Professional agency service and consulting expense	146,267,721	154,836,744
Bank charges	81,872,267	110,269,280
Bidding expenses	11,496,822	7,994,229
Others	560,203,906	971,906,241
	2,070,029,635	2,165,546,698

(c) Cash paid relating to other financing activities

	2018	2017
Financial lease rental expenses	399,286,844	443,722,561

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information to the statement of cash flows

(a) Operating cash flow adjusted from net loss

	2018	2017
Net profit	1,266,918,722	1,955,035,772
Plus:Impairment losses on assets	-	608,214,140
Impairment of credit losses	315,105,698	-
Depreciation of fixed assets	1,014,842,692	913,779,480
Amortisation of investment properties	6,198,190	4,964,453
Amortisation of intangible assets	31,266,617	42,774,429
Amortisation of long-term prepaid expenses	75,862,671	112,199,346
Disposal of fixed asset, intangible assets and other long-term assets	(60,252,955)	(26,260,189)
Gains from changes in fair value	-	(6,391,967)
Finance expense	229,488,054	558,774,668
Investment income	(327,497,022)	(1,942,859,412)
Decrease of deferred tax assets	7,145,293	83,149,648
Increase / (decrease)of deferred tax liabilities	20,355,738	(14,394,423)
Increase of inventory	(150,913,449)	(2,582,001,943)
Decrease of contract assets	695,703,246	-
Increase of receivables	(7,378,788,111)	(1,301,125,513)
Increase of payables	5,765,476,833	3,495,671,612
Net cash flows from operating activities	1,510,912,217	1,901,530,101

(b) Information of gain of subsidiaries

	2018	2017
Price	43,000,000	65,680,000
Cash and cash equivalents paid	43,000,000	65,680,000
Less:Cash and cash equivalents when gain subsidiaries	57,102,514	37,443,204
Cash and cash equivalents (received)/ paid	(14,102,514)	28,236,796

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary Information on Cash Flow Statement (Continued)

(c) Change of Cash and cash equivalents

	2018	2017
Cash and cash equivalents ending balance	7,787,383,813	8,157,100,059
Less:Cash and cash equivalents openning balance	8,157,100,059	8,088,856,377
Net (decrease)/ increase of cash and cash equivalents	(369,716,246)	68,243,682

(d) Cash and cash equivalents

	31 December 2018	31 December 2017
Cash and bank balances (Note V.1)	8,018,675,283	8,332,332,008
Including:Cash	7,216,589	8,199,712
Bank deposits	7,727,219,558	8,074,326,847
Others	284,239,136	249,805,449
Less:Restricted bank deposits	231,291,470	175,231,949
Cash and cash equivalents ending balance	7,787,383,813	8,157,100,059
Including:Restricted cash and bank balances in subsidiaries and the Group		
Deposited abroad	1,216,812,856	1,632,284,381
Bank Deposits regulated by owners	776,925,787	126,047,421

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Foreign currency monetary items

	31 December 2018			31 December 2017		
	Foreign currencies	Exchange rate	RMB equivalents	Foreign currencies	Exchange rate	RMB equivalents
Cash and cash equivalents						
U.S. Dollar	46,258,050	6.8632	317,478,252	171,159,190	6.5342	1,118,388,380
H.K. Dollar	518,667,903	0.8762	454,456,817	247,778,317	0.8359	207,117,895
SAR	4,612,844	1.8287	8,435,507	71,387,481	1.7423	124,378,408
Others			436,442,280			182,399,698
			1,216,812,856			1,632,284,381
Trade receivables						
U.S. Dollar	104,914,235	6.8632	720,047,376	248,657,132	6.5342	1,624,775,434
SAR		1.8287		154,824,793	1.7423	269,751,237
MYR		1.6479		54,919,920	1.6071	88,261,804
Others			7,087,200			136,829,188
			727,134,576			2,119,617,663
Other receivables						
U.S. Dollar	41,654,798	6.8632	285,885,209	30,324,356	6.5342	198,145,408
MYR	14,144,170	1.6479	23,308,178	8,207,807	1.6071	13,190,767
XAF	20,240,333	0.0120	242,884	757,475,882	0.0119	9,013,963
Others			31,752,295			25,351,897
			341,188,566			245,702,035
Long-term receivables						
U.S. Dollar	1,138,226	6.8632	7,811,875	36,270,750	6.5342	237,000,332
SAR	-	1.8287	-	79,067,068	1.7423	137,758,553
Others			85,359,815			5,170,267
			93,171,690			379,929,152

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Foreign currency monetary items (continued)

	31 December 2018			31 December 2017		
	Foreign currencies	Exchange rate	RMB equivalents	Foreign currencies	Exchange rate	RMB equivalents
Short-term loans						
H.K. Dollar	989,680,000	0.8762	867,157,616	1,074,680,000	0.8359	898,325,012
U.S. Dollar	67,700,000	6.8632	464,638,640	87,000,000	6.5342	568,475,400
			1,331,796,256			1,466,800,412
Long-term loans						
Euro Dollar	176,728,545	7.8473	1,386,841,913	188,203,927	7.8023	1,468,423,499
U.S. Dollar	24,500,000	6.8632	168,148,400	18,500,000	6.5342	120,882,700
			1,554,990,313			1,589,306,199
Trade payable						
U.S. Dollar	57,215,926	6.8632	392,684,345	109,594,200	6.5342	716,110,423
H.K. Dollar	462,788,522	0.8762	405,495,303	290,297,300	0.8359	242,659,513
MYR	61,093,595	1.6479	100,676,136	47,882,807	1.6071	76,952,459
Other			47,649,209			109,165,580
			946,504,993			1,144,887,975
Other payables						
U.S. Dollar	20,734,204	6.8632	142,302,986	94,192,218	6.5342	615,470,789
H.K. Dollar	3,682,183	0.8762	3,226,329	45,794,384	0.8359	38,279,526
Other			46,286,908			34,176,728
			191,816,223			687,927,043

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Assets with restricted ownership

	31 December 2018	31 December 2017
Cash and cash equivalents (Note 1)	231,291,470	175,231,949
Trade receivables (Note 2)	2,848,960,000	738,658,728
Long-term receivables (Note 3)	1,786,653,929	441,848,379
Total	4,866,905,399	1,355,739,056

Note 1: On December 31, 2018, the Group's monetary funds with a book value of RMB231,291,470 (December 31, 2017: RMB175,231,949) were mainly used as bond guarantee deposit, acceptance deposit, letter of credit deposit, and bank loan due to pledge. Wait and be limited.

Note 2:On December 31, 2018, the Group pledged accounts receivable with a book value of RMB2,848,960,000 (December 31, 2017: RMB738,658,728) for bank borrowings.

Note 3:On December 31, 2018, the Group pledged long-term receivables with a book value of RMB1,786,653,929 (December 31, 2017: RMB441,848,379) for bank borrowings.

Year ended 31 December 2018 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Other equity instruments

The changes in the sustainable medium-term notes issued by the Company's subsidiaries are as follows:

31 December 2018

	Beginning balance		Movement		Ending balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value
Perpetual medium-term notes	-	-	10,000,000	998,499,700	10,000,000	998,499,700

On December 31, 2018, the details of the perpetual medium-term notes issued by the Company's subsidiaries are as follows:

	Issue time	Stock interest rate or interest rate	Issue Price	Quantity	Issue amount	Cost	Book value	Due date or Renewal situation	Conversion conditions	Conversion situation
CCCC Tianjin Dredging Co., Ltd. Group										
The first phase of the 2018 mid-term notes	14 December 2018	5.49%	100	10,000,000	1,000,000,000	1,500,300	998,499,700	Unexpired	No	No

Note: As at December 31, 2018, the Company's subsidiaries issued RMB 998,499,700 in the medium-term notes. After the expiration of the above-mentioned perpetual medium-term notes, the Group has the right to extend the number of times for the period of time. The Group is entitled to deferred payment and the Group has no contractual obligation to pay cash or other financial assets. The Group's management believes that the above-mentioned perpetual medium-term notes are not in accordance with the definition of financial liabilities and are recognised as issuer's equity in the Group's consolidated financial statements. It was confirmed as minority shareholders' equity. In 2018, the other equity instruments issued by the Group were not redeemed.

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VI. CHANGES IN SCOPE

1. Business combinations involving entities not under common control

In 2018, the company's subsidiary, Tianjin Dredging Co., Ltd., invested a total of RMB 43,000,000 to purchase the investment of the original Tianjin Dredging Co., Ltd., joint venture company Yuxi CCCC Xingyun Lake Environmental Management Co., Ltd. and CCCC (Jiaocheng) held by China Merchants Securities Asset Management Co., Ltd. 50% and 46% equity of the company, and 66.67% equity of Shouguang CCCC Port Investment Management Co., Ltd., formerly owned by Kunshan Chengfa Kun Investment Management Co., Ltd. The merger dates are July 24, 2018, August 14, 2018, and September 29, 2018.

The fair value and book value of the above-mentioned acquired company's identifiable assets and liabilities at the date of purchase on the date of purchase are as follows:

	Fair value at the acquisition date	Book value of the acquisition date
Cash and cash equivalents	61,205,253	61,205,253
Prepayments	166,202,280	166,202,280
Other receivables	13,815,622	13,815,622
Other current assets	9,388,341	9,388,341
Long-term receivables	144,574,730	144,574,730
Fixed assets	111,788	111,788
Notes payable and accounts payable	(49,431,579)	(49,431,579)
Contract liability	(9,433,962)	(9,433,962)
Taxes payable	(71,284)	(71,284)
Other payables	(1,988,752)	(1,988,752)
Other current liabilities	(6,099,204)	(6,099,204)
Long-term payables	(20,000,000)	(20,000,000)
	308,273,233	308,273,233
Less: Minority shareholders' equity	14,800,000	
Plus: Goodwill	-	
	293,473,233	

The operating results and cash flows of the above companies from the date of purchase to the end of the year are as follows:

	From the acquisition date to December 31
Operating income	822,996
Net profit	3,195,200
Net cash flow	(4,102,739)

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VI. CHANGES IN SCOPE (COUNTINUED)

1. Business combinations involving entities not under common control (continued)

Net cash paid by acquiring subsidiaries

	31 December 2018	31 December 2017
The price of the acquired subsidiaries	43,000,000	65,680,000
Cash and cash equivalents paid by acquiring subsidiaries	43,000,000	65,680,000
Less: Cash and cash equivalents held by the acquired subsidiaries	57,102,514	37,443,204
Net cash paid by acquiring subsidiaries	(14,102,514)	28,236,796

2. Changes in scope of consolidation for other reasons

(i) Shanghai Dredging Co., Ltd. invested and established Taizhou CCCC Shanghai Dredging Investment Co., Ltd. on January 9, 2018, with a registered capital of RMB 100 million and a shareholding ratio of 100% for Shanghai Dredging Co., Ltd. As of the end of the year, Shanghai Dredging Co., Ltd. has invested RMB 4.9 million in cash.

(ii) On May 3, 2018, Shanghai Dredging Co., Ltd. established the Nan'an Quanxin CCCC Investment Co., Ltd. with CCCC Highway Consultant Co., Ltd. and Quanzhou Nanyi Port Development Co., Ltd. with a registered capital of RMB 100 million. The shareholding ratio is 94.5%. As of the end of the year, Shanghai Dredging Co., Ltd. has paid RMB 33.075 million in cash.

(iii) In August 2018, CCCC-SDC established the Gongyi CCCC Shanghai Dredging Ecological Investment Co., Ltd. with Gongyi City Water Resources Investment Construction Co., Ltd. and Shanghai Dredging Qinshen Garden Co., Ltd. with a registered capital of RMB 137 million. The shareholding ratio of CCCC-SDC is 70%. As of the end of the year, Shanghai Dredging Co., Ltd. has paid RMB 15.755 million in cash.

(iv) On January 24, 2018, Guangzhou Dredging Co., Ltd. established Zhuhai GDC Zhuhai Investment and Construction Co., Ltd. with Zhuhai Huihua Infrastructure Investment Co., Ltd. with a registered capital of RMB 115.59 million and a shareholding ratio of 99%. As of the end of the year, Guangzhou Dredging Co., Ltd. has paid RMB 57,395,300 in cash.

(v) CCCC Marine Construction and Development Co., Ltd. (hereinafter referred to as “Marine Construction”) established Tianjin Port (Xinghua) Port Development Co., Ltd. together with Tianjin North Port and Petrochemical Terminal Co., Ltd. and Jiangsu Sitong Modern Logistics Co., Ltd. in August 2018. The company has a registered capital of RMB 110 million and Marine Construction holds a share of 79%. As of the end of the year, Marine Construction has invested a total of RMB 86.9 million in cash.

(vi) In September 2018, Eco-Environment established CCCC (Huaiji) Water Co., Ltd. with Tianjing Dredging Co., Ltd., Beijing Sande Environmental Engineering Co., Ltd., Shenzhen Huiqing Technology Co., Ltd. and China Urban Construction Research Institute Co., Ltd. With a registered capital which is RMB 80 million, the Group's total shareholding ratio is 74.95%. As of the end of the year, it had contributed RMB 59.96 million in cash.

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VII. Equity in other entities

1. Subsidiaries

(a) Particulars of the principal subsidiaries of the Company are as follows:

The subsidiaries listed here are the second-tier subsidiaries and the main third-tier subsidiaries of the Group. Due to the large number of subsidiaries of the company's subsidiaries and the following subsidiaries, they are not listed here.

(i) Subsidiaries acquired through business combination under common control

Company name	Place of registration and principal place of business	Paid-in Capital (Unit: 10,000 yuan)		Principal activities	Shareholding proportion %		Proportion of total voting right
					Direct	Indirect	
CCCC-SDC	China	RMB	760,606	Dredging and Drainage Filling Enterprise	100%	-	100%
CCCC-TDC	China	RMB	580,747	Dredging and Drainage Filling Enterprise	100%	-	100%
CCCC-GDC	China	RMB	493,374	Dredging and Drainage Filling Enterprise	100%	-	100%
CCCC International Shipping Co.,LTD (Note 1)	Panama	US Dollar	990	Logistics Enterprise	-	95%	80%
Hong Kong Marine Construction Limited	Hong Kong	HK dollar	100	Dredging and Drainage Filling Enterprise	25%	75%	100%
Zhonggang Dredging Co., Ltd.	China	RMB	100,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC SDC Construction Co., Ltd.	China	RMB	88,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC SDC General Contracting Co., Ltd.	China	RMB	80,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC TDC Binhai Environmental Protection Harbour Engineering Co., Ltd.	China	RMB	53,543	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC Fuqing Investment Co., Ltd	China	RMB	30,000	Road Engineering Construction Enterprise	-	70%	70%
CCCC Yantai Environmental Protection Dredging Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC TDC Harbour Construction Engineering Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC TDC Southern Traffic Construction Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC SDC (Fujian) Traffic Construction Engineering Co., Ltd.	China	RMB	50,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd.	China	RMB	20,000	Dredging and Drainage Filling Enterprise	38%	56%	94%

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VII. Equity in other entities (CONTINUED)

1. Subsidiaries (continued)

(a) Particulars of the principal subsidiaries of the Company are as follows (continued):

(i) Subsidiaries acquired through business combination under common control (continued)

Company name	Place of registration and principal place of business	Paid-in Capital (Unit: 10,000 yuan)		Principal activities	Shareholding proportion %		Proportion of total voting right
					Direct	Indirect	
Taizhou SDC Engineering Construction Co., Ltd.	China	RMB	20,000	Dredging and Drainage Filling Enterprise	-	100%	100%
CCCC Yunze Dredging Co., Ltd.	China	RMB	18,000	Dredging and Drainage Filling Enterprise	-	55%	55%
CCCC Shanghai Waterway Engineering Design and Consultants Co., Ltd	China	RMB	17,126	Survey and design enterprise	-	100%	100%
SDC Logistics Co., Ltd.	China	RMB	10,000	Logistics Enterprise	-	100%	100%
Yingkou Economic and Technological Development Zone Investment and Development Co., Ltd. (Note 2)	China	RMB	10,000	Dredging and Drainage Filling Enterprise	-	55%	60%
Shanghai Dahua Surveying and Mapping Co., Ltd.	China	RMB	8,000	Survey and design enterprise	-	100%	100%

Note 1: CCCC Marine Construction and Development Co., Ltd., a subsidiary of the Company, holds 95% of the shares of CCCC International Shipping Co.,LTD. The board of directors of CCCC International Shipping Co.,LTD is composed of 5 directors, of which 4 are recommended by CCCC Marine Construction and Development Co., Ltd., 1 is recommended by Zhonghe Property Co., Ltd., and 80% of the voting rights of CCCC Marine Construction and Development Co., Ltd.

Note 2: Guangzhou Dredging Co., Ltd., a subsidiary of the Company, holds a 55% stake in Yingkou Economic and Technological Development Zone Investment Development Co., Ltd. The board of directors of Yingkou Economic and Technological Development Zone Investment and Development Co., Ltd. consists of 5 directors, of which 3 are recommended by Guangzhou Dredging Co., Ltd. 1 is recommended by Zhonghao Yintai Capital Co., Ltd., and 1 is recom mended by Yingkou Economic and Technological Development Zone Marine Fisheries Industrial Park Development Co., Ltd. Guangzhou Dredging Co., Ltd. has a 60% voting power of the board of directors, which can substantially control its business decisions, so it is included in the scope of consolidation.

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VII. Equity in other entities (CONTINUED)

1. Subsidiaries (continued)

(a) Particulars of the principal subsidiaries of the Company are as follows (continued):

(ii) Subsidiaries acquired through business combination under common control

Company name	Place of registration and principal place of business	Paid-in Capital (Unit: 10,000 yuan)		Principal activities	Shareholding proportion %		Proportion of total voting right
					Direct	Indirect	
CCCC Water Resources and Hydropower Construction Co., Ltd.	China	RMB	5,500	Water conservancy and hydropower construction Enterprise	-	100%	100%

(iii) Subsidiaries acquired through establishment or investment

Company name	Place of registration and principal place of business	Paid-in capital (Unit: 10,000 yuan)		Business nature	Shareholding ratio		Proportion of total voting right
					Direct	Indirect	
CCCC Quanhui Construction Development Co., Ltd. (Note 1)	China	RMB	20,000	Dredging and Drainage Filling Enterprise	-	76%	80%
Liaoning GDC Real Estate Co., Ltd.	China	RMB	17,450	Real estate Enterprise	-	100%	100%
CCCC Marine Construction Development Co., Ltd. (Note 2)	China	RMB	50,000	Marine construction and development Enterprise	50%	-	60%
CCCC Ecological Environmental Protection Investment Co., Ltd (Note 3).	China	RMB	100,000	Investment holding Enterprise	63.4%	-	57%
CCCC Zhoushan Qiandao Central Business District Development Co., Ltd.(Note 4)	China	RMB	200,000	Real estate development and operation Enterprise	70%	-	60%
CCCC Nanyi Investment Co., Ltd.	China	RMB	10,000	Dredging and Drainage Filling Enterprise	-	70%	70%
Taizhou CCCC SDC Investment Co., Ltd.	China	RMB	10,000	Investment holding Enterprise	-	100%	100%
Nan'an Quanxin CCCC Investment Co., Ltd.	China	RMB	10,000	Investment holding Enterprise	-	94.5%	94.5%
Gongyi CCCC SDC Qinsen Ecological Investment Co., Ltd.	China	RMB	13,700	Investment holding Enterprise	-	70%	70%
CCCC GDC Zhuhai Investment Construction Co., Ltd.	China	RMB	11,595	Investment holding Enterprise	-	99%	99%
CCCC (Xinghua) Port Development Co., Ltd.	China	RMB	11,000	Port development and construction Enterprise	-	79%	79%
CCCC (Huaiji) Water Co., Ltd.	China	RMB	8,000	Sewage treatment Enterprise	-	74.95%	74.95%

VII. Equity in other entities (CONTINUED)

1. Subsidiaries (continued)

(a) Particulars of the principal subsidiaries of the Company are as follows (continued):

(iii) Subsidiaries acquired through establishment or investment (continued)

Note 1: Shanghai Dredging Co., Ltd. holds 76% of the equity of Zhonghui Quanhui Park Construction Development Co., Ltd. The board of directors of CCCC Huihui Park Construction Development Co., Ltd. consists of 5 directors, of which 3 are recommended by Guangzhou Dredging Co., Ltd., and 1 is recommended by CCCC Third Harbour Consultants Co., Ltd. and signed a concerted action agreement with CCCC-SDC The total number of voting rights of the Shanghai Dredging Co., Ltd. is 80%, which can substantially control its business decisions, so it is included in the scope of consolidation.

Note 2: The company holds a 50% stake in CCCC Marine Construction Development Co., Ltd. The board of directors of CCCC Marine Construction Development Co., Ltd. is composed of 5 directors, of which 3 are recommended by the company, 1 by China Harbour Engineering Co., Ltd., 1 by Zhonghe Property Co., LtdThe company has a voting right ratio of 60%, which can substantially control its business decisions, so it is included in the scope of consolidation.

Note 3: The company holds 63.4% equity in CCCC Ecological Environmental Protection Investment Co., Ltd. The board of CCCC Ecological Environmental Protection Investment Co., Ltd. is composed of 7 directors, of which 4 are recommended by the company, 2 directors recommended by CCCC Electromechanical Engineering Co., Ltd., and 1 by Zhonghe Property Co., Ltd. The company has 57% of voting rights, which can control itsbusiness decisions, so they are included in the scope of consolidation.

Note 4: The company holds 70% equity of CCCC Zhoushan Qiandao Central Business District Development Co., Ltd. The board of directors of CCCC Zhoushan Qiandao Central Business District Development Co., Ltd. consists of 5 directors, of which 3 are recommended by the company, 1 is recommended by Xiaogandao Business Zone Construction Holdings Co., Ltd. of Zhejiang Free Trade Zone, and 1 is recommended by employee representatives. The company has a voting right ratio of 60%, which can substantially control its business decisions, so it is included in the scope of consolidation.

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VII. Equity in other entities (CONTINUED)

2. Equity in joint ventures and associates

The Group did not have an individually significant joint venture, the aggregate financial information of the individually insignificant joint ventures is summarized as follows:

	2018	2017
Joint ventures:		
Total book value of investment on December 31	1,960,913,941	1,765,487,259
The total of the following items calculated according to the shareholding ratio		
Net profit and total comprehensive income	12,474,374	3,216,650

	2018	2017
Associates:		
Total book value of investment on December 31	3,702,108,877	2,926,941,383
The total of the following items calculated according to the shareholding ratio		
Net profit and total comprehensive income	169,436,230	171,510,758

Both the net profit and the total comprehensive income have taken into account the fair value of the identifiable assets and liabilities at the time of investment and the adjustment effect of the unified accounting policies.

3. Important joint management

According to the terms of the joint venture arrangement or legal form, the Group has rights and obligations to the relevant assets and liabilities in the relevant joint arrangements, and the relevant joint arrangements are treated as joint operations. In 2018, the Company and China Harbour Engineering Co., Ltd., which is controlled by the parent company, are based on the project construction strategy of the parent company of China, and the consortium jointly operates the 3206 third runway of Hong Kong International Airport. Segment project. The 3206 tender section of the third runway of the Hong Kong International Airport is not a separate entity. The main business location is located in Hong Kong. The joint operation activities are mainly project construction, including foundation treatment, reclamation and seawall construction. The company's share of interest and voting rights held in joint operations are 45%.

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VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

1. Financial instruments by category

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

31 December 2018

Financial assets

	Measured at fair value and its changes Financial assets included in current profit and loss	Measured at amortized cost	Measured at fair value and its changes Included in other comprehensive income		Total
	Standard requirment		Standard requirment	Designation	
Cash and cash equivalents	-	8,018,675,283	-	-	8,018,675,283
Notes receivable and accounts receivable	-	14,662,363,586	2,173,464,365	-	16,835,827,951
Other receivables	-	4,447,345,496	-	-	4,447,345,496
Long-term receivables (including those due within one year)	-	18,119,766,488	-	-	18,119,766,488
Other equity investment	-	-	-	4,537,721,617	4,537,721,617
Other non-current financial assets	133,650,000	-	-	-	133,650,000
	133,650,000	45,248,150,853	2,173,464,365	4,537,721,617	52,092,986,835

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VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

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

31 December 2018

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Short-term loans	-	4,451,010,518	4,451,010,518
Bills payable and trade payables	-	25,963,249,045	25,963,249,045
Other payables	-	6,934,396,866	6,934,396,866
Current portion of non-current liabilities	-	2,158,040,320	2,158,040,320
Long-term loans	-	2,931,236,975	2,931,236,975
Bonds payable	-	9,981,238,196	9,981,238,196
Long-term payables	-	3,152,941,939	3,152,941,939
	-	55,572,113,859	55,572,113,859

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VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

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

31 December 2017

Financial assets

	Loans and receivables	Available for sale financial assets	Total
Cash and bank balances	8,332,332,008	-	8,332,332,008
Bills receivable and trade receivables	13,184,634,468	-	13,184,634,468
Other receivables	4,097,973,769	-	4,097,973,769
Available for sale financial assets	-	3,803,885,919	3,803,885,919
Long-term receivables (including due within one year)	18,622,126,921	-	18,622,126,921
	44,237,067,166	3,803,885,919	48,040,953,085

Financial liabilities

	Other financial liabilities	Total
Short-term loans	6,253,500,412	6,253,500,412
Bills payable and trade payables	22,171,148,701	22,171,148,701
Other payables	7,569,523,904	7,569,523,904
Current portion of non-current liabilities	2,161,531,891	2,161,531,891
Long-term loans	3,377,453,767	3,377,453,767
Bonds payable	5,986,951,377	5,986,951,377
Long-term payables	3,051,355,122	3,051,355,122
	50,571,465,174	50,571,465,174

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2018, the book value of endorsed and discounted bank acceptance bills and commercial acceptance bills of the Group is RMB 184,187,770. (31 December 2017: RMB32,131,614). The Group considers that it retains almost all of its risks and rewards, including its associated default risks, and therefore continues to recognize in full its and its associated settled accounts payable. After endorsement and discount, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. Ast at 31 December 2018, the Group owned trade payable of RMB102,951,590 (31 December 2017: Nil).

As part of its day-to-day business, the Group and financial institutions have concluded factoring arrangements for accounts receivable and transferred certain accounts receivable to financial institutions. After factoring, the Group no longer reserves the right to use it, including the right to sell, transfer or pledge it to other third parties. (1) Under this arrangement, if the debtor of an account receivable postpones payment, the Group will be required to repay the amount or bear interest on the deferred payment, then the Group retains the risk of default of the debtor of the account receivable after the transfer, and therefore continues to recognize its and its associated liabilities in full. As att 31 December 2018, under this arrangement, the group had accounts receivable and long-term receivables transferred but not settled by amounting to RMB190,000,000 and RMB438,346,082 respectively (31 December 2017: RMB738,658,728 and RMB441,848,379 respectively)； The Group recognized related short-term loan plus long-term loan by totaling RMB628,346,082 (31 December 2017: RMB1,051,960,192). (2) Under this arrangement, If the Group has transferred almost all risks and rewards in the ownership of accounts receivable to financial institutions, the Group terminates the recognition of the relevant accounts receivable. In 2018, the Group transferred and terminated accounts receivable (including long-term receivable) of RMB2,470,655,913 due to the factoring business (2017: RMB2,420,092,058). The related expenses of RMB75,489,135 charge were recorded in the current year’s profits and losses (2017: RMB108,554,498), including RMB12,562,494 in financial expenses (2017: RMB21,950,100).

On November 8, 2017, the Group set up the "Bank of China Securities - China Exchange Dredging First Stage of Accounts Receivable Asset Support Special Plan" (the "Special Plan") and was listed on the Shanghai Stock Exchange for transfer. Under this arrangement, the Group has transferred almost all risks and rewards in the ownership of accounts receivable to a special plan, and the Group terminates the recognition of the relevant accounts receivable. In 2018, the book value of accounts receivable (including long-term receivables) terminated by the Group's transfer to the special plan was RMB524,262,432 (2017: RMB1,230,062,522), and the related financing costs were RMB35,670,548, were recorded in financial expenses (2017: RMB 83,676,958).

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

2. Transfer of financial assets (continued)

Transferred financial assets that are derecognised in their entirety but continuously involved

As at 31 December 2018, the Group have endorsed and discounted the bills receivable amounting to RMB142,146,366 (31 December 2017: RMB190,261,697). As at 31 December 2018, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse according to the Law of Bill. The Group considered the risks and rewards of the bills have been transferred. Therefore, the Group has derecognised the related bills receivable and trade payables that have been settled by the bills. The undiscounted cash flows and maximum losses of continuing involvement and repurchase equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

In 2018, the Group did not recognised any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognised. The endorsement and discount happens evenly throughout the year.

3. Financial instrument risks

The major risks from the Group’s financial instruments are credit risk, liquidity risk and market risk. (includeExchange rate risk and interest rate risk).The Group’s major financial instruments include cash and equivalent, equity investment, loans, bills receivable and trade receivables, other receivables long-term receivables, bills payable and trade payables.The risks associated with these financial instruments and the risk management strategies adopted by the Group to reduce these risks are described below.

The board of directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks it faces. These risk management policies specify specific risks, covering market risks, credit risks and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and evades related risks through close cooperation with other business units of the Group. The Internal Audit Department of the Group conducts regular audits on risk management control and procedures, and reports the results to the Audit Committee of the Group.

Through appropriate diversification of investment and business portfolio, the Group disperses the risk of financial instruments and reduces the risk of focusing on any single industry, specific region or specific counterparty by formulating corresponding risk management policies.

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of bills receivable and trade receivables and contract assets are monitored on an ongoing basis to ensure that the Group’s exposure to credit loss is not significant.

Because the counterparty of currency funds is a bank with good reputation and high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include cash and bank balances, other debt investments, other debt investments, loans and advances to customers and receivable. Credit risk of such financial assets is resulted from defaults of counterparties.The largest risk exposure equals to the carrying amount of these instruments.

As the Group’s major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As at 31 December 2018, there is significant concentration of credit risk. 10% of the Group’s account receivable (31 December 2017:12%) and 25% (31 December 2018: 29%) comes from the biggst Account Receivable Balance and Top Five Customers.The Group does not hold any collateral or other credit enhancement for the balance of accounts receivable.

Credit Risk Increases Judgment Criteria Significantly
The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation on each balance sheet day. In determining whether credit risk has increased significantly since the initial confirmation, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without unnecessary additional costs or efforts. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date to determine the change of default risk of financial instruments during the expected lifetime.

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Credit risk (continued)

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risk of financial instruments has increased significantly:

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain percentage compared with the initial confirmation.
- Qualitative Standards Major Debtors'Operational or Financial Conditions Major Adverse Changes, Early Warning Customer Lists, etc.

Definition of assets with impaired credit

In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for relevant financial instruments, taking into account quantitative and qualitative indicators. When assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Major financial difficulties occur to the issuer or debtor;
- The debtor breaches the contract, such as paying interest or defaulting or overdue principal, etc.
- The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;
- Purchase or derivation of a financial asset at a substantial discount, which reflects the fact that credit losses occur;

Credit impairment of financial assets may be caused by the interaction of multiple events, not necessarily by separate identifiable events.

Parameters for Measuring Expected Credit Loss

Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets by anticipated credit losses for 12 months or the whole life period, respectively. The key parameters of anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistics (such as counterparty ratings, guarantees and collateral types, repayment methods, etc.), the Group establishes a default probability, default loss rate and default risk exposure model.

The relevant definitions are as follows：

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation of repayment in the next 12 months or the whole remaining period. The default probability of the group is adjusted on the basis of the historical mobility model of receivables, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment;

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VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Credit risk (continued)

- The default loss rate refers to the group's expectation of the extent of loss due to exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration;

- The default risk exposure is the amount that the Group shall be repaid in the event of default in the next 12 months or throughout the remaining period.

Prospective information
The assessment of significant increase in credit risk and the calculation of anticipated credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators affecting credit risk and expected credit loss of various business types.

Information on accounts receivable, other receivables and risk exposure to contract assets can be found in notes V 2, 4 and 6.

As at 31 December 2018, the Group has not been overdue for more than 30 days and still deducts its allowance for impairment based on 12-month anticipated credit losses.

As at 31 December 2017, the aging analysis of financial assets not impaired is as follows:

	Total	Not overdue and Not credit impaired	Overdue and Not credit impair	
			Within 6 months	More than 6 months
Cash and bank balances	8,332,332,008	8,332,332,008	-	
Bills receivable and trade receivables	9,745,513,377	9,386,762,200	231,708,969	127,042,208
Other receivables	1,514,825,156	1,407,379,565	15,921,558	91,524,033
Held-for-trading financial assets	3,803,885,919	3,803,885,919	-	
Long-term receivables	18,112,004,551	18,112,004,551	-	

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VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and other borrowings.

As the Group's business is capital-intensive, the Group ensures that sufficient cash and credit financing is maintained to meet the demand for liquidity. The Group responds to the demand for working capital with funds, banks and other loans generated from its business activities.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2018

	Within one year	1 to 2 year	2 to 5 years	More than 5 years	Total
Short-term loans	5,062,355,512	699,368,192	1,497,220,976	1,434,030,217	8,692,974,897
Bonds payable	353,600,000	353,600,000	10,693,600,000	-	11,400,800,000
Bills payable and trade payables	25,963,249,045	-	-	-	25,963,249,045
Other payables	6,934,396,866	-	-	-	6,934,396,866
Long-term payables	1,839,377,195	2,228,813,956	1,002,844,890	162,851,872	5,233,887,913
	40,152,978,618	3,281,782,148	13,193,665,866	1,596,882,089	58,225,308,721

31 December 2017

	Within one year	1 to 2 year	2 to 5 years	More than 5 years	Total
Short-term loans	6,908,519,349	1,662,025,323	959,468,341	1,016,729,971	10,546,742,984
Bonds payable	183,600,000	183,600,000	6,367,000,000	-	6,734,200,000
Bills payable and trade payables	22,171,148,701	-	-	-	22,171,148,701
Other payables	7,569,523,904	-	-	-	7,569,523,904
Long-term payables	1,767,406,803	2,417,804,557	749,435,743	119,801,560	5,054,448,663
	38,600,198,757	4,263,429,880	8,075,904,084	1,136,531,531	52,076,064,252

Year ended 31 December 2018 Expressed in Renminbi Yuan

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. At 31 December 2018, The Group's floating rate loan is RMB4,414,598,844 (31 December 2017：RMB4,675,045,676).

To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. As of 2018 and 2017, the Group had no interest rate swap arrangements.

The following table is a sensitivity analysis of interest rate risk, reflecting the impact of reasonable and possible changes in interest rates on net profit and loss (through the impact of floating rate borrowing) and net after-tax returns of other comprehensive gains under the assumption that other variables remain unchanged.

2018	Basement Increase/ (Decrease)	Net loss/profit Increase/ (Decrease)	Total equity Increase/ (Decrease)
RMB	100	(33,109,491)	(33,109,491)

2017	Basement Increase/ (Decrease)	Net loss/profit Increase/ (Decrease)	Total equity Increase/ (Decrease)
RMB	100	(35,062,843)	(35,062,843)

Exchange rate risk

The functional currency of most subsidiaries of the Group is RMB, and most transactions are settled in RMB. However, the Group's overseas business income, purchases of materials and machinery and equipment from overseas suppliers, and certain expenditures are settled in foreign currencies. RMB cannot be freely converted into foreign currencies, and the conversion of RMB into foreign currencies is subject to the restrictions of China's foreign exchange control regulations.

At the year ended 31 December 2018 and 31 December 2017, cash, accounts receivable, other receivables, long-term receivables, loans, accounts payable and other accounts payable in foreign currencies of the Group are detailed in notes V.55.

Year ended 31 December 2018 Expressed in Renminbi Yuan

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Market risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the United States dollar and Euro, with all other variables held constant, of the Group's net profit and shareholder's equity net of tax.

Exchange rate risk (continued)

31 December 2018	Exchange rate Increase/ (Decrease)	Net profit Increase/ (Decrease)	Total equity Increase/ (Decrease)
Decrease in the United States dollar rate	5%	(6,129,313)	(6,129,313)
Increase in the United States dollar rate	(5%)	6,129,313	6,129,313
Decrease in the Euro rate	5%	52,577,015	52,577,015
Increase in the Euro rate	(5%)	(52,577,015)	(52,577,015)
31 December 2017			
Decrease in the United States dollar rate	5%	(43,990,564)	(43,990,564)
Increase in the United States dollar rate	(5%)	43,990,564	43,990,564
Decrease in the Euro rate	5%	55,640,292	55,640,292
Increase in the Euro rate	(5%)	(55,640,292)	(55,640,292)

Equity instrument price risk

The investment in equity instruments of the Group is available-for-sale equity investments. Since these financial assets must be presented at fair value, the Group will be affected by the risk of price fluctuation in the securities market.

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (continued)

Market risk (continued)

Equity instrument price risk (continued)

With all other factors remaining unchanged, the sensitivity of the group's sellable financial assets to equity price risk on each balance sheet date is as follows:

	2018	2017
Equity Price Change	10%	10%
Impact on pre-tax profits		
Increase or decrease of pre-tax profits in the current year (No Income Tax Impact) — Rising or falling equity prices	-	-
Impact on Equity		
Increase or decrease in equity in the current year (No Income Tax Impact) — Rising or falling equity prices	453,772,162	265,479,742

Year ended 31 December 2018 Expressed in Renminbi Yuan

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders and other equity investors.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes all loans, amounts due to customers, other current liabilities, bills payable and trade payables, other payables, bonds payable, long-term payables (excluding special payables), the current portion of non-current liabilities (excluding the current portion of employee benefits payable) and other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the end of the reporting periods are as follows:

	31 December 2018	31 December 2017
Short-term loans	4,451,010,518	6,253,500,412
Long-term loans	2,931,236,975	3,377,453,767
Bills payable and trade payables	10,117,200,908	6,095,592,858
Long-term payables	1,150,772,542	1,552,900,649
Less: cash and bank balances (NoteV. 54 (c))	7,787,383,813	8,157,100,059
Net debt	10,862,837,130	9,122,347,627
Owners of the Company	32,789,878,590	30,129,941,682
Total equity and net debt	43,652,715,720	39,252,289,309
Gearing ratio	25%	23%

Year ended 31 December 2018 Expressed in Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

31 December 2018

	active market offer (level 1)	Measured at fair value significant observable Input value (level 2)	Used input value significant unobservable input value (level 3)	Total
Continuous Fair Value Measurement				
Notes receivable	-	2,173,464,365	-	2,173,464,365
Investment in other equity instruments	2,403,149,315	-	2,134,572,302	4,537,721,617
Other non-current financial assets				
Measured at fair value through profit or loss				
Equity Instrument Investment	-	-	133,650,000	133,650,000
Total financial assets	2,403,149,315	2,173,464,365	2,268,222,302	6,844,835,982

31 December 2017

	Active market Offer (level 1)	Measured at fair value significant observable input value (level 2)	Used input value significant unobservable input value (level 3)	Total
Continuous Fair Value Measurement				
Available for sale financial assets	2,654,797,418	-	-	2,654,797,418

Year ended 31 December 2018 Expressed in Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value

31 December 2018

	Input Value Used in Fair Value Measurement			
	Active market offer (level 1)	Significant observable Input value (level 2)	Significant unobservable Input value (level 3)	Total
Long-term borrowings	-	2,948,730,540	-	2,948,730,540
Bonds payable	-	9,971,600,000	-	9,971,600,000
	-	12,920,330,540	-	12,920,330,540

31 December 2017

	Input Value Used in Fair Value Measurement			
	Active market offer (level 1)	Significant observable Input value (level 2)	Significant unobservable Input value (level 3)	Total
Long-term borrowings	-	3,090,802,402	-	3,090,802,402
Bonds payable	-	5,818,800,000	-	5,818,800,000
	-	8,909,602,402	-	8,909,602,402

Year ended 31 December 2018 Expressed in Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair Value Valuation

Fair Value of Financial Instruments

The following are the book value and fair value of all types of financial instruments except those with little difference between book value and fair value:

	Book value		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Long-term borrowings	2,931,236,975	3,377,453,767	2,948,730,540	3,090,802,402
Bonds payable	9,981,238,196	5,986,951,377	9,971,600,000	5,818,800,000
	12,912,475,171	9,364,405,144	12,920,330,540	8,909,602,402

Management has assessed monetary funds, notes receivable, accounts receivable, interest receivable, other receivables, short-term loans, notes payable, accounts payable, dividends payable and other accounts payable. Due to the short remaining period, fair value is comparable to book value.

On each balance sheet day, the Group analyses changes in the value of financial instruments and determines the main input values applicable to valuation.

Fair value of financial assets and liabilities, in order to determine the amount of assets exchanged or debts liquidated voluntarily by both parties familiar with the situation in a fair transaction, rather than in the case of forced sale or liquidation. The following methods and assumptions are used to estimate fair value.

For long-term receivables, long-term loans, bonds payable and so on, discounting future cash flow was carried out to determine the fair value, and the market rate of return of other financial instruments with similar contract terms, credit risk and residual period was used as the discount rate. On December 31, 2018 and December 31, 2017, the fair value of long-term receivables is similar to the book value, and the risk assessment of non-performance of long-term and short-term loans is not significant.

For financial instruments traded in active markets, the Group determines their fair value by quoting in active markets; for financial instruments not traded in active markets, the Group uses valuation techniques to determine their fair value. The main valuation models used are cash flow discount model and comparable company model. The input value of valuation technology mainly includes risk-free interest rate, benchmark interest rate, liquidity premium, etc.

4. Adjustment And Level Conversion of Fair Value Measurement

In this year, there has been no transfer of fair value measurement of financial assets and liabilities between the first and second levels, nor has there been any transfer to or from the third level.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Situation of parent company

Name of parent company	Place of registration	Nature of Business	Registered capital (*0,000)	Share Holding Proportion %	Right to vote %
CCCCC	Beijing	Coastal and inland river port engineering and infrastructure construction industry mainly consisting of survey, design, construction and supervision of highway, railway, bridge and tunnel engineering; dredging industry mainly consisting of infrastructure dredging, maintenance dredging, dredging by dredging and filling and environmental protection dredging; dredging industry mainly consisting of heavy marine equipment, construction machinery, road construction machinery and bridge components. Equipment manufacturing industry; and foreign trade and economic business with international project contracting, labor service cooperation and import and export trade as the main business	1,617,474	100	100

2. Subsidiary company situation

The basic information of subsidiaries and related information are listed in Notes VII.1.

3. Assosiates and joint ventures

See Notes VII 2 on the Rights and Interests of Assosiates and Joint Venture.

4. Other relevant parties

Name of associated party	Relations with the Group
China Harbour Engineering Co., Ltd.	Joint control by parent controller
CCCC Investment Co., Ltd. ("CCCC Investment")	Joint control by parent controller
CCCC First Harbour Engineering Co., Ltd.	Joint control by parent controller
CCCC Second Harbour Engineering Co., Ltd.	Joint control by parent controller
CCCC Third Harbour Engineering Co., Ltd.	Joint control by parent controller
CCCC Fourth Harbour Engineering Co., Ltd.	Joint control by parent controller
CCCC Third Highway Engineering Co., Ltd.	Joint control by parent controller
CCCC First Highway Consultants Co., Ltd.	Joint control by parent controller
CCCC First Harbour Consultants Co., Ltd.	Joint control by parent controller
CCCC Third Harbour Consultants Co., Ltd.	Joint control by parent controller

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other relevant parties (continued)

CCCC Water Tranportation Consultants Co., Ltd.	Joint control by parent controller
CCCC Settlement Center	Joint control by parent controller
CCCC Finance Co., Ltd.	Joint control by parent controller
CCCC Mechanical & Electrical Engineering Co., Ltd.	Joint control by parent controller
CCCC Financial Leasing Co., Ltd.	Joint control by parent controller
PetroChina CCCC Oil Products Sales Co., Ltd.	Joint control by parent controller
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	Joint control by parent controller
CCCC Urban Investment Holdings Co., Ltd.	Joint control by parent controller
CCCC Road & Brige International Co., Ltd.	Joint control by parent controller
CCCC Indonesia Co., Ltd.	Joint control by parent controller
CCCC (Malaysia) SDN BHD	Joint control by parent controller
CCCC (Lianyungang) Construction and Development Co., Ltd.	Joint control by parent controller
CCCC Tianfu Chengdu Industrial Co., Ltd.	Joint control by parent controller
China Road&Bridge Corporation	Joint control by parent controller
CCCC Kunming Construction and Development Co., Ltd.	Joint control by parent controller
CCCC Material Co., Ltd.	Joint control by parent controller
CCCC Southwest Investment and Development Co., Ltd.	Joint control by parent controller
Chuwa Bussan Co., Ltd.	Joint control by parent controller
Sino-Japan Samsung (Beijing) International Trade Co., Ltd.	Joint control by parent controller
CCCC Second Harbour Consultants Co., Ltd.	Joint control by parent controller
CCCC Fourth Harbour Consultants Co., Ltd.	Joint control by parent controller
China Road & Brige	Joint control by parent controller
CCCC Infrastructure Maintenance Group Co., Ltd	Joint control by parent controller
CCCC Second Highway Consultants Co., Ltd.	Joint control by parent controller
CCCC First Highway Engineering Co., Ltd.	Joint control by parent controller
CCCC Fourth Highway Engineering Co., Ltd.	Joint control by parent controller
CCCC Fund Management Co., Ltd.	Joint control by parent controller
CCCC Haixi Investment Co., Ltd.	Joint control by parent controller
CCCC Ocean Investment Holding Co., Ltd.	Joint control by parent controller
Guangdong Harbour Engineering Co., Ltd.	Joint control by parent controller
CCCC Real Estate Beijing Property Co., Ltd.	Joint control by ultimate controller
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	Joint control by ultimate controller
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	Joint venture by parent controller
Shandong CCCC Shipping Engineering Co., Ltd.	Joint venture by parent controller

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates

(a) Pricing Policy

The prices of the products sold to the affiliated parties, the provision of labor services or construction services to the affiliated parties, the purchase of raw materials from the affiliated parties, the acceptance of the labor services of the affiliated parties and the subcontracting projects from the affiliated parties are fixed on the basis of general commercial terms. The rents paid to the affiliated parties and the reference market prices for asset transfer are determined after consultation between the two parties.

(b) Purchase of goods

	2018	2017
PetroChina CCCC Oil Products Sales Co., Ltd	205,598,412	106,032,740
CCCC Materials & Equipment Co., Ltd.	12,140,277	4,685,551
CCCC First Harbour Engineering Co., Ltd.	198,175	329,865
Chuwa Bussan Co., Ltd.	-	355,623,733
	217,936,864	466,671,889

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates (continued)

(c) Providing labour/construction services

	2018	2017
China Harbour Engineering Co., Ltd.	1,963,809,821	1,931,532,506
CCCC	1,049,686,925	1,322,651,978
CCCC (Malaysia) Co., Ltd.	744,253,116	650,818,102
CCCC Fourth Harbour Engineering Co., Ltd.	724,971,102	851,661,687
CCCC Water Tranportation Consultants Co., Ltd.	410,600,742	-
CCCC Investment Development Guigang Co., Ltd.	401,801,412	-
Shenhua Shanghai Dredging Co., Ltd.	396,635,975	276,271,986
CCCC Indonesia Co., Ltd.	316,899,391	348,286,724
CCCC First Harbour Consultants Co., Ltd.	295,212,999	108,985,205
CCCC Second Harbour Engineering Co., Ltd.	280,668,725	65,134,247
CCCC Urban Investment Holding Co., Ltd.	187,947,028	222,312,312
CCCC Investment Development Qidong Co., Ltd.	156,818,671	416,521,808
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	147,957,280	611,886,769
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	128,039,874	90,792,793
CCCC Third Highway Engineering Co., Ltd.	83,499,528	-
CCCC Urban Investment Construction (Liyang)Co., Ltd.	82,026,150	65,707,495
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	68,175,238	-
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd.	66,812,160	-
CCCC First Harbour Engineering Co., Ltd.	64,385,071	87,558,857
Tianjin Port and Waterway Engineering Co., Ltd.	60,068,366	73,828,730
CCCC Third Harbour Engineering Co., Ltd.	49,283,423	151,677,136
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	48,500,000	18,095,448
CCCC Investment Co., Ltd.	18,533,358	49,430,810
Chifeng CCCC Investment and Development Co., Ltd.	10,815,898	99,147,508
Tianjin Lingang Industrial Investment Holding Ltd.	1,524,079	24,175,807
Yuxi CCCC Xingyun Lake Environmental Management Co., Ltd.	-	60,089,680
Others	22,105,186	27,415,296
	7,781,031,518	7,553,982,884

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates (continued)

(d) Acceptance of Labor/Engineering Subcontracting

	2018	2017
CCCC First Harbour Engineering Co., Ltd.	171,500,364	310,135,114
Guangdong Harbour Engineering Co., Ltd.	99,981,869	-
CCCC Third Harbour Engineering Co., Ltd.	92,293,713	171,617,571
Shenhua Shanghai Dredging Co., Ltd.	84,076,073	94,985,123
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	77,240,173	-
Shandong CCCC Shipping Engineering Co., Ltd.	54,607,834	-
Tianjin Port and Waterway Engineering Co., Ltd.	38,716,542	29,079,967
Tangshan Caofeidian Dredging Co., Ltd.	9,094,551	13,592,233
CCCC Fourth Harbour Engineering Co., Ltd.	-	289,198,531
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	-	148,173,653
CCCC Highway Consultants Co., Ltd.	-	7,258,470
CCCC Real Estate Beijing Property Co., Ltd.	-	5,928,922
Others	10,557,569	24,748,153
	638,068,688	1,094,717,737

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates (continued)

(e) Acceptance/provision of funds

	Types of Related Transactions	2018	2017
CCCC Financial Leasing Co., Ltd. ("CCCC Financial Leasing")	Obtain loan	628,346,082	536,700,000
CCCC Financial Leasing	Loan repayment	536,700,000	880,000,000
CCCC Financial Leasing	Loan interest	4,713,239	14,621,085
CCCC Settlement Center	Obtain loan	168,792,000	250,000,000
CCCC Settlement Center	Loan repayment	100,160,000	450,000,000
CCCC Settlement Center	Deposit interest	2,977,268	1,442,478
CCCC Settlement Center	Loan interest	5,030,669	8,221,500
CCCC Settlement Center	Deposit	3,222,461,015	1,723,525,542
CCCC Settlement Center	Withdraw	2,560,860,928	2,022,498,421
CCCC Finance Co., Ltd.	Obtain loan	6,767,000,000	3,850,000,000
CCCC Finance Co., Ltd.	Loan repayment	8,007,000,000	3,350,000,000
CCCC Finance Co., Ltd.	Deposit interest	11,723,470	18,607,269
CCCC Finance Co., Ltd.	Loan interest	126,238,329	105,845,288
CCCC Finance Co., Ltd.	Deposit	54,596,659,104	43,792,626,827
CCCC Finance Co., Ltd.	Withdraw	55,281,880,644	44,680,009,929
CCCC Fourth Harbour Engineering Co., Ltd.	Expenditure advances	193,000,000	55,972,966
CCCC Fourth Harbour Engineering Co., Ltd.	Recovery of advances	188,032,966	65,000,000
CCCC First Harbour Engineering Co., Ltd.	Expenditure advances	108,000,000	-
CCCC First Highway Engineering Co., Ltd.	Expenditure advances	108,000,000	-
CCCC First Highway Engineering Co., Ltd.	Recovery of advances	108,000,000	-
CCCC Fourth Highway Engineering Co., Ltd.	Expenditure advances	108,000,000	-
CCCC Fourth Highway Engineering Co., Ltd.	Recovery of advances	108,000,000	-
CCCC Investment Co., Ltd.	Expenditure advances	90,000,000	-
CCCC Third Highway Engineering Co., Ltd.	Expenditure advances	45,000,000	-
CCCC Third Highway Engineering Co., Ltd.	Recovery of advances	45,000,000	-
CCCC Water Tranportation Consultants Co., Ltd.	Expenditure advances	9,000,000	-
CCCC Water Tranportation Consultants Co., Ltd.	Recovery of advances	9,000,000	-

Cash and bank deposits deposited in CCCC Settlement Center and CCCC Finance Co., Ltd. are accrued at current market interest rates. Loans from CCCC Finance Leasing Co., Ltd., CCCC Settlement Center and CCCC Finance Co., Ltd. are charged at current market interest rates. Interest-free advances with related parties

(f) Operating lease

	2018	2017
CCCG	3,760,500	1,665,360

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates (continued)

(g) Finance lease

	2018	2017
CCCC Financial Leasing	12,259,460	-

(h) Commissioned construction of fixed assets

	2018	2017
CCCC Electrical and Mechanical Engineering Co., Ltd.	138,094,664	166,294,742

(i) Granting loans

	2018	2017
CCCC Financial Leasing	1,300,000,000	800,000,000
CCCC Southwest Investment Development Co., Ltd.	200,000,000	200,000,000
CCCC (Qingdao) Urbanization Construction Investment Co., Ltd.	150,000,000	-
	1,650,000,000	1,000,000,000

(j) Guarantee

Guarantee	31 December 2018	31 December 2017	Starting Date	Ending Date	Complete
Tianjin North Port Aviation Petrochemical Terminal Co.,Ltd.	-	46,855,600	2009-08-07	2018-02-05	Yes

(k) Acceptance of Guarantee

Guarantor	2018	2017
CCCG	260,261,405	349,106,395

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates (continued)

(l) Important joint ventures

As stated in Notes VII.3, the Company and China Harbour Engineering Co., Ltd., which are controlled by the parent company, jointly operate the project of Section 3206 of runway 3 of Hong Kong International Airport. In 2018, the company recognized income RMB 928,381,440, cost RMB 928,805,426, net profit RMB 10,294,424, total assets RMB 419,861,305, total liabilities RMB 419,365,420 and equity RMB 495,885 belonging to the parent company's shareholders due to the share of interests held in the joint operation.

(m) Acceptance of accounts receivable factoring

	2018	2017
CCCC Finance Co., Ltd.	260,000,000	675,000,000
CCCC Financial Leasing	-	100,000,000
	260,000,000	775,000,000

(n) Accounts Receivable Factoring Interest Expenditure

In 2018, the Group paid factoring interest on related party accounts receivable at RMB 5,786,100 (2017: RMB 16,846,583), of which RMB 3,455,833 was included in the financial expenses (2017: RMB 10,118,583).

(o) Transfer of equity of related parties

On December 26, 2017, the company's subsidiary, Eco-environmental protection, signed an equity transfer agreement with CCCC Second Highway Consultant Co. Ltd (“CCSHCC”). The CCSHCC transferred 49% of the equity and the transfer price of equity to the subsidiary of the company. The qualifications are RMB 51,123,300. The transfer was completed on July 26, 2018.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its affiliates (continued)

(p) Co-equity Investment with Related Parties in the Current Period

Following is the new company set up by the Group in the year of 2018 with the related parties for equity investment:

Invested unit	New Investment of the Group	Sharehol-ding ratio	Types	Shareholders
Yongding River Basin Investment Co., Ltd.	324,000,000	10.80%	Associated	CCCC First Harbour Engineering Limited company、CCCC First Highway Engineering Co., Ltd.、CCCC Fourth Harbour Engineering Co., Ltd.、CCCC Fourth Highway Engineering Co., Ltd.、CCCC Investment Co., Ltd.、CCCC Third Highway Engineering u Co., Ltd.、CCCC Water Transport ConsultantsCo., Ltd.
CCCC Xiong'an Finance Leasing Co., Ltd.	240,000,000	24.00%	Associated	CCCC Finance Leasing Co., Ltd.
CCCC (Xinghua) Port Development Co., Ltd.	86,900,000	79.00%	Subsidiary	Tianjin North Port Aviation Petrochemical Terminal Co.,Ltd.
Fuyang CCCC SDC Water Environment Control Investment Construction Co., Ltd.	71,250,000	47.50%	Associated	CCCC Second Harbour Engineering Consultants Co., Ltd.
Nan'an Quanxin CCCC Investment Co., Ltd.	33,075,000	94.50%	Subsidiary	CCCC Highway Consultants Co., Ltd. 、Investment Fund Management of China Foreign Exchange (Beijing) limited company、First Bus of China Bus
Hui'an CCCC Chongfa Fishing Port Investment Co., Ltd.	1,500,000	7.50%	Joint venture	Road Engineering Co., Ltd .
	756,725,000			

(m) Compensation of key management

	2018	2017
Compensation	7,517,909	8,728,610

6. Relevant Party's Balance of Receivables and Payables

(a) Cash and cash equivalents

	31 December 2018	31 December 2017
CCCC Finance	3,465,722,948	4,150,944,488

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Relevant Party's Balance of Receivables and Payables (continued)

(b) Trade receivables

	31 December 2018		31 December 2017	
	Balance	Bad debt provision	Balance	Bad debt provision
CHEC	1,977,768,310	-	1,760,181,558	-
China Harbour Engineering Co., Ltd.	1,076,455,414	-	633,974,804	-
Sanya Phoenix Island International Cruise Port	829,650,064	(29,698,555)	729,724,954	(48,946,805)
CCCC Fourth Harbour Engineering Co., Ltd.	463,463,188	-	477,617,101	-
China Transport Construction Indonesia Co., Ltd.	285,191,975	-	335,632,112	-
CCCC Investment Co., Ltd.	209,492,185	-	105,436,369	-
CCCC Urban Investment Holding Co., Ltd.	204,334,090	-	297,011,689	-
Guigang CCCC Investment Development Co., Ltd.	185,068,342	(1,221,451)	-	-
CCCC First Harbour Engineering Co., Ltd.	127,896,527	-	278,144,196	-
CCCC Water Tranportation Consultants Co., Ltd.	114,035,818	-	-	-
CCCC Fourth Harbour Engineering Consultants Co., Ltd.	102,169,750	-	-	-
CCCC Second Harbour Engineering Co., Ltd.	99,568,224	-	19,229,392	-
Tangshan Caofeidian Dredging Co., Ltd.	71,765,157	(45,197,314)	75,776,465	-
CCCC Investment Development Qidong Co., Ltd.	69,699,557	-	-	-
CCCC Third Harbour Engineering Co., Ltd.	67,659,603	-	75,319,110	(44,306,807)
Tianjin Lingang Industrial Investment Holding Co., Ltd.	62,469,630	(22,561,864)	875,566	(8,756)
CCCC First Harbour ConsultantsInstitute Co., Ltd.	60,755,430	-	-	-
CCCC (Maoming) Shuidongwan Investment and	55,892,328	(2,904,472)	-	-
CCCC Urban Investment Construction (Liyang)Co., Ltd.	52,149,028	-	49,159,284	-
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	24,872,600	-	-	-
Cangzhou Bohai New Area TDC Port Construction	23,542,166	(155,378)	-	-
Tianjin Port and Waterway Engineering Co., Ltd.	16,815,894	(2,524,098)	8,185,910	(1,564,665)
China Road and Bridge	12,427,163	-	-	-
Fuzhou Taiwanese Investment Zone China Investment	9,656,775	(63,735)	39,727,768	-
Others	44,245,398	(2,103,543)	64,763,244	(14,953,779)
	6,247,044,616	(106,430,410)	4,950,759,522	(109,780,812)

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Relevant Party's Balance of Receivables and Payables (continued)

(c) Prepayment

	31 December 2018		31 December 2017	
	Balance	Bad debt provision	Balance	Bad debt provision
CCCC First Harbour Engineering Co., Ltd.	48,175,060	-	77,474,156	-
CCCC Finance Leasing Co., Ltd.	44,216,606	-	7,703,160	-
China Transport Construction Indonesia Co., Ltd.	25,529,742	-	-	-
Sino-Japan Samsung (Beijing) International Trade Co., Ltd.	19,263,077	-	-	-
Guangdong Harbour Engineering Co., Ltd.	11,498,891	-	-	-
CCCC Tianfu Chengdu Industrial Co., Ltd.	8,226,016	-	8,226,016	-
CCCC Third Harbour Consultants Co., Ltd.	5,302,311	-	-	-
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	3,100,000	-	3,100,000	-
CCCC First Harbour Consultants Co., Ltd.	1,000,000	-	-	-
CCCC Electrical and Mechanical Engineering Co., Ltd.	92,524	-	92,524	-
Others	478,000	-	524,604	-
	166,882,227	-	97,120,460	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Relevant Party's Balance of Receivables and Payables (continued)

(d) Dividends Receivable

	31 December 2018		31 December 2017	
	Balance	Bad debt provision	Balance	Bad debt provision
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	25,079,494	-	25,079,494	-
China Harbour Engineering Co., Ltd.	7,652,374	-	7,652,374	-
CCCC Kunming Construction and Development Co., Ltd.	27,148,090	-	924,836	-
	59,879,958	-	33,656,704	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (continued)

(e) Other receivables

	31 December 2018		31 December 2017	
	Outstanding balance	Provision for bad debts	Outstanding balance	Provision for bad debts
CCCC Settlement Cente	1,075,467,987	-	413,867,900	-
CCCC Southwest Investment Development Co., Ltd.	200,000,000	-	200,000,000	-
CCCC First Harbour Engineering Co., Ltd.	113,243,872	-	400,000	-
CCCC Mechanical & Electrical Engineering Co., Ltd.	106,563,838	-	-	-
CCCC Investment Co., Ltd.	90,000,000	-	-	-
CCCC Fourth Harbour Engineering Co., Ltd.	68,940,000	-	63,972,966	-
CCCC	53,096,508	-	110,907,970	-
China Harbour Engineering Co., Ltd.	38,808,597	-	23,268,557	-
CCCC Financial Leasing Co., Ltd.	23,159,605	-	319,547,000	-
CCCC Kunming Construction and Development Co., Ltd.	13,500,000	-	-	-
CCCC First Harbour Consultants Co., Ltd.	12,059,221	-	-	-
CCCC Third Harbour Engineering Co., Ltd.	11,004,687	-	-	-
Tangshan Dredging Co., Ltd.	6,844,086	(550,100)	-	-
CCCC Indonesia Co., Ltd.	5,500,318	-	-	-
Shenhua Shanghai Dredging Co., Ltd.	2,022,843	(5,664)	-	-
CCCC Investment Development Qidong Co., Ltd.	2,000,000	-	2,000,000	-
Tianjin Port and Waterway Engineering Co., Ltd.	960,000	(6,336)	19,906,454	-
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd.	149,160	(93,717)	35,996,149	-
Others	15,495,816	(437,393)	10,531,577	-
	1,838,816,538	(1,093,210)	1,200,398,573	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (continued)

(f) Long-term receivables

	31 December 2018		31 December 2017	
	Outstanding balance	Provision for bad debts	Outstanding balance	Provision for bad debts
CCCC	1,852,557,951	-	1,858,192,188	-
China Harbour Engineering Co., Ltd.	424,627,185	-	359,092,313	-
Sanya Phoenix Island International Cruise Port	208,678,159	(1,377,276)	183,716,279	-
CCCC (M)SDN BHD	145,209,731	-	65,848,329	-
CCCC Investment Development Qidong Co., Ltd.	131,402,483	-	-	-
CCCC Fourth Harbour Engineering Co., Ltd.	120,379,800	-	36,468,073	-
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd.	103,055,045	(680,163)	73,141,106	-
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	92,206,381	(608,562)	-	-
CCCC Urban Investment Co., Ltd.	86,208,277	-	75,863,826	-
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	58,333,579	(385,002)	48,946,195	-
CCCC Investment Development Guigang Co., Ltd.	41,875,021	(276,375)	-	-
Shenhua Shanghai Dredging Co., Ltd.	40,000,659	(264,004)	26,455,706	-
CCCC Third Harbour Engineering Co., Ltd.	32,247,250	-	32,247,250	-
CCCC Investment Co., Ltd.	26,134,700	-	264,655,581	-
CCCC First Harbour Engineering Co., Ltd.	19,113,051	-	-	-
CCCC Water Tranportation Consultants Co., Ltd.	18,708,854	-	-	-
Tianjin Lingang Industrial Investment Holding Co., Ltd.	14,588,814	(96,286)	-	-
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	11,397,441	(75,223)	-	-
Others	11,814,028	(70,105)	10,790,958	-
	3,438,538,409	(3,832,996)	3,035,417,804	-

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (continued)

(g) Long-term prepaid expenses

	31 December 2018	31 December 2017
CCCC Financial Leasing	80,664,885	60,001

(h) Short-term borrowings

	31 December 2018	31 December 2017
CCCC Finance	1,910,000,000	3,150,000,000
CCCC Financial Leasing	628,346,082	536,700,000
CCCC Settlement Center	168,632,000	100,000,000
	2,706,978,082	3,786,700,000

(i) Accounts payable

	31 December 2018	31 December 2017
CCCC	507,521,341	308,471,522
Chuwa Bussan Co., Ltd.	358,788,417	289,969,408
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	137,133,578	-
Guangdong Harbour Engineering Co., Ltd.	120,416,921	-
CCCC Fourth Harbour Engineering Co., Ltd.	107,815,595	245,411,954
CCCC First Harbour Engineering Co., Ltd.	66,815,944	41,343,479
CCCC Third Harbour Engineering Co., Ltd.	63,257,266	85,007,269
Tianjin Port and Waterway Engineering Co., Ltd.	55,718,741	-
Shandong CCCC Shipping Engineering Co., Ltd.	49,953,044	-
CCCC Second Harbour Engineering Co., Ltd.	45,790,654	-
Tangshan Caofeidian Dredging Co., Ltd.	23,971,120	-
CCCC Third Harbour Consultants Co., Ltd.	23,537,632	-
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	21,088,780	-
PetroChina CCCC Oil Products Sales Co., Ltd.	15,232,154	47,436,367
Shenhua Shanghai Dredging Co., Ltd.	14,524,579	14,284,004
CCCC Highway ConsultantsCo., Ltd.	8,926,853	605,577
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	-	25,000,000
Others	21,686,972	39,753,681
	1,642,179,591	1,097,283,261

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (continued)

(j) Contract liability/Receipts in advance

	31 December 2018	31 December 2017
China Road & Brige	197,203,404	-
CCCC Fourth Harbour Engineering Co.,	148,636,543	51,658,705
Fuyang CCCC SDC Donghua Water	127,174,500	-
CCCC	125,226,613	96,454,827
CCCC Water Tranportation Consultants	79,048,695	-
CCCC Indonesia Co., Ltd.	53,595,159	102,931,149
CCCC (M)SDN BHD	48,911,941	-
China Harbour Engineering Co., Ltd.	32,176,570	250,461,124
CCCC Ocean Investment Holding Ltd.	29,901,150	-
CCCC (Maoming) Shuidongwan	25,729,289	398,308
CCCC Third Highway Engineering Co., Ltd.	25,033,778	-
CCCC Urban Investment Co., Ltd.	16,778,812	19,384,370
Chengdu Jinjiang Greenway Construction	14,569,756	120,000
CCCC First Harbour Consultants Co., Ltd.	14,371,200	-
CCCC Investment Co., Ltd.	13,473,498	25,816,927
Sanya Phoenix Island Internfational Cruise	266,979	7,089,612
Shenhua Shanghai Dredging Co., Ltd.	-	9,985,406
Others	10,474,681	6,377,765
	962,572,568	570,678,193

(k) Other payables

	31 December 2018	31 December 2017
CCCC	752,331,151	949,462,313
CCCC Xiong'an Financial Leasing Co.,	240,000,000	-
China Harbour Engineering Co., Ltd.	163,957,098	157,116,999
CCCC Haixi Investment Co., Ltd.	47,500,000	47,500,000
CCCC Third Harbour Engineering Co.,	38,612,105	25,209,438
CCCC First Harbour Engineering Co.,	4,064,714	10,828,950
Chuwa Bussan Co., Ltd.	6,025,084	19,602,600
Others	16,974,951	30,353,322
	1,269,465,103	1,240,073,622

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (continued)

(l) Long-term payables

	31 December 2018	31 December 2017
CCCC Financial Leasing Co., Ltd.	535,677,261	742,956,983
Guangdong Harbour Engineering Co., Ltd.	123,757,644	-
CCCC	104,498,426	59,613
CCCC First Harbour Engineering Co., Ltd.	79,088,022	5,540,046
CCCC First Harbour Consultants Co., Ltd.	20,984,699	-
CCCC Highway Consultants Co., Ltd.	8,350,865	-
CCCC Infrastructure Maintenance Group	7,961,509	-
Tianjin Port and Waterway Engineering Co., Ltd.	5,035,498	4,973,754
Tangshan Dredging Co., Ltd.	4,217,429	-
CCCC Third Harbour Consultants Co., Ltd.	3,681,475	-
CCCC Water Tranportation Consultants Co., Ltd.	1,680,728	-
CCCC Fourth Harbour Engineering Co., Ltd.	-	19,800,680
China Road&Bridge	-	8,322,498
	894,933,556	781,653,574

(m) Dividend payable

	31 December 2018	31 December 2017
CCCC	3,964,942,384	4,383,429,608
China Road & Brige	-	1,031,532
CCCC Haixi Investment Co., Ltd.	6,907,972	4,250,585
	3,971,850,356	4,388,711,725

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Commitments between the Group and related parties

The following are the commitments related to related parties that have been signed by the Group on the balance sheet date but are not required to be listed on the balance sheet:

(a) Provision of construction services

	2018	2017
CCCC	4,053,231,193	2,490,485,097
CCCC Fourth Harbour Engineering Co., Ltd.	2,709,502,873	674,633,447
CCCC Second Harbour Engineering Co., Ltd.	1,561,582,539	1,459,941,213
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd.	1,087,820,600	-
CCCC Water Tranportation Consultants Co., Ltd.	1,040,339,534	-
CCCC (Malaysia) Co., Ltd.	767,515,044	1,360,723,288
CCCC Investment Development Qidong Co., Ltd.	731,852,388	-
CCCC Investment Development Guigang Co., Ltd.	716,487,115	-
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	701,545,818	-
China Harbour Engineering Co., Ltd.	510,613,217	1,582,507,377
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	422,387,227	570,344,507
CCCC Urban Investment Co., Ltd.	397,251,690	388,995,052
Tianjin Port and Waterway Engineering Co., Ltd.	347,151,653	11,762,585
CCCC Indonesia Co., Ltd.	311,629,178	302,383,491
Tianjin Lingang Industrial Investment Holding Ltd.	302,239,382	303,763,460
Chifeng CCCC Investment Development Co., Ltd.	299,180,684	306,941,231
CCCC First Harbour Consultants Co., Ltd.	190,113,811	62,358,910
CCCC (Lianyungang) Construction and Development Co., Ltd.	154,118,850	154,118,850
Shenhua Shanghai Dredging Co., Ltd.	124,454,925	194,145,405
CCCC Third Harbour Engineering Co., Ltd.	107,190,828	96,591,402
CCCC Urban Investment Construction (Liyang)Co., Ltd.	54,937,821	43,980,261
CCCC First Harbour Engineering Co., Ltd.	53,894,112	3,297,840
Tangshan Caofeidian Dredging Co., Ltd.	44,932,988	23,461,200
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	35,606,705	-
CCCC Third Harbour Consultants Co., Ltd.	14,249,003	14,493,041
Sanya Phoenix Island Internfational Cruise Port Development Co., Ltd.	7,468,971	23,689,816
CCCC Investment Co., Ltd.	-	903,323,062
Others	9,541,258	5,378,261
	16,756,839,407	10,977,318,796

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Commitments between the Group and related parties (continued)

(b) Receipts of services

	2018	2017
CCCC First Harbour Engineering Co., Ltd.	1,196,144,356	170,939,015
CCCC Third Harbour Engineering Co., Ltd.	8,184,689	109,278,730
Tianjin Port and Waterway Engineering Co., Ltd.	-	59,000,000
	1,204,329,045	339,217,745

(c) Operating lease

	2018	2017
CCCC Financial Leasing Co., Ltd.	762,476,140	762,476,140
CCCC	7,521,000	-
	769,997,140	762,476,140

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

Capital commitments

The following are the capital expenditure commitments signed by the Group on the balance sheet date and not yet required to be shown on the balance sheet:

	2018	2017
Contracted, but not provided for		
Buildings, machinery and equipment and ships	134,628,033	272,722,697
Intangible assets - franchise rights	1,497,158,923	1,194,703,652
	1,631,786,956	1,467,426,349

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XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

The following are contingencies that occur on the balance sheet date but do not meet the requirements for recognition of liabilities and are not reflected in the financial statements:

(1) Contingent liabilities arising from pending litigations or arbitrations

	31 December 2018	31 December 2017
Contingent liabilities arising from pending litigations or arbitrations	157,574,086	129,654,929

(2) Contingent liabilities arising from the provision of guarantees

	31 December 2018	31 December 2017
Contingent liabilities arising from the provision of guarantees	1,590,078	46,855,600

(3) In 2017, the company issued RMB1.151 billion of asset-backed securities, of which the priority asset-backed securities were RMB1.04 billion. The company shall undertake the liquidity replenishment payment obligation for the difference between the allocated funds and the fixed income and principal of the priority asset-backed securities in each period of the special asset-backed securities program. The company assessed the likelihood of underperformance as low.

XII. Events after the balance sheet date

No siginificant events after the balance sheet date occurred.

XIII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

(1) Operating segments

The reporting segments of the Group are business units that offer different products or services or operate in different regions. Since various businesses or regions require different technologies and market strategies, the Group independently manages the production and operation activities of each reporting segment and evaluates its operating results separately to determine the allocation of resources and evaluate its performance.

The Group has four reporting segments, namely:

- Dredging business, such as dredging and maintenance dredging of the waterway infrastructure of ports, rivers and lakes (“dredging business”);
- Filling Land Reclamation Business ("landfilling and reclamation business");
- Pre and after services, such as dredging and landfilling related hydraulic engineering, foundation treatment, dredging and landfilling related survey and design, dredging and landfilling related equipment design, construction and maintenance, mapping and providing fuel ("pre and after dredging service");
- Environmental, marine engineering and trading business, including marine and port services, environmental engineering, offshore engineering and trading business ("environmental, offshore and trading business").

The inter-segment transfer price is determined by reference to the price at which the third party sells or provides services.

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XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Operating segments (Continued)

2018

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental, offshore and trading business	Inter-segment offset	Total
Revenue	11,152,093,289	11,174,917,569	7,302,636,397	5,117,637,582	518,922,600	34,228,362,237
Including: Revenue from external customers	11,128,920,576	10,911,709,230	7,070,094,849	5,117,637,582	-	34,228,362,237
Inter-segment sales	23,172,713	263,208,339	232,541,548	-	518,922,600	-
Cost of sales	9,564,612,700	8,921,067,362	6,355,216,618	4,956,378,073	518,922,600	29,278,352,153
Including: Cost from external customers	9,541,439,987	8,657,859,023	6,122,675,070	4,956,378,073	-	29,278,352,153
Inter-segment cost	23,172,713	263,208,339	232,541,548	-	518,922,600	-
Profit before tax						1,552,583,248
Income tax expenses						285,664,526
Net profit						1,266,918,722

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XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(1) Operating segments (Continued)

2017

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental, offshore and trading business	Inter-segment offset	Total
Revenue	14,353,251,815	12,153,101,139	6,507,997,294	2,254,436,900	687,065,873	34,581,721,275
Including: Revenue from external customers	14,075,554,018	11,760,807,527	6,490,947,515	2,254,412,215	-	34,581,721,275
Inter-segment sales	277,697,797	392,293,612	17,049,779	24,685	687,065,873	-
Cost of sales	12,687,403,343	10,000,876,335	5,423,840,413	2,243,974,027	687,065,873	29,669,028,245
Including: Cost from external customers	12,665,031,163	9,609,172,770	5,150,850,285	2,243,974,027	-	29,669,028,245
Inter-segment cost	22,372,180	391,703,565	272,990,128	-	687,065,873	-
Profit before tax						2,518,693,422
Income tax expenses						563,657,650
Net profit						1,955,035,772

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XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (continued)

(2) Other information

Geographical information

The total external transaction income of the Group in China and other countries and regions, and the total non-current assets of the Group other than financial assets, long-term equity investments and deferred income tax assets in domestic and other countries and regions are as follows:

Revenue from external customers

	2018	2017
Mainland China	27,699,446,397	26,956,799,322
Outside Mainland China	6,528,915,840	7,624,921,953
	34,228,362,237	34,581,721,275

Revenue from external customers is based on the locations of the customers

Total non-current assets

	31 December 2018	31 December 2017
Mainland China	18,307,944,216	17,652,796,692
Outside Mainland China	1,142,811,409	314,338,184
	19,450,755,625	17,967,134,876

Non-current asset information above is based on the locations of the non-current assets, excluding financial assets and deferred income tax assets.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer in 2018 (2017: Nil).

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XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Leases

(1) Financing leased fixed assets

The Group leases fixed assets through finance leases (Note V.14 (b)), and the future rent payables are summarized as follows:

	31 December 2018	31 December 2017
Less than 1 year (including 1 year)	416,551,740	458,720,551
1 to 2 years (including 2 years)	300,126,452	458,720,551
2 to 3 years (including 3 years)	239,201,998	349,362,434
Over 3 years	196,095,468	450,801,876
	1,151,975,658	1,717,605,412

As of December 31, 2018, the unrecognized financing expenses balance was RMB 100,660,606 (December 31, 2017: RMB 164,704,764).

(2) Operating lease commitment

As lessee, according to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

	31 December 2018	31 December 2017
Less than 1 year (including 1 year)	261,437,221	414,522,100
1 to 2 years (including 2 years)	129,276,523	119,704,079
2 to 3 years (including 3 years)	93,818,222	77,843,359
Over 3 years	561,680,716	532,755,712
	1,046,212,682	1,144,825,250

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and Bank Balance

	31 December 2018	31 December 2017
Cash on hand	350,889	690
Cash at banks	5,341,759,954	4,698,568,163
	5,342,110,843	4,698,568,853

2. Other receivables

	31 December 2018	31 December 2017
Dividends receivable	1,561,165,426	1,161,226,715
Due from subsidiary	11,291,862,137	7,585,569,544
Amount due from CCCC Subsidiary	288,718,137	88,219,383
Deposit receivable	2,135,093	192,870
Others	17,298,914	225,628
	13,161,179,707	8,835,434,140
Less: Provision for bad debts	37,845	-
	13,161,141,862	8,835,434,140

As at December 31, 2018, 98% of the Company's other receivables (December 31, 2017: 99%) came from dividends and advances from subsidiaries. The Company has assessed that the credit risk due to the receivables of its subsidiaries is extremely low.

3. Long-term equity investments

	31 December 2017	Transfer to/ Increase in investment	Decrease in investment	31 December 2018
Subsidiary (a)	25,776,606,375	313,217,130	(65,161,343)	26,024,662,162
Investment in joint ventures (b)	96,195,610	422,270,548	-	518,466,158
	25,872,801,985	735,487,678	(65,161,343)	26,543,128,320

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (continued)

(a) Subsidiary

	Accounting Method	Investment cost	31 Decembe 2017	Changes for the year	31 December 2018	Proportion of holding shares	Proportion of voting rights	Cash dividends declared this year
CCCC-SDC	Cost method	9,398,543,780	9,398,543,780	-	9,398,543,780	100%	100%	151,452,584
CCCC-TDC	Cost method	7,071,626,738	7,071,626,738	-	7,071,626,738	100%	100%	-
CCCC-GDC	Cost method	6,957,274,514	6,957,274,514	-	6,957,274,514	100%	100%	81,362,426
CCCC International Shipping Corporation	Cost method	65,161,343	65,161,343	(65,161,343)	-	-	-	-
Hongkong Marine Construction Limited (Note 1)	Cost method	-	-	221,410,800	221,410,800	25%	25%	-
CCCC Marine Construction and Development Co., Ltd.	Cost method	250,000,000	250,000,000	-	250,000,000	50%	50%	-
Eco-friendly	Cost method	634,000,000	634,000,000	-	634,000,000	63.4%	57%	-
CCCC Zhoushan Qiandao Central Business District Development Co., Ltd.	Cost method	1,400,000,000	1,400,000,000	-	1,400,000,000	70%	60%	-
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd. (Note 2)	Cost method	91,806,330	-	91,806,330	91,806,330	38%	38%	-
		25,868,412,705	25,776,606,375	248,055,787	26,024,662,162			232,815,010

Note 1: The remaining 75% of the shares and voting rights of Hong Kong Maritime are indirectly held by the company's subsidiaries CCCC-TDC, CCCC-SDC, CCCC-GDC, CCCC Marine and Eco-friendly.

Note 2: Among the remaining equity and voting rights of CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd. ,56% of the equity and voting rights are indirectly held by the company's subsidiaries CCCC-TDC, CCCC-SDC and CCCC-GDC.

Year ended 31 December 2018 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (continued)

(b) Joint ventures

	Accounting Method	Investment cost	31 December 2017	Changes for the year: Increase in investment	Changes for the year: Investment profits or losses under equity method	31 December 2018	Proportion of holding shares	Proportion of voting rights	Cash dividends declared this year
China Communications Construction Co., Ltd. Southern Latin America Regional Corporation	equity method	106,966,530	96,195,610	-	2,270,548	98,466,158	15%	15%	-
CCCC Xiong'an Financial Leasing Co., Ltd.	equity method	240,000,000	-	240,000,000	-	240,000,000	24%	24%	-
Yongding River Basin Investment Co., Ltd. (Note)	equity method	180,000,000	-	180,000,000	-	180,000,000	6%	30%	-
		526,966,530	96,195,610	420,000,000	2,270,548	518,466,158			-

Note: Yongding River Basin Investment Co., Ltd. was newly established this year and the company holds 6% of its equity. According to the company's articles of association, the company owns 11% of the voting rights in the board of directors of Yongding River Basin Investment Co., Ltd., which can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method. In addition, the Company and CCCC First Harbour Engineering Co., Ltd., CCCC First Highway Engineering Co., Ltd., CCCC Fourth Harbour Engineering Co., Ltd., CCCC Fourth Highway Engineering Co., Ltd., CCCC Investment Co., Ltd. CCCC Third Highway Engineering Co., Ltd. and CCCC Water Transportation ConsultantsCo., Ltd. signed a shareholding agreement. According to the agreement, the company will exercise the corresponding voting rights on its behalf. Therefore, the company holds a total of 30% of the voting rights.

Year ended 31 December 2018 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Other payables

	31 December 2018	31 December 2017
Interests payable	135,962,712	108,641,481
Dividends payable	990,771,789	978,100,044
Due to subsidiaries	9,361,652,887	10,086,414,917
Coping with CCCC's fellow subsidiary	415,382,865	7,071,282
Others	218,620,255	169,135,981
	11,122,390,508	11,349,363,705

As at 31 December 2018,the amount of significant other payables aged over one year was RMB 978,100,044 (December 31, 2017: RMB 651,904,291).
As at 31 December 2018, the amount of other payables of the company aged over one year was RMB13,233,588 (December 31, 2017: RMB 52,908,605).

5. Revenue and cost of sales

	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	937,490,150	937,733,901	15,943,297	15,745,543
Other operating revenue	11,079,304	2,434,220	9,785,116	5,557,695
	948,569,454	940,168,121	25,728,413	21,303,238

The company's principal operations revenue is engineering construction income. The Company regards it as a performance obligation fulfilled during a certain period of time, and recognizes revenue according to the progress of the performance. The operating income from Hong Kong, Macao and Taiwan is RMB 928,381,440, and the rest is from China (excluding Hong Kong, Macao and Taiwan).

Year ended 31 December 2018 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. General and administrative expenses

	2018	2017
Employee compensation costs	84,382,987	68,185,452
Traveling and transportation expenses	20,339,067	15,887,927
Office expenses	12,068,893	6,598,251
Professional agency service expenses	6,034,389	4,443,725
Depreciation expenses	2,943,948	794,026
Consulting expenses	1,215,237	801,542
Tax expenses	2,269	5,828
Others	11,756,137	6,221,680
	138,742,927	102,938,431

7. Finance costs

	2018	2017
Interest expenses	151,358,578	91,957,358
Less: Interest income	221,219,427	102,677,985
Exchange gains	(5,517)	(542,321)
Discounted interest	(17,646,551)	(5,717,104)
Others	95,296,971	83,687,168
	7,784,054	66,707,116

8. Investment income

	2018	2017
Investment income from long-term equity investment on subsidiaries (Note XIV.3 (a))	232,815,010	786,936,718
investment losses from disposal of subsidiaries	(28,737,755)	-
Long-term equity investment income accounted for by the equity method (Note XIV.3 (b))	2,270,548	(10,770,920)
	206,347,803	776,165,798

Year ended 31 December 2018 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Supplementary information to the consolidated statement of cash flows

(a) Reconciliation of net profit to cash flows generated from operating activities

	2018	2017
Net profit	87,456,215	789,164,255
Plus: Impairment of credit losses	(23,275,799)	-
Impairment losses on assets	-	(170,675,898)
Depreciation of fixed assets	4,828,899	5,975,426
Amortisation of intangible assets	1,943,498	376,295
Finance costs	252,748,149	169,674,913
Investment income	(206,347,803)	(776,165,798)
Increase in deferred tax assets	(150,053)	-
Increase in inventories	-	(145,439)
Increase in contract assets	(1,800,370)	-
Increase in operating receivables	(1,692,092,281)	(4,861,878,502)
Increase / (Decrease) in operating payables	(672,615,089)	4,455,950,318
Net Cash Flows Generated from Operating Activities	(2,249,304,634)	(387,724,430)

(b) Changes in cash and cash equivalents

	31 December 2018	31 December 2017
Cash and bank balances (Note XIV.1)	5,342,110,843	4,698,568,853
Including: Cash on hand	350,889	690
Cash at banks	5,341,759,954	4,698,568,163
Less: cash and bank balances with title restrictions	-	-
Cash and cash equivalents at the end of the year	5,342,110,843	4,698,568,853
Including: Cash and cash equivalents with title restrictions		
Bank deposits supervised by the owner	776,925,787	126,047,421

3. The audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2017 which were prepared in accordance with CASBE. In the audited financial statement of 2017, certain financial information of 2016 was restated. It is because CCCC Tianjin Dredging Company Limited completed the business combination under same control of CCCC (Fuqing) Investment Co., Ltd. on 1 July 2017, and under merger accounting, the respective financial information of CCCC Dredging for the year ended 31 December 2016 should have been restated (for details of the business combination, please refer to the note "VI.2 Business combination under common control" in the audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2017).

CCCC Dredging (Group) Co., Ltd.

Audited Financial Statements

31 December 2017

Important Notice

This set of audited financial statements is translated from the Chinese version. In the case where the English version does not conform to the Chinese version, the Chinese version shall prevail.

Independent Auditor's Report

Ernst & Young Hua Ming(2018)Shen Zi No.61357567_A01
CCCC Dredging (Group) Company Limited

To the shareholders of CCCC Dredging (Group) Company Limited:

1. OPINION

We have audited the financial statements of CCCC Dredging (Group) Company Limited (the "Company") which comprise the consolidated and company balance sheets as at 31 December 2017, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2017, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CASs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. OTHER INFORMATION

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

3. OTHER INFORMATION (Continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

4. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Company oversee the Group's financial reporting process.

5. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Ernst & Young Hua Ming(2018)Shen Zi No.61357567_A01
CCCC Dredging (Group) Company Limited

5. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS(Continued)

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

We communicate with those charged with governance regarding the auditing scope, time arrangement and significant audit findings, including significant deficiencies in internal control that we identified during our audit.

Ernst & Young Hua Ming LLP Chinese Certified Public Accountant: Zhang Yiqiang

Chinese Certified Public Accountant: Zhang Ying

Beijing, the People's Republic of China 27 March 2018

CCCC Dredging (Group) Company Limited
Consolidated Balance Sheet
31 December 2017 **Expressed in Renminbi Yuan**

Assets	**Note V**	**31 December 2017**	**31 December 2016 (Restated)**
Current Assets			
Currency funds	1	8,332,332,008	8,428,321,013
Notes receivable	2	1,974,246,290	358,308,593
Accounts receivable	3	11,210,388,178	15,943,559,539
Prepayments	4	1,094,461,262	778,223,114
Interests receivable		942,553	61,500
Dividends receivable		34,633,945	111,744,720
Other receivables	5	4,062,397,271	4,960,361,393
Inventories	6	13,012,226,963	10,437,832,647
Current portion of non-current assets		7,829,216,962	4,497,691,399
Other current assets	7	833,815,431	290,741,805
Total current assets		48,384,660,863	45,806,845,723
Non-current assets			
Available-for-sale financial assets	8	3,803,885,919	4,085,400,942
Long-term receivables	9	10,814,695,586	10,199,973,078
Long-term equity investments	10	4,691,428,642	2,822,661,021
Investment properties	11	95,694,636	92,598,964
Fixed assets	12	14,701,155,454	14,928,866,951
Construction in progress	13	1,373,481,488	805,378,001
Intangible assets	14	1,434,643,199	1,376,543,161
Goodwill	15	30,420,616	-
Long-term prepayments		76,891,833	94,308,037
Deferred tax assets	16	394,859,731	441,979,188
Other non-current assets	17	254,847,650	294,368,519
Total non-current assets		37,672,004,754	35,142,077,862
Total Assets		86,056,665,617	80,948,923,585

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Balance Sheet(Continued)
31 December 2017 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Note V	31 December 2017	31 December 2016 (Restated)
Current liabilities			
Short-term borrowings	19	6,253,500,412	4,726,495,352
Financial liabilities at fair value through profit or loss	20	-	6,391,967
Notes payable	21	2,132,097,828	1,387,180,845
Accounts payable	22	20,039,050,873	16,602,554,634
Receipts in advance	23	2,831,007,001	3,517,435,479
Employee benefits payable	24	67,455,917	29,679,395
Taxes and surcharges payable	25	769,644,158	664,838,489
Interests payable		270,629,269	394,918,438
Dividends payable	26	4,452,649,173	4,578,733,004
Other payables	27	2,846,245,462	2,086,750,661
Current portion of non-current liabilities	28	2,161,531,891	3,660,604,714
Other current liabilities	29	1,161,957,113	839,191,588
Total current liabilities		42,985,769,097	38,494,774,566
Non-current liabilities			
Long-term borrowings	19	3,377,453,767	3,304,924,955
Bonds payable	30	5,986,951,377	5,978,343,974
Long-term payables	31	2,981,288,619	3,729,119,979
Special payables		70,066,503	70,353,715
Deferred income	32	43,074,900	44,790,000
Long-term employee benefits payable	33	190,490,000	238,070,000
Deferred tax liabilities	16	203,819,521	415,082,490
Other non-current liabilities		87,810,151	59,126,506
Total non-current liabilities		12,940,954,838	13,839,811,619
Total liabilities		55,926,723,935	52,334,586,185

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Balance Sheet(Continued)
31 December 2017 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Note V	31 December 2017	31 December 2016 (Restated)
Owners' equity			
Paid-in capital	34	11,775,447,964	11,775,447,964
Capital reserves	35	6,665,992,434	6,941,377,683
Accumulated other comprehensive income	36	1,417,360,253	1,576,142,233
Specialised reserves	37	857,536,175	732,953,430
Surplus reserves	38	158,508,179	79,591,754
Retained earnings	39	7,768,843,991	6,168,417,526
Total equity attributable to owners of the parent		28,643,688,996	27,273,930,590
Non-controlling interests		1,486,252,686	1,340,406,810
Total equity		30,129,941,682	28,614,337,400
TOTAL LIABILITIES AND EQUITY		86,056,665,617	80,948,923,585

Notes to financial statements form part of the financial statements.

This financial statements have been signed by:

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Company Limited
Consolidated Income Statement
Year ended 31 December 2017 **Expressed in Renminbi Yuan**

	Note V	2017	2016 (Restated)
Revenue	40	34,581,721,275	31,549,219,201
Less: Cost of sales	40	29,669,028,245	26,004,219,171
Taxes and surcharges	41	100,456,183	386,611,268
Selling expenses		89,045,669	55,899,486
Administrative expenses	42	2,831,406,917	2,481,650,614
Finance expenses	43	812,229,080	260,107,176
Losses from impairment of assets	44	608,214,140	606,798,671
Add: Profit arising from changes in fair value	45	6,391,967	5,824,740
Investment income	46	1,935,866,561	625,842,470
Including: Income from investments in associates and joint ventures		174,727,408	45,708,914
Profit or loss arising from disposal of assets	47	26,260,189	(30,758,888)
Other Income	48	7,377,910	-
Operating profit		2,447,237,668	2,354,841,137
Add: Non-operating income	49	74,460,529	86,418,756
Less: Non-operating expenses	50	3,004,775	39,525,119
Profit before income taxes		2,518,693,422	2,401,734,774
Less: Income tax expenses	52	563,657,650	688,859,380
Net Profit		1,955,035,772	1,712,875,394
Including: Net profit of entity being absorbed before a business combination involving entities under common control		28,744,084	53,744,433
Classified by continuity of operations			
Profit or loss from continuing operations		1,955,035,772	1,712,875,394
Profit or loss from discontinued operations		-	-
Classified by ownership			
Profit or loss attributable to owners of the parent		2,009,374,366	1,769,063,233
Profit or loss attributable to non-controlling interests		(54,338,594)	(56,187,839)

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Income Statement(Continued)
Year ended 31 December 2017 **Expressed in Renminbi Yuan**

	Note V	2017	2016 (Restated)
Other comprehensive loss, net of tax		(158,400,727)	(291,967,498)
Other comprehensive loss, net of tax attributable to owners of the parent	36	(158,781,980)	(291,641,816)
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurement gains of losses of a defined benefit plan		7,382,500	7,566,500
Other comprehensive income that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(151,012,685)	(281,214,893)
Exchange differences on translation of foreign currency financial statements		(15,151,795)	(17,993,423)
Other comprehensive income, net of tax, attributable to non-controlling interests	36	381,253	(325,682)
Total comprehensive income		1,796,635,045	1,420,907,896
Including:			
Total comprehensive income attributable to owners of the parent		1,850,592,386	1,477,421,417
Total comprehensive income attributable to non-controlling interests		(53,957,341)	(56,513,521)

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2017

Expressed in Renminbi Yuan

	Note	Equity attributable to owners of the parent							Non-controlling interests	Total equity
		Paid-in capital	Capital reserve	Accumulated other comprehensive income	Specialised reserves	Surplus reserves	Unappropriated profit	Subtotal		
1. Balance at end of prior year		11,775,447,964	6,731,377,683	1,576,142,233	732,953,430	79,591,754	6,095,934,515	26,991,447,579	1,219,342,662	28,210,790,241
Business combination involving entities under common control(notes)	VI(2)	-	210,000,000	-	-	-	72,483,011	282,483,011	121,064,148	403,547,159
2. Balance at beginning of year (Restated)		11,775,447,964	6,941,377,683	1,576,142,233	732,953,430	79,591,754	6,168,417,526	27,273,930,590	1,340,406,810	28,614,337,400
3. Changes for the year										
(a)Total comprehensive income										
(1)Net profit		-	-	-	-	-	2,009,374,366	2,009,374,366	(54,338,594)	1,955,035,772
(2)Other comprehensive loss	V(36)	-	-	(158,781,980)	-	-	-	(158,781,980)	381,253	(158,400,727)
(b) Owners' contributions and reduction in capital										
(1) Business combination involving entities under common control (notes)	VI(2)	-	(278,647,289)	-	-	-	-	(278,647,289)	-	(278,647,289)
(2)Capital contributions by owners		-	1,477,063	-	-	-	-	1,477,063	201,894,142	203,371,205
(3)Others		-	1,784,977	-	-	-	-	1,784,977	-	1,784,977
(c) Profit distribution										
(1) Appropriation to surplus reserves		-	-	-	-	78,916,425	(78,916,425)	-	-	-
(2) Distribution to owners		-	-	-	-	-	(330,031,476)	(330,031,476)	(2,182,370)	(332,213,846)
(d) Specialised reserves										
(1) Appropriation for the year		-	-	-	412,684,880	-	-	412,684,880	91,445	412,776,325
(2) Utilisation for the year		-	-	-	(288,102,135)	-	-	(288,102,135)	-	(288,102,135)
4. Balance at end of year		11,775,447,964	6,665,992,434	1,417,360,253	857,536,175	158,508,179	7,768,843,991	28,643,688,996	1,486,252,686	30,129,941,682

Notes: As at 1 July 2017, the Group completed the merger of CCCC (Fuqing) Investment Co., Ltd. (hereinafter referred to as "CCCC Fuqing") under common control. See Notes VI(2).

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Statement of Changes in Equity(Continued)
Year ended 31 December 2016

Expressed in Renminbi Yuan

	Note	Equity attributable to owners of the parent							Non-controlling interests	Total equity
		Paid-in capital	Capital reserve	Accumulated other comprehensive income	Specialised reserves	Surplus reserves	Unappropriated profit	Subtotal		
1. Balance at end of prior year		11,775,447,964	6,731,486,213	1,867,784,049	653,754,903	78,370,680	4,365,713,459	25,472,557,268	584,299,309	26,056,856,577
Business combination involving entities under common control		-	210,000,000	-	-	-	40,944,216	250,944,216	107,547,521	358,491,737
2. Balance at beginning of year (Restated)		11,775,447,964	6,941,486,213	1,867,784,049	653,754,903	78,370,680	4,406,657,675	25,723,501,484	691,846,830	26,415,348,314
3. Changes for the year										
(a) Total comprehensive income										
(1) Net profit		-	-	-	-	-	1,769,063,233	1,769,063,233	(56,187,839)	1,712,875,394
(2) Other comprehensive income	V(36)	-	-	(291,641,816)	-	-	-	(291,641,816)	(325,682)	(291,967,498)
(b) Owners' contributions and reduction in capital										
(1) Capital contributions by owners		-	76,178	-	-	-	-	76,178	707,601,978	707,678,156
(2) Others		-	(184,708)	-	-	-	-	(184,708)	-	(184,708)
(c) Profit distribution										
(1) Appropriation to surplus reserves		-	-	-	-	1,221,074	(1,221,074)	-	-	-
(2) Distribution to owners		-	-	-	-	-	(6,082,308)	(6,082,308)	(2,606,703)	(8,689,011)
(d) Specialised reserves										
(1) Appropriation for the year		-	-	-	351,858,314	-	-	351,858,314	78,226	351,936,540
(2) Utilisation for the year		-	-	-	(272,659,787)	-	-	(272,659,787)	-	(272,659,787)
4. Balance at end of year (Restated)		11,775,447,964	6,941,377,683	1,576,142,233	732,953,430	79,591,754	6,168,417,526	27,273,930,590	1,340,406,810	28,614,337,400

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2017 — Expressed in Renminbi Yuan

	Note V	2017	2016 (Restated)
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from the sale of goods and the rendering of services		30,648,650,325	30,789,435,024
Receipts of taxes and surcharges refunds		294,793	145,326
Other cash receipts relating to operating activities	53(a)	425,373,816	464,254,388
Total cash inflows from operating activities		31,074,318,934	31,253,834,738
Cash payments for goods and services		(23,085,501,558)	(20,830,731,794)
Cash payments to and on behalf of employees		(2,311,138,870)	(2,112,481,656)
Payments of all types of taxes and surcharges		(1,610,601,707)	(1,917,623,851)
Other cash payments relating to operating activities	53(b)	(2,165,546,698)	(2,478,033,853)
Total cash outflows from operating activities		(29,172,788,833)	(27,338,871,154)
Net cash flows from operating activities	54(a)	1,901,530,101	3,914,963,584
2. . CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash receipts from returns of investments		4,036,531,258	521,003,675
Cash receipts from returns on investments		224,604,521	140,792,304
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		61,180,071	22,606,961
Other cash receipts relating to investing activities		166,021,796	105,441,102
Total cash inflows from investing activities		4,488,337,646	789,844,042
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(1,346,156,232)	(1,143,474,834)
Cash payments for investments		(4,139,339,491)	(1,336,254,064)
Net cash payments for acquisition of subsidiaries	54(b)	(28,236,796)	-
Net cash payments for disposal of of subsidiaries and other business units		-	(7,880,711)
Total cash outflows from investing activities		(5,513,732,519)	(2,487,609,609)
Net cash flows used in investing activities		(1,025,394,873)	(1,697,765,567)

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Consolidated Statement of Cash Flows (Continued)
Year ended 31 December 2017 **Expressed in Renminbi Yuan**

	Note V	2017	2016 (Restated)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		203,371,205	952,181,348
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		203,371,205	952,181,348
Cash receipts from borrowings		8,187,810,325	8,346,991,721
Cash receipts from issuing bonds		-	5,972,000,000
Other cash receipts relating to financing activities		371,651,500	489,597,563
Total cash inflows from financing activities		8,762,833,030	15,760,770,632
Cash repayments for debts		(7,806,115,105)	(13,852,896,221)
Cash payments for distribution of dividends or profit and interest expenses		(1,270,375,067)	(686,180,164)
Including: Profit and dividends paid to non-controlling shareholders of subsidiaries		-	(8,691,276)
Other cash payments relating to financing activities	53(c)	(443,722,561)	(1,024,807,106)
Total cash outflows from financing activities		(9,520,212,733)	(15,563,883,491)
Net cash flows from/(used in) financing activities		(757,379,703)	196,887,141
4. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(50,511,843)	28,348,432
5. NET INCREASE IN CASH AND CASH EQUIVALENTS	54(c)	68,243,682	2,442,433,590
Add: Cash and cash equivalents at beginning of year		8,088,856,377	5,646,422,787
6. CASH AND CASH EQUIVALENTSAT END OF YEAR	54(d)	8,157,100,059	8,088,856,377

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Company Balance Sheet
31 December 2017 **Expressed in Renminbi Yuan**

Assets	Note XIV	31 December 2017	31 December 2016
Current Assets			
Cash and cash balance	1	4,698,568,853	3,938,078,044
Notes receivable		597,372,113	881,915,737
Prepayments		1,350	25,000
Dividends receivable	2	1,161,226,715	1,130,595,965
Other receivables	3	7,674,207,425	5,170,408,965
Inventories		145,439	-
Current portion of non-current assets		1,709,178,807	131,591,967
Other current assets		-	490,892
Total current assets		15,840,700,702	11,253,106,570
Non-current assets			
Long-term receivables		163,088,704	150,933,424
Long-term equity investments	4	25,872,801,985	25,206,006,375
Fixed Assets		39,058,482	43,715,353
Intangible Assets		2,127,846	1,105,990
Total non-current assets		26,077,077,017	25,401,761,142
TOTAL ASSETS		41,917,777,719	36,654,867,712

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Company Balance Sheet (Continued)
31 December 2017 **Expressed in Renminbi Yuan**

LIABILITIES AND EQUITY	Note XIV	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings		500,000,000	-
Accounts payable		16,774,447	432,000
Receipts in advance		212,199	-
Employee benefits payable		6,228,901	-
Taxes and surcharges payable		4,139,106	1,109,350
Interests payables		108,641,481	110,659,726
Dividends payable	5	978,100,044	705,336,123
Other payables	6	10,262,622,180	6,267,588,268
Total current liabilities		11,876,718,358	7,085,125,467
Non-current liabilities			
Bonds payable		5,986,951,377	5,978,343,974
Total non-current liabilities		5,986,951,377	5,978,343,974
Total liabilities		17,863,669,735	13,063,469,441
Owners' equity			
Paid-in Capital		11,775,447,964	11,775,447,964
Capital reserves		11,745,491,507	11,745,491,507
Accumulated other comprehensive losses		(261,800)	-
Specialised reserves		3,011	-
Surplus reserve		158,508,179	79,591,754
Retained earnings/(losses)		374,919,123	(9,132,954)
Total equity		24,054,107,984	23,591,398,271
TOTAL LIABILITIES AND EQUITY		41,917,777,719	36,654,867,712

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Company Income Statement
Year ended 31 December 2017 **Expressed in Renminbi Yuan**

	Note XIV	2017	2016
Revenue	7	25,728,413	10,370,427
Less: Cost of sales	7	21,303,238	10,210,502
Taxes and surcharges		144,786	-
Administrative expenses	8	102,938,431	107,939,649
Finance expenses	9	66,707,116	34,009,977
Losses from impairment of assets	10	(170,675,898)	175,442,887
Add: Investment income	11	776,165,798	337,443,326
Including: Income from investments in associates and joint ventures		(10,770,920)	-
Profit or loss arising from disposal of assets		-	-
Other Income		-	-
Operating profit		781,476,538	20,210,738
Add: Non-operating income		37,717	-
Less: Non-operating expenses		(7,650,000)	8,000,000
Profit before income taxes		789,164,255	12,210,738
Less: Income tax expenses		-	-
Net profit		789,164,255	12,210,738
Including:			
Profit or loss from continuing operations		789,164,255	12,210,738
Profit or loss from discontinued operations		-	-
Other comprehensive loss, net of tax		(261,800)	-
Other comprehensive income that may be reclassified to profit or loss			
Exchange differences on translation of foreign currency financial statements		(261,800)	-
Total comprehensive income		788,902,455	12,210,738

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Company Statement of Changes in Equity
Year ended 31 December 2017

Expressed in Renminbi Yuan

	Paid-in capital	Capital reserve	Accumulated other comprehensive loss	Specialised reserves	Surplus reserves	Retained Earnings	Total equity
1. Balance at end of prior year	11,775,447,964	11,745,491,507	-	-	79,591,754	(9,132,954)	23,591,398,271
2. Changes for the year							
(a) Total comprehensive income							
(1) Net profit	-	-	-	-	-	789,164,255	789,164,255
(2) Other comprehensive loss	-	-	(261,800)	-	-	-	(261,800)
(b) Profit Distribution							
(1) Appropriation to surplus reserves	-	-	-	-	78,916,425	(78,916,425)	-
(2) Distribution to owners	-	-	-	-	-	(326,195,753)	(326,195,753)
(c) Specialised reserves							
(1) Appropriation for the year	-	-	-	3,011	-	-	3,011
3. Balance at end of year	11,775,447,964	11,745,491,507	(261,800)	3,011	158,508,179	374,919,123	24,054,107,984

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Company Statement of Changes in Equity (Continued)
Year ended 31 December 2016

Expressed in Renminbi Yuan

	Paid-in capital	Capital reserve	Surplus reserves	Unappropriated loss	Total Equity
1. Balance at end of prior year	11,775,447,964	11,745,491,507	78,370,680	(20,122,618)	23,579,187,533
2. Changes for the year					
(a) Total comprehensive income					
(1) Net profit	-	-	-	12,210,738	12,210,738
(b) Profit Distribution					
(1) Appropriation to surplus reserves	-	-	1,221,074	(1,221,074)	-
3. Balance at end of year	11,775,447,964	11,745,491,507	79,591,754	(9,132,954)	23,591,398,271

Notes to financial statements form part of the financial statements.

CCCC Dredging (Group) Company Limited
Company Statement of Cash Flows
Year ended 31 December 2017 **Expressed in Renminbi Yuan**

	Note XIV	2017	2016
1.CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		14,216,804	-
Receipts of tax and surcharges refunds		37,716	-
Other cash receipts relating to operating activities		2,199,468,530	4,769,932,814
Total cash inflows from operating activities		2,213,723,050	4,769,932,814
Cash payments for goods and services		(9,502,190)	(25,000)
Cash payments to and on behalf of employees		(60,449,085)	(36,926,944)
Payments of all types of taxes and surcharges		(759,691)	(4,403,251)
Other cash payments relating to operating activities		(2,530,736,514)	(5,156,564,029)
Total cash outflows from operating activities		(2,601,447,480)	(5,197,919,224)
Net cash flows used in operating activities	12(a)	(387,724,430)	(427,986,410)
2.CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from returns of investments		307,819,841	8,894,728
Total cash inflows from investing activities		307,819,841	8,894,728
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(1,417,571)	(1,059,266)
Cash payments for investments		(95,117,782)	(1,713,400,000)
Net cash payments for acquisition of subsidiaries and other business units		(570,600,000)	-
Total cash outflows from investing activities		(667,135,353)	(1,714,459,266)
Net cash flows used in investing activities		(359,315,512)	(1,705,564,538)

Notes to financial statements form part of the financial statements.

Year ended 31 December 2017 Expressed in Renminbi Yuan

	Note XIV	2017	2016
3.CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from borrowings		1,000,000,000	-
Cash receipts from issuing bonds		-	5,972,000,000
Other cash receipts relating to financing activities		1,146,385,564	-
Total cash inflows from financing activities		2,146,385,564	5,972,000,000
Cash repayments for debts		(500,000,000)	-
Cash payments for distribution of dividends or profit and interest expenses		(138,854,813)	(5,089,500)
Total cash outflows from financing activities		(638,854,813)	(5,089,500)
Net cash flows from financing activities		1,507,530,751	5,966,910,500
4. NET INCREASE IN CASH AND CASH EQUIVALENTS		760,490,809	3,833,359,552
Add: Cash and cash equivalents at beginning of year		3,938,078,044	104,718,492
5. CASH AND CASH EQUIVALENTS AT END OF YEAR	12(b)	4,698,568,853	3,938,078,044

Notes to financial statements form part of the financial statements.

I. CORPORATE INFORMATION

CCCC Dredging (Group) Co., Ltd. (the "Company") is a joint stock limited company with limited liability initiated by China Communications Construction Co., Ltd. ("CCCC") and its subsidiary, China Road & Bridge Corporation ("China Road & Bridge") on 7 May 2015. The registered address of the Company's head office is located at Room 3655E, No.360-9 Feihong Road, Hongkou District, Shanghai, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly consist of Channel dredging, port and waterway construction, international ship transportation, domestic waterway transportation, international maritime auxiliary business, domestic ship management business, water conservancy and hydropower construction project construction, geotechnical engineering survey, soil and water geological survey, engineering survey survey survey, mineral resources mining; technology development, technology service, technology transfer, technology consultation, professional construction of offshore petroleum construction engineering, port operation, environmental protection construction engineering, municipal public construction engineering, project investment management, equity investment management, etc.

The parent company is CCCC and the ultimate parent company of the Company is China Communications Construction Group Ltd. ("CCCG").

The financial statements were approved and authorised for issue by the board of directors on 27 March 2018.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "ASBEs")

The financial statements are presented on a going concern basis

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value . If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements .

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the impairment of receivables and the measurement of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets,and the capitalization conditions of R&D Expenses and the policy for revenue recognition, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements fairly and fully present the financial condition of the company and the group at 31 December 2017 and operation results and the cash flows for year 2017 in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting year is from 1 January to 31 December of calendar year.

3. Recording currency

The Company's functional and presentation currency is Renminbi ("RMB"). The currency unit is RMB Yuan (unless otherwise stated).

4. Business combination

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control .

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory . For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired . The combination date is the date on which the acquirer effectively obtains control of the party being acquired .

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party . The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve . If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings .

Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination . For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree . The acquisition date is the date on which the acquirer effectively obtains control of the acquiree .

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

4. Business combination(Continued)

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date .

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets . If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss .

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2017 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company etc.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. When the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, equities, income, expense and cash flows shall be fully offset during the consolidation.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

5. Consolidated financial statements (Continued)

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

The Group reassesses whether or not it controls an investee if any change in facts and circumstances indicates that there are changes to one or more of the three elements of control.

6. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand . Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value .

7. Foreign currency transactions and foreign currency translations

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions . Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date . All differences are recognized in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization for the purpose of acquisition, construction or production of qualifying assets . Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates .
Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items .

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements . All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all income and expense items in the statement of profit or loss and other comprehensive income are translated at the spot exchange rates at the transaction dates . Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income . When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period .

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows . The effect of changes in exchange rates on cash is presented as a reconciled item separately in the statement of cash flows .

8. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity .

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

8. Financial instruments (Continued)

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to write off the financial asset from the account and balance sheet, when the following conditions are met:

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

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss for the current period.

Regular way purchase or sale of financial assets are recognized and derecognized using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group undertakes to buy or sell a financial asset.

Classification and Measurement of Financial Assets

The financial assets of the Group are classified as borrowings and receivables and financial assets available for sale at the time of initial recognition. When financial assets are initially recognized, they are measured at fair value, and relevant transaction costs are included in their initial recognition amount.

The subsequent measurement of a financial asset is determined by its category:

Borrowings and receivables
Borrowings and receivables refer to non-derivative financial assets without quotation, fixed or determinable recovery amount in an active market. For such financial assets, the real interest rate method is adopted and the subsequent measurement is carried out according to the amortized cost. The profits or losses resulting from amortization or impairment are all included in the current profits and losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

8. Financial instruments (Continued)

Classification and Measurement of Financial Assets (continued)

Available-for-sale financial assets
Available-for-sale financial assets are those non-derivative financial assets that are on initial recognition designated as available for sale or are not classified as any of the aforesaid categories. After initial recognition, available-for-sale financial assets are measured at fair value. The discount/premium is amortized using effective interest method and recognized as interest income or expense. Changes in the fair value of an available-for-sale financial asset is recognized as other comprehensive income in capital reserve, except for impairment losses and exchange differences resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss is transferred to profit or loss for the current period. Dividends or interest income relating to an available-for-sale financial asset are recognized in profit or loss for the current period.

Investment in equity instruments that are not quoted in an active market and whose fair value cannot be reliably measured shall be measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

Financial liabilities measurement depending on classification:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated as at fair value through profit or loss. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial liabilities are recognized in the income statement of the current period.

Other financial liabilities
After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial instrument offset

At the same time, if the following conditions are met, the net amount of financial assets and liabilities offset by each other is shown on the balance sheet: they have the legal right to offset the recognized amount, and the legal right is currently enforceable; they plan to settle in net amount, or to liquidate the financial assets and to liquidate the financial liabilities at the same time.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

8. Financial instruments (Continued)

Derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge exchange rate risks. Derivative financial instruments are initially measured at the fair value of the day on which the derivative transaction contract is signed, and subsequently measured at its fair value. Derivative financial instruments with positive fair value are recognized as an asset and liabilities with negative fair value. However, for derivative financial instruments that are not quoted in an active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they are measured at cost.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of a financial asset. If there is objective evidence that the financial asset is impaired, the Company makes provision for the impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

Financial assets carried at amortized cost
If objective evidence shows that the financial assets carried at amortized cost are impaired, the carrying amount of the financial asset shall be reduced to the present value of the estimated future cash flow (excluding future credit losses that have not been incurred). The amount of reduction is recognized as an impairment loss in the income statement. Present value of the estimated future cash flow is discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition) and includes the value of any related collateral. If a borrowing has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

If a financial asset is individually significant, the Company assesses the asset individually for impairment, and recognizes the amount of impairment in the income statement if there is objective evidence of impairment. For a financial asset that is not individually significant, the Company can include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For financial assets that are not impaired upon individual tests (including financial assets that are individually significant or insignificant), impairment tests should be conducted on them again by including them in the group of financial assets. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

If subsequent to the recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in the income statement. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

8. Financial instruments (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial assets
When there is objective evidence that the asset is impaired, the cumulative loss from declines in fair value that had been recognized directly in other comprehensive income are removed from equity and recognized in the income statement. The amount of the accumulative loss that is removed from capital reserves and recognized in the income statement (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the income statement.

The objective evidence of impairment of investments in marketable equity instruments includes a serious or non-temporary decline in fair value. "Seriousness" is judged according to the degree that fair value is lower than cost, and "non-temporariness" is judged according to the length of the period when fair value is lower than cost. Where there is objective evidence of impairment, the accumulated losses transferred shall be the balance after deducting the current fair value and the impairment losses previously recorded in profits and losses for the purpose of obtaining costs. The impairment losses incurred in the investment of marketable equity instruments shall not be reversed through gains and losses. The increase in fair value after impairment shall be recognized directly in other comprehensive gains.

In determining what is "serious" or "non-temporary", it needs to be judged. Based on the extent or duration of the fair value below the cost, the Group shall make a judgment in combination with other factors.

Financial assets carried at cost
If objective evidence shows that the financial assets carried at cost are impaired, the difference between the present value discounted at the prevailing rate of return of similar financial assets and the book value of the financial asset are provided as a provision. The impairment loss recognized cannot be reversed.

Transfer of Financial Assets

If the Group has transferred almost all the risks and rewards in the ownership of financial assets to the transferee, it shall terminate the recognition of the financial assets; if it retains almost all the risks and rewards in the ownership of financial assets, it shall not terminate the recognition of the financial assets.

If the Group neither transfers nor retains almost all the risks and rewards in the ownership of financial assets, it shall deal with the following situations separately: if it abandons its control over the financial assets, terminates the recognition of the financial assets and identifies the assets and liabilities arising therefrom; if it does not abandon its control over the financial assets, it shall continue to be involved in the transfer in accordance with its continued involvement. The extent of the financial assets confirms the relevant financial assets and the liabilities accordingly.

If the transfer of financial assets is continued to be involved by providing financial guarantee, the assets formed by the continued involvement shall be confirmed according to the lower of the book value of the financial assets and the amount of financial guarantee. The amount of financial guarantee refers to the maximum amount that will be required to be repaid in the consideration received.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

9. Accounts receivable

Receivables include accounts receivable, other receivables, etc. The fair value of the contract or agreement price receivable from the purchaser or the recipient of the service shall be taken as the initial confirmation amount of the accounts receivable formed by the Group for the sale of goods or the provision of services to the outside world.

Receivables with significant individual amounts and separate provision for bad debts

For individual accounts receivable with significant amount, the impairment test shall be carried out separately. Provision for bad debts is made when there is objective evidence that the Group will not be able to recover the amount in accordance with the original terms of receivables.

The criteria for judging the significant amount of a single item are: the top five accounts receivable by a corporate company from third-party customers.

The method of drawing bad debts reserve for a single item with a significant amount is based on the difference between the present value of the expected future cash flow of the receivable and its book value.

Accounts Receivable for Bad Debt Provision Based on Credit Risk Characteristic Portfolio

The basis for determining combinations is as follows:

Portfolio	Method of provision for bad debts
Accounts Receivable due from CCCC and its subsidiaries	Normally no provision is made for bad debts
Retention (excluding quality retention)	Normally no provision is made for bad debts
Personal Borrowing and Reserve Fund for Employees	Normally no provision is made for bad debts
Aging	Age Analysis Method

In the above portfolio, the ratio of allowance for bad debts to accounts receivable and other receivables by age analysis is as follows:

	Accounts receivable Proportion (%)	Other receivable Proportion (%)
Within 6 months	-	-
6 months to one year	1	1
1 to 2 years	15	15
2 to 3 years	30	30
3 to 4 years	50	50
4 to 5 years	75	75
above 5 years	100	100

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

9. Accounts receivable(Continued)

Receivables for provision for bad debts, though not significant, are charged separately

When there is objective evidence that the Group will not be able to recover the receivables according to the original terms of the receivables, provision for bad debts will be made.

The provision for bad debts is calculated on the basis of the difference between the present value of the expected future cash flow of receivables and their book value.

10. Inventories

Inventories include raw materials, in-process products, development costs, developed products, inventory goods, turnover materials, which are measured at the lower of cost and net realizable value.

Inventory is initially measured at cost. Inventory costs include procurement costs, processing costs and other costs. The weighted average method is used to determine the actual cost of the inventory. Inventory goods and production costs include raw materials, direct labor and manufacturing costs allocated in a systematic manner under normal production capacity; development costs and product development costs include land costs, construction costs, capitalized interest, and other direct and indirect development costs related to real estate development; After completion, it will be carried over to the development product according to the actual cost; when developing the carrying-over cost of the product, it will be accounted for according to the actual cost.

The actual cost of construction is calculated, including direct material cost, direct labor cost, subcontracting cost, other direct cost and indirect cost of construction that should be allocated. On the balance sheet date, the accumulated construction contract cost and the recognized gross profit (loss) are greater than the amount of the settled price, and the difference is reflected as "completed and uncalculated" is included in the "contract assets" and shown as a current asset; the settled price is greater than the accumulated amount of the construction contract project under construction. The difference between the cost and the recognized gross profit (loss) is reflected in the fact that the "settled uncompleted" is included in the "contract liability" as a current liability.

Average amortization of project-specific materials in turnover materials during the project cycle is included in the current cost or cost. Other turnover materials are amortized according to the expected usage times and within a period of not more than three years. The current cost or cost is included. Low-value consumables and packages are amortized by one-time amortization method.

The Inventory System of Inventory Adopts the Sustainable Inventory System

At the balance sheet date, inventories are measured at the lower of cost or net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist, so that the net realizable value is higher than the carrying amount, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the decline in value of inventories. The amount of the reversal is recognized in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

10. Inventories(continued)

Net realizable value is, in the ordinary course, the estimated selling price of business less the estimated costs of completion, the estimated sales costs and relevant taxes. The provision for decline in value of inventories is made on an individual basis.

During the execution of the construction contract, if the expected total cost of the contract will exceed the expected total revenue of the contract, the anticipated loss provision of the contract will be calculated and included in the current cost.

11. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A long-term equity investment is initially measured at its initial investment cost on acquisition. For the long-term equity investment obtained through the business combination involving entities under common control, the share of the book value of the owner's equity in the final controlling party's consolidated financial statements is obtained as the initial investment cost on the combination date; the difference between the initial investment cost and the book value of the merger consideration, the capital reserve is adjusted (retained earnings are offset when the capital reserve is insufficient to offset); other comprehensive income before the merger date shall be treated on the same basis as the investee directly disposes of the relevant assets or liabilities when disposing of the investment. Shareholders' equity recognized as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, transferred to the current profit and loss on a pro-rata basis when the investment is still recognized as long-term equity investments after disposal, or transferred to the current profit or loss in its entirety when the investment is recognized as financial instruments after disposal. Long-term equity investment obtained through business combination not involving entities under common control, its initial investment cost is recognized as combination cost (if the business combination not envolving entities under common control is realized step by step through multiple transactions, the sum of the book value of the equity investment held by the purchaser before the purchase date and the new investment cost on the purchase date is taken as the initial investment cost). The cost of the merger includes the assets paid by the purchaser, the liabilities incurred or assumed, and the fair value of the issued equity securities; Other comprehensive income held prior to the purchase date as recognized by the equity method is accounted for using the same basis as the investee directly disposes related assets or liabilities. Shareholders' equity recognized as a result of changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the investee, transferred to the current profit and loss on a pro-rata basis when the investment is still recognized as long-term equity investments after disposal, or transferred to the current profit or loss in its entirety when the investment is recognized as financial instruments after disposal; the changes in the accumulated fair value of the equity investment held before the date of purchase as other equity instruments are included in other comprehensive income and are transferred to retained earnings when the cost method is accounted for. For the long-term equity investment obtained in addition to the long-term equity investment formed by the business combination, the initial investment cost is determined according to the following methods: the long-term equity investment obtained by paying cash, its initial investment costs include the actual investment purchase price, the expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment; The long-term equity investment obtained through the issuance of equity securities, the fair value of the issued equity securities is taken as its initial investment cost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

11. Long-term equity investments(Continued)

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's individual financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, after it has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's profit or loss after making appropriate adjustments to the investee's profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures (except for assets that constitute a business) (However, any loss arising from such transactions which are attributable to an impairment loss shall be recognised at its entirety). [For any long-term equity investment differences (debit side) arising from investments in joint ventures and associates held before the first-time adoption of ASBEs, the investment income or loss is recognised after deducting the debit balance to be amortised over the remaining period on a straight-line basis.] The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume further losses. The Group's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in the Group's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.

Upon disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the equity method due to disposal, all amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

11. Long-term equity investments (Continued)

disposed of the related assets or liabilities. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss in its entirety. When the Group continues to use the equity method, the amounts previously recognised in other comprehensive income are accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities and reclassified to profit or loss on a pro-rata basis. Equity previously recognised resulting from the investee's equity changes other than profit or loss, other comprehensive income and profit distribution is reclassified to profit or loss on a pro-rata basis.

12. Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both. Investment properties include land use rights leased out, buildings for rental purposes, and buildings that will be used for rental during construction or development.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Group uses the cost model for the subsequent measurement of its investment properties. Investment properties are depreciated or amortized for buildings and land use rights based on their estimated useful lives and net residual value rates. The useful lives, estimated net residual value rate and annual depreciation (amortization) rate of investment properties are as follows:

	Useful life	Estimated Net Residual Value rate	Annual Depreciation Rate
Building	30 years	-	3.30%
Land	50 years	-	2.00%

When the use of investment real estate is changed to self-use, the investment real estate is converted into fixed assets or intangible assets from the date of change. When the use of self-use real estate changes to earn rent or capital appreciation, the fixed assets or intangible assets are converted into investment real estate from the date of change. When a conversion occurs, the book value before conversion is used as the recorded value after conversion.

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

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

13. Fixed Assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

13. Fixed Assets (Continued)

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for its intended use.

Depreciation is calculated using the straight-line method, except for safety production funds. The useful lives, estimated residual value rates and annual depreciation rates of each category of the fixed assets are as follows:

	Useful life	Estimated Net Residual Value rate	Annual Depreciation Rate
Building	20-40 years	-	2.5%-5%
Vessels	10-25 years	5%-10%	3.6%-9.5%
Vehicles	5 years	-	20%
Machinery	5-20 years	-	5%-20%
Office equipment	3-5 years	-	20%-33.3%
Other equipment	2-3 years	-	33.3%-50%

Fixed assets that are held under finance leases are depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

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

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and make adjustments if necessary.

14. Construction in progress

Construction in progress represents buildings, vessels and machinery under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction.

Construction in progress is reclassified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for use.

15. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of the funds. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

15. Borrowing costs (Continued)

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment properties, inventories, etc.) that necessarily take a substantial period of time of acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

(1) Expenditures for the asset have been incurred;
(2) Borrowing costs have been incurred; and
(3) Activities that are necessary to acquire, construct or produce the asset for its intended use or sale have been undertaken.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised in profit or loss.

During the capitalisation period, the amount of interest eligible for capitalisation for each accounting period shall be determined as follows:

(1) Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
(2) Where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

16. Intangible assets

The Group's intangible assets include land use rights, franchise rights, software and patent rights.

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities under common control with a fair value that can be measured reliably are recognised separately as intangible assets and initially measured at the fair value at the date of acquisition. Intangible assets invested by state-owned shareholders during the restructuring of the company system are recorded at the value recognized by the state-owned assets management part.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

16. Intangible assets (Continued)

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

Intangible assets with a finite useful life are amortized using the straight-line method over their useful lives.

Land use rights are amortized on average over their estimated useful lives. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; they are accounted for as fixed assets if they cannot be reasonably allocated.

Franchise rights refer to intangible assets recognized during the construction period in accordance with the intangible assets model under construction, operation and transfer contracts ("BOT" contracts). The franchise project is amortized using the straight-line method based on the expected realization of the economic benefits associated with the project during operations.

The software is recognized at the actual price paid at the time of acquisition and is amortized on average over the estimated useful life of 1 to 10 years.

The patent rights are recognized at the value confirmed by the investing parties or the price actually paid, and are amortized on average over the estimated useful life or the useful life specified in the contract.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at least at each year end and makes adjustment if necessary.

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

17. Impairment of assets

The Group shall determine the impairment of assets other than inventory, deferred income tax and financial assets using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for their intended use are tested for impairment each year.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

17. Impairment of assets (Continued)

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount by the Group. The reduction in the carrying amount is treated as an impairment loss and recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups unless it is impossible to allocate to the related asset groups, in which case it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When testing an asset group (a set of asset groups) to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group (set of asset groups), excluding the amount of goodwill allocated, for impairment, i.e., the Group determines and compares the recoverable amount with the related carrying amount and recognises any impairment loss. After that, the Group tests the asset group (set of asset groups), including goodwill, for impairment, the carrying amount of the related asset group (set of asset groups) is compared to its recoverable amount. If the carrying amount of the asset group (set of asset groups) is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group (set of asset groups), and then used to reduce the carrying amount of other assets (other than the goodwill) within the asset group (set of asset groups), on a pro-rata basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

18. Long-term deferred expenses

Long-term expenses to be apportioned, including the improvement of operating rented fixed assets and other expenses that have already occurred but should be borne by the current and future periods and whose apportionment period is more than one year, shall be amortized in stages according to the expected benefit period, and shall be shown in terms of actual expenditure minus net accumulated amortization.

19. Employee benefits

Payroll are all forms of consideration or compensation given by the Group for obtaining services rendered by employees or for terminating working relationship. Payroll include short-term remuneration, post- employment benefits, severance benefits and other long-term staff benefits. The benefits provided to spouses, children, persons receiving maintenance, widows or widowers of deceased staff and other beneficiaries are also included in payroll.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

19. Employee benefits (Continued)

Salary

During the accounting period in which employees provide services, the short-term remuneration actually incurred shall be recognized as liabilities and included in current profits and losses or the cost of related assets.

Post-employment benefits

The Group classifies post-employment benefits plans into withdrawal plans and benefit plans.Setting up a withdrawal plan is the group's post-employment benefits plan that no longer assumes the obligation to pay further after depositing a fixed fee to an independent fund; Benefit plan is the post-employment benefits plan in addition to deposit plan. During the reporting period, the basic pension paid for employees in the Group's after-service benefits, unemployment insurance and the enterprise annuity plan established for employees who retire after December 31, 2005 belong to the set-up withdrawal plan; Supplementary retirement benefits provided by employees who retired before 31 December 2005 belong to the benefit plan.

Pension obligations
Employees of the Group have participated in the basic social endowment insurance organized and implemented by the local labor and social security departments. The group pays pension premiums to local social basic endowment insurance agencies on a monthly basis in accordance with the local basic social endowment insurance payment base and proportion. After retirement, the local labor and social security departments have the responsibility to pay the basic social pension to the retired employees. During the accounting period in which the employees provide services, the Group shall recognize the amount payable in accordance with the above-mentioned social security provisions as liabilities and include the current profits and losses or the cost of related assets.

Supplementary retirement benefits
For employees who retired before 31 December 2005, in addition to the insurance system prescribed by the State, the Group also provides supplementary retirement benefits, which are defined as benefit plans. The present value of the obligation to set a benefit plan is calculated annually by an independent actuary using the expected cumulative welfare unit method based on the interest rate of national debt similar to the duration and currency of the obligation. The net liabilities after setting the present value of the Beneficiary Plan obligation minus the fair value of the planned assets are shown below in the long-term payable remuneration of employees in the balance sheet. The service costs associated with supplementary retirement benefits (including current service costs, past service costs and settlement gains or losses) and the net interest based on the net liabilities of the Beneficiary Plan and the appropriate discount rate are included in the current profits and losses or related assets costs, and the changes resulting from the net liabilities of the Beneficiary Plan are recounted in the changes resulting from the redefinition of the net liabilities of the beneficiary plan. He has a comprehensive income. The supplementary retirement benefits provided by the Group for employees who retired before 31 December 2005 belong to the established benefit plan.

For employees who retire after December 31, 2005, in addition to the basic social pension insurance, the Group establishes an enterprise annuity plan in accordance with the relevant policies of the state enterprise annuity system. The Group draws an annuity according to a certain proportion of the total wages, and the corresponding expenditures are recorded in current profits and losses. The supplementary retirement benefits belong to the set-up withdrawal plan.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

19. Employee benefits (Continued)

Termination benefits

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

Early retired benefits

The Group provides internal refund benefits to employees accepting internal retirement arrangements. Internal refund benefits refer to wages paid to employees who have not reached the retirement age stipulated by the state, who have voluntarily withdrawn from their jobs with the approval of the management of the group, and social insurance premiums paid for them. From the date of the commencement of the internal retirement arrangement until the employees reach the normal retirement age, the Group shall pay the internal retirement benefits to the retired employees. For the internal retirement benefits, the Group shall conduct accounting treatment by referring to the retirement benefits. When meeting the relevant confirmation conditions for the retirement benefits, it shall recognize the salaries and social insurance premiums of the internal retirement workers to be paid from the day when the employees cease to provide services to the normal retirement date as liabilities and include them in the profits and losses of the current period at one time. The difference caused by the change of actuarial hypothesis and the adjustment of welfare standard is included in the current profit and loss when it occurs.

The retirement benefits expected to be paid within one year from the balance sheet date are listed as current liabilities.

20. Provision

In addition to contingent consideration and contingent liabilities incurred in mergers of enterprises not under the same control, the Group recognizes contingent liabilities as anticipated liabilities when the obligations relating to contingencies satisfy the following conditions at the same time:

(1) This obligation is the current obligation of the Group;
(2) The fulfilment of this obligation is likely to result in the outflow of economic interests from the Group;
(3) The amount of the obligation can be reliably measured.

The estimated liabilities are initially measured according to the best estimate of the expenditure required to fulfil the relevant current obligations, taking into account the risks, uncertainties and time value of money associated with contingencies. The book value of the estimated liabilities is reviewed on each balance sheet date. If there is conclusive evidence that the book value does not reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

The contingent liabilities of the purchased party acquired in the merger of enterprises under different control are measured at the fair value at the time of initial confirmation. After initial confirmation, the balance after the confirmation of the expected liabilities and the initial confirmation amount are deducted from the accumulated amortization determined by the principle of income confirmation, and subsequently measured by the higher of the two.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

21. Revenue

Revenue is recognized only when it is probable that the associated economic benefits will flow to the Group, its amount can be measured reliably, and the following conditions are satisfied.

Construction services

On the balance sheet date, when the results of the construction contract can be reliably estimated, the Group confirms the revenue and cost of the construction contract according to the completion percentage method. According to the nature of the contract, the percentage of completed works is as follows: (1) the proportion of contract cost to the estimated total cost of the contract arising from the project being executed at that time; (2) the proportion of the quantity of works confirmed by supervision to the estimated total workload of the contract; or (3) the calculation of the actual measured completion schedule of the contract works.

A reliable estimate of the results of a construction contract means that the following conditions are met at the same time:

(1) Total contract revenue can be measured reliably;
(2) The economic benefits associated with the contract are likely to flow into the group;
(3) The schedule of contract completion on the balance sheet date and the costs to be incurred to complete the contract can be reliably determined;
(4) The contract costs incurred in order to complete the contract can be clearly distinguished and reliably measured so that the actual contract costs can be compared with the previous expected costs.

When the results of the construction contract cannot be reliably estimated, the Group recognizes the revenue from the construction contract based on the actual contract costs that have occurred and are expected to be recoverable, and the contract costs are recognized as contract costs in the current period of their occurrence. If the contract cost cannot be recovered, it shall be recognized as the contract cost immediately when it occurs and the contract income shall not be recognized. If the estimated total cost of the construction contract exceeds the estimated total revenue, the estimated loss shall be recognized as the current cost immediately.

The total amount of contract income, including the initial income stipulated in the contract and the income formed by contract changes, claims, awards, etc.

Revenue From the Sales of Goods

Revenue is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable under contract or agreement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

21. Revenue (Continued)

Revenue From Providing Services

When the results of providing services can be reliably estimated, the Group recognizes the income and cost of providing services on the balance sheet date based on the percentage of completion method. According to the nature of the contract, the percentage of completion is calculated as (1) the proportion of the estimated total cost of the services performed at that time; or (2) the confirmed workload; or (3) the proportion of the services provided to the total amount of services to be provided. Including royalty income under franchise, economic benefits are likely to flow into the group, and the results of the provision of services can be reliably estimated.

Concession contract (“BOT contract”)

Franchise activities under BOT contracts usually include construction, operation and transfer. At the construction stage, the contract revenue and cost of construction service shall be confirmed in accordance with the accounting policy of the construction contract. Income from construction contracts is measured at the fair value of collection or consideration receivable, and financial assets or intangible assets are recognized at the same time as income is recognized in the following cases:

(1) The contract stipulates that within a certain period after the completion of the infrastructure, the Group may unconditionally collect money or other financial assets of a specified amount from the contract grantor, and recognize financial assets while recognizing revenue;
(2) The contract stipulates that the Group shall have the right to collect fees from the recipients of services within a certain period of time after the completion of the relevant infrastructure, but if the amount of fees is uncertain, the right does not constitute an unconditional right to collect cash. The Group shall recognize intangible assets while recognizing revenue. It shall be amortized by straight-line method from the date of completion and acceptance of the project to the date of operation and extension or termination of the franchise.

If the Group fails to provide actual construction services and contracts infrastructure construction to other parties, it does not recognize the revenue from construction services and, in accordance with the project price paid in the construction process and other provisions of the contract, recognizes respectively as financial assets or intangible assets.

In the operation stage, when providing labor services, the corresponding revenue is recognized; the daily maintenance or repair expenses incurred are recognized as current expenses.

The contract stipulates that in order to maintain a certain service capacity for the relevant infrastructure or to maintain a certain state of use before handing over to the contract grantor, the current obligations of the Group in expenditure expected to occur are partially recognized as an anticipated liability.

Construction and transfer contracts (“BT contracts”)

Activities under BT contracts usually include construction and transfer. For the construction services provided by the Group, in the construction stage, the revenue and cost of relevant construction services contracts are confirmed in accordance with the accounting policy of the construction contracts, and the income of construction contracts is measured at the fair value of the consideration chargeable, while the "long-term receivables" are confirmed. The real interest rate method is adopted and the balance cost is measured to be received by the owners. After payment is made, write-offs are made.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Revenue (Continued)

Interest Income

It is determined according to the length of time for which the Group's cash and cash equivalents is used by others and the effective interest rate.

Lease income

The rental income of operating lease is confirmed by the straight line method during each period of the lease period, and the contingent rent is included in the profits and losses of the current period when it actually occurs.

22. Government grants

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

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

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related expenses are recognised . If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period . If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period .

Government subsidies related to assets shall reduce the book value of related assets; or they shall be recognized as deferred gains and losses by stages in accordance with reasonable and systematic methods during the service life of relevant assets (but government subsidies measured in nominal amounts shall be directly included in current profits and losses). Relevant assets shall be sold or transferred before the end of their service life. In case of transfer, scrapping or damage, the balance of relevant deferred earnings not yet allocated shall be transferred to the profits and losses of the current period of asset disposal.

23. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in other comprehensive income or shareholders' equity if it arises from a transaction or event which is recognised directly in other comprehensive income or shareholders' equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

23. Income tax (Continued)

Current tax assets and liabilities arising from the current and prior periods are measured at the amount expected to be refunded or paid according to the taxation laws and regulations.

Based on the temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base; and the temporary differences arising from the differences between the carrying amount of some items that have a tax base but are not recognized as assets and liabilities and its tax base, the Group adopts liability method for provision of deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

(1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss; or
(2) taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

(1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss; or
(2) deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

23. Income tax (Continued)

When the following conditions are met, the deferred income tax assets and deferred income tax liabilities are shown in net amounts as follows: The legal right to have a net settlement of the current income tax assets and the current income tax liabilities Deferred income tax assets and deferred income tax liabilities are related to the income tax levied on the same taxable entity by the same tax collection department or to different tax payers, but in the period of the return of each important deferred income tax asset and deferred income tax liability in the future,The taxpayer concerned is intended to settle the current income tax assets and the current income tax liabilities at the same time, or to obtain the assets and repay the debts.

24. Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. All the other leases are treated as operating leases.

As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss when incurred.

As lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessee of a finance lease

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

25. Distribution of profit

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

26. Safety production expense

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation <CaiQi [2012]No.16> and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

27. Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

28. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

<u>Judgements</u>

In the process of applying the Group's accounting policies, management has made the following judgements which have significant impacts on the amounts recognised in the financial statements:

Determination of control over investees
The Group invests in several infrastructure construction project companies. Based on the assessment in accordance with the Accounting Standard for Business Enterprise No. 33 – Consolidated Financial Statements and Accounting Standard for Business Enterprise No. 2 – Long-term Equity Investments, the Group determines whether it has actual control of the invested companies. Where the Group exercise actual control, the group shall include the invested enterprise in the scope of consolidated financial statements. In the case that the Group does not actually control the invested enterprise but exercises joint control with other parties or can only exert significant influence on the invested enterprise, the Group will regards the invested enterprise as a joint venture or joint venture.

<u>Estimation uncertainty</u>

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below:

Construction and service contracts
Recognition of the revenue and cost of construction and service contracts is subject to management's judgment. If it is anticipated that there will be losses in construction and service contracts, such losses shall be recognized as current costs. The management of the Group estimates the possible loss according to the construction and service contract budget. Due to the characteristics of infrastructure, design and sparse business, contract signing date and project completion date are often attributed to different accounting periods. During the progress of the contract, the Group continuously reviews and revises the estimated total revenue and total estimated cost of the contract.

In accordance with the terms of the contract, the Group shall continuously monitor the payment progress of the owner, and regularly evaluate the credit standing of the owner. If it is indicated that the owner is likely to default on the payment of all or part of the contract price, or the owner is unable to fulfill the relevant obligations stipulated in the terms of the contract, the Group will re-evaluate the impact of the matter on the consolidated financial statements and may modify the amount of the expected loss in the contract. This change will be reflected in the Group's current financial statements, where it is necessary to reassess and revise the estimated contract losses.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty(Continued)

Impairment of concession assets
The Group evaluates the franchise on the balance sheet date for any indication of impairment. If there is any sign of impairment, the Group will conduct an impairment test on it and make an impairment provision according to the difference between the recoverable amount and its book value and record the impairment loss. The recoverable amount of the franchise shall be determined according to the fair value less the disposal cost and the usable value. The useable value is generally based on the present value of the future cash flow of the franchise. That is to say, the discounted amount is determined according to the expected future cash flow generated during the continuous use of the franchise and the appropriate discount rate is selected. The estimated future cash flow is based on the estimated revenue from franchise services provided and other franchise income minus necessary maintenance and operating costs.

Impairment of account receivable
The Group estimates the historical experience of receivables, the financial status of customers and the guarantees provided by customers (if any) based on current market conditions. The Group regularly reassesses the adequacy of bad debt provision for receivables. If the assumptions and estimates used in the review change, the change will affect the bad debt provision for the receivables during the estimated change period.

Impairment of available-for-sale equity investment
The Group mainly determines whether the available-for-sale equity investment is impaired according to the requirements of the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". The determination of the impairment is subject to significant judgment. The Group's assessment of the Group's financial position and short-term business outlook, including industry and segment performance, technology changes and operations, and the Group's financial position and short-term business outlook Factors such as financing cash flow.

Impairment of goodwill
The Group tests whether goodwill is impaired at least annually. This requires an estimate of the present value of the future cash flows of the asset group or combination of asset groups to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to estimate the cash flows generated by future asset groups or asset group combinations, and select the appropriate discount rate to determine the present value of future cash flows, referred in notes V. 15.

Deferred tax asset
All unutilized deductible losses shall be recognized as deferred tax assets to the extent that there is likely to be sufficient taxable income to offset deductible losses. This requires the management to exercise a lot of judgment to estimate the time and amount of future taxable income, and combine tax planning strategies to determine the amount of deferred tax assets to be recognized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

28. Significant accounting judgements and estimates (Continued)

Estimation uncertainty(Continued)

Determination of fair value of financial instruments
The fair value of a financial instrument traded in an active market is based on the market quote on the balance sheet date. A market is deemed to be active if an offer is readily and regularly available to an exchange, securities firm, broker, trade body, quotation service or regulatory agency and represents an actual or regular market transaction conducted on a fair trading basis. The fair value of financial instruments without active market is confirmed by valuation method. The Group selects a variety of methods in accordance with its judgment and makes assumptions mainly based on the prevailing market conditions on each balance sheet date.

The Group's judgment based on market conditions at the balance sheet date and the valuation method adopted may be affected by changes in market conditions, which may cause the actual results to differ from those of the following year.

Depreciation of fixed assets
The depreciation of the Group's fixed assets is calculated and withdrawn by the straight-line method within the expected service life by subtracting the expected net salvage value from the recorded value of the assets. The Group regularly evaluates the expected service life and expected net salvage value to ensure that the depreciation method and depreciation rate are consistent with the expected economic benefit realization mode of fixed assets. The Group's estimates of the expected life and net residual value of fixed assets are based on historical experience and take into account expected technical updates. When the estimated service life and estimated net residual value change significantly, depreciation expense may need to be adjusted accordingly. Therefore, the estimated result based on existing experience may be different from the actual result of the next year, which may lead to significant adjustment of the book value and accumulated depreciation amount of fixed assets.

Supplementary benefits for retired employees
The Group undertakes the supplementary benefit expense for retired employees, which is the responsibility of setting benefit plan. Its present value depends on a number of actuarial assumptions, including the discount rate. Any change in these assumptions will affect the carrying value of the retiree benefit liabilities payable.

The Group reevaluates the discount rate it uses to calculate the present value of the liabilities of pension benefits for retired employees every year. The Group reassessed by reference to the currency used to pay future supplementary benefits to retired employees and the interest rate on Treasury bonds corresponding to the payment period.

Other actuarial assumptions are based on current market conditions, referred in Notes V, 33.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES(CONTINUED)

29. Changes in accounting policies

Presentation of Gains or Losses from Disposal of Assets

Prior to the release of Cai Kuai No .30 Document, the Group's gains or losses recognised from disposal of non-current assets held-for-sale (other than financial instruments, long-term equity investments and investment properties) and disposal groups (other than subsidiaries and business), as well as gains or losses arising from disposal of fixed assets, construction in progress and intangible assets not categorised as held for sale have been presented under the items of "non-operating income"/"non-operating expense" . After the release of Cai Kuai No .30 Document, the aforesaid gains or losses are presented under the items of "gains/losses from disposal of assets" . The Group has accounted for the above change by using retrospective application, and adjusted comparative figures of the prior year .

Government Grants

According to the Accounting Standards for Business Enterprises No .16-
Government Grants (Revised), The Group separately presents "other income" items above the "operating profit" items in the profit statement, and the government subsidies related to the daily activities of the enterprise are changed from "non-operating income" to "other income". According to the convergence provisions of the criteria, the Group provides government subsidies that exist before January 1, 2017. The new government subsidies between January 1, 2017 and the date of implementation of the guidelines (June 12, 2017) are adjusted in accordance with the future applicable law. The change of accounting policy has no effect on merger, net profit and shareholder's equity.

IV. TAXES

1. Major categories of taxes and respective tax rates

Enterprise income tax ("EIT")	All enterprises are subject to EIT at 25% except for some domestic subsidiaries qualified for tax preferential(Note IV, 2) and overseas subsidiaries that are subject to EIT in accordance with the local tax laws applicable to the jurisdiction where the company was registered.
Value-added tax	For the Company and certain subsidiaries which are recognised as general VAT payers, VAT payable is imposed on the taxable sales amount multiplied by the tax rate of 6%, 11% or 17%(output-VAT), less deductible input-VAT of the current period. VAT of other subsidiaries recognised as small scale taxpayers is levied at the rate of 3%. According to the relevant tax laws and regulations (Provisions on the Pilot Program of Replacing Business Tax with Value-Added Tax) issued by the ministry of finance and the state administration of taxation in 2016, the Group's construction of old projects are calculated according to the simple tax method, and the tax payable is calculated at 3% of the taxable income.
Business tax	since 1 May 2016 the Group’s income from dredging business, landfilling business and other related services is subject to VAT, with a tax rate of 6% and 11%. Business tax is applicable to these businesses before 1 May 2016, and the tax rate is 3% and 5%.
Land appreciation tax ("LAT")	calculate LAT based on the appreciation amount arising from the transfer of properties and the extra progressive tax rate.
City maintenance and construction tax (“CCT”)	Based on the actual VAT 1%, 5% or 7% and circulation tax payment.

Expressed in Renminbi Yuan

IV. TAXES(CONTINUED)

2. Tax preference

The corporate income tax preferences enjoyed by the main subsidiaries of the Group are summarized as follows:

	Preferential tax rate		Income tax preferential policy
	2017	2016	
CCCC Guangzhou Dredging Company Limited("CCCC-GDC")	15%	25%	Enjoy high-tech enterprise tax preferential policies, valid from 2017 to until 2019
CCCC Guangzhou Water Transport Engineering Design and Consultants Co., Ltd.	15%	25%	Enjoy high-tech enterprise tax preferential policies, valid until 2017 to until 2019
CCCC Tianjin Dredging Company Limited ("CCCC-TDC")	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
CCCC TDC Environmental Protection Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
CCCC TDC Southern Traffic Construction Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
CCCC TDC Binhai Environmental Protection Navigation Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
CCCC TDC Harbour Construction Engineering Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
CCCC (Tianjin) Ecological Design Institute Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
CCCC TDC Yantai Environmental Protection Dredging Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2018
Shanghai Dahua Surveying and Mapping Co., Ltd.	15%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2017
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd.	12.5%	12.5%	Enjoy Pudong New Zone high-tech enterprise tax preferential policies, valid until 2017
Zhonggang Dredging Co., Ltd.	25%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2016
CCCC Shanghai Waterway Engineering Design and Consultants Co., Ltd.	25%	15%	Enjoy high-tech enterprise tax preferential policies, valid until 2016

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Currency funds

	31 December 2017	31 December 2016 (Restated)
Cash	8,199,712	11,536,886
Cash at banks	8,074,326,847	7,991,034,081
Others	249,805,449	425,750,046
	8,332,332,008	8,428,321,013

Other currency funds mainly include bank deposits, bank drafts, foreign exchange deposits, credit card deposits, etc. and restricted deposits. Restricted deposits (Note V(56)) mainly include bank acceptance bill deposits, performance bond deposits and letter of credit deposits.

As at 31 December 2017, the currency funds of the Group denominated in RMB amount to RMB1,632,284,381 (2016: RMB594,804,756). The RMB is not freely convertible into other currencies under Mainland China's Foreign Exchange Control Regulations. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. As at 31 December 2017, less than 3% (2016: less than 3%) of the currency funds 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 1 day to 6 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

2. Notes receivable

	31 December 2017	31 December 2016
Bank Acceptance Notes	926,787,697	327,028,610
Commercial Acceptance Notes	1,047,458,593	31,279,983
	1,974,246,290	358,308,593

Transfer of notes receivable see Notes VIII. 2.

As at 31 December 2017,no notes receivable transfer from to accounts receivables due to default of drawer(2016:Nil).

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable(continued)

Endorsed or discounted notes not due on balance sheet date:

	31 December 2017 Derecognition	31 December 2016 Derecognition
Bank Acceptance Notes	386,633,475	2,000,000

3. Accounts receivable

Term of credit of receivables varies from 1 month to 6 months and free of interest.

	31 December 2017	31 December 2016
Accounts receivable		
- CCCC and its subsidary	4,114,006,003	6,274,854,130
- Associates and joint ventures	836,753,519	491,483,006
- Third parties	9,171,628,415	11,898,870,484
	14,122,387,937	18,665,207,620
Less: provision for bad debts	2,911,999,759	2,721,648,081
	11,210,388,178	15,943,559,539

The movements of bad debts are as follows:

	Opening balance	Provision	Reversal	Write-off	Transfer out	Closing balance
2017	2,721,648,081	1,314,403,040	(1,123,807,562)	(243,800)	-	2,911,999,759
2016	2,160,378,708	1,221,094,121	(658,633,140)	-	(1,191,608)	2,721,648,081

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable(Continued)

(a) The risk of collection of accounts receivable from CCCC and its fellow subsidiaries is extremely low, so no provision for bad debts has been made.

The ageing analysis of accounts receivable from associates and joint ventures and third parties are as follows:

	31 December 2017	31 December 2016
Within 6 months	3,657,261,085	5,578,755,546
6 months to 1 year	1,136,771,303	1,540,690,366
1 to 2 years	1,644,816,573	2,189,619,782
2 to 3 years	1,431,267,520	979,848,606
3 to 4 years	773,411,016	760,004,754
4 to 5 years	262,578,950	496,840,596
Over 5 years	1,102,275,487	844,593,840
	10,008,381,934	12,390,353,490

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable(Continued)

(b) As at 31 December 2017, the bad debts from associates and joint ventures and third parties are as follows:

	31 December 2017				31 December 2016			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Subject to provision by aging group	9,217,348,142	92	(2,120,965,967)	23	11,797,664,253	95	(2,128,958,844)	18
Individually not significant but subject to separate provision for bad debts	791,033,792	8	(791,033,792)	100	592,689,237	5	(592,689,237)	100
	10,008,381,934	100	(2,911,999,759)	29	12,390,353,490	100	(2,721,648,081)	22

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable(Continued)

(c) Accounts receivable which are subject to provision by aging group were as follows:

	31 December 2017				31 December 2016			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 6 months	3,657,261,084	40	-	-	5,310,515,184	45	-	-
6 months to 1 year	1,136,771,303	12	(11,467,324)	1	1,521,174,570	13	(14,520,416)	1
1 to 2 years	1,368,060,417	15	(205,206,812)	15	1,955,844,545	17	(294,188,311)	15
2 to 3 years	998,018,948	11	(299,405,684)	30	979,848,606	8	(293,454,582)	30
3 to 4 years	773,411,015	8	(386,705,508)	50	760,004,754	6	(379,688,540)	50
4 to 5 years	262,578,949	3	(196,934,213)	75	492,678,396	4	(369,508,797)	75
Over 5 years	1,021,246,426	11	(1,021,246,426)	100	777,598,198	7	(777,598,198)	100
	9,217,348,142	100	(2,120,965,967)	23	11,797,664,253	100	(2,128,958,844)	18

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable(Continued)

(d) Accounts receivable, which are not individually significant but subject to separate provision for bad debts, are as follows:

31 December 2017	Gross Carrying amount	Provision for bad debts	Percentage	Reason
Company 1	231,273,023	(231,273,023)	100%	notes
Company 2	86,511,438	(86,511,438)	100%	notes
Company 3	75,819,900	(75,819,900)	100%	notes
Company 4	35,897,000	(35,897,000)	100%	notes
Company 5	29,243,396	(29,243,396)	100%	notes

31 December 2016	Gross Carrying amount	Provision for bad debts	Percentage	Reason
Company 1	86,511,438	(86,511,438)	100%	notes
Company 2	75,819,900	(75,819,900)	100%	notes
Company 3	49,243,396	(49,243,396)	100%	notes
Company 4	35,897,000	(35,897,000)	100%	notes
Company 5	23,095,792	(23,095,792)	100%	notes

Notes:Those customers purchase material and construction service from the group. The group made provison for receivable from those customers due to their financial constrain or defaulted record.

(e) In 2017, the Group recovered the amount of accounts receivable with a large proportion of bad debt provision for the previous year of RMB 57,204,743 (2016: RMB128,168,336).

(f) In 2017, the Group had accounts receivable actually written off of RMB 243,800 (2016: Nil).

(g) Accounts receivable from the five largest customers were as follows:

31 December 2017	Amount	Provision	Percentage of total accounts receivable
Total amount of top five receivables	4,149,384,753	(151,075,920)	29%

31 December 2016	Amount	Provision	Percentage of total accounts receivable
Total amount of top five receivables	6,058,413,714	(89,725,094)	32%

(h) Transfer of accounts receivable see note VIII. 2.

(i) Accounts receivable and notes receivable with restricted ownership see Notes V.56.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Prepayment

(a) Aging analysis of prepayments are listed below:

	31 December 2017		31 December 2016 (Restated)	
Aging	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year	988,334,984	90	704,563,630	91
1 to 2 years	74,324,193	7	56,272,987	7
2 to 3 years	18,343,718	2	15,343,597	2
Over 3 years	13,458,367	1	2,042,900	-
	1,094,461,262	100	778,223,114	100

As at 31 December 2017, the amount of prepayment whose aging exceeded one year was RMB106,126,278 (2016: RMB73,659,484), and the main compoment of prepayment was for subcontract construction and purchase material.

(b) Total amount of top five prepayments are listed below:

31 December 2017	Amount	Percentage of total amount
Total amount of top 5 repayments	292,907,914	27%

31 December 2016	Amount	Percentage of total amount
Total amount of top 5 repayments	264,550,388	34%

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

Other receivables classified by its nature:

	31 December 2017	31 December 2016 (Restated)
Deposit in CCCC settlement center	413,867,900	712,840,779
Performance bond receivable	1,384,791,560	1,148,512,833
Advance payment and deposit	396,680,389	743,978,171
Bid bond receivable	340,003,476	512,275,037
Other deposits receivable	478,207,882	398,828,218
Reserve fund receivable	46,120,586	61,359,150
Others	1,213,880,640	1,463,748,127
	4,273,552,433	5,041,542,315
Among them:		
- CCCC and its affiliates	1,120,483,013	1,296,027,638
- Associates and joint ventures	79,915,560	45,572,785
- Third parties	3,073,153,860	3,699,941,892
Less: provision for bad debts	211,155,162	81,180,922
Total	4,062,397,271	4,960,361,393

The movements of bad debts are as follows:

	Opening banlance	Provison	Reversal	Write-off	Other reduction	Closing banlance
2017	81,180,922	132,542,812	(2,518,572)	(50,000)	-	211,155,162
2016	37,905,122	44,486,956	(408,596)	(802,000)	(560)	81,180,922

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables(continued)

(a) The risk of collection of other receivables from CCCC and its fellow subsidiary is extremely low, so no provision for bad debts has been made.

An ageing analysis of other receivables from associates and joint ventures and third parties is presented asfollows:

	31 December 2017	31 December 2016 (Restated)
Within 1 year	2,166,767,970	2,906,591,408
1 year to 2 years	230,241,256	567,258,235
2 years to 3 years	496,660,605	132,698,620
3 years to 4 years	128,233,883	56,465,393
4 years to 5 years	53,655,151	22,907,496
Over 5 years	77,510,555	59,593,525
	3,153,069,420	3,745,514,677

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables(continued)

(b) Other receivables from associates and joint ventures and third parties by category are presented as follows:

	31 December 2017				31 December 2016 (Restated)			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Security deposit (excluding retentions) group	2,288,598,255	72	-	-	2,143,805,121	57	-	-
Individual employee borrowing, Reserve fund group	54,675,541	2	-	-	61,359,150	2	-	-
Subject to provision by aging group	535,679,089	17	(46,638,627)	9	1,402,147,800	37	(78,726,686)	6
Individually and significant but subject to separate provision for bad debts	274,000,000	9	(164,400,000)	60	-	-	-	-
Individually not significant but subject to separate provision for bad debts	116,535	-	(116,535)	100	138,202,606	4	(2,454,236)	2
	3,153,069,420	100	(211,155,162)	7	3,745,514,677	100	(81,180,922)	2

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(c) Other receivables which are subject to provision by aging group were as follows:

	31 December 2017				31 December 2016 (Restated)			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 6 months	358,765,645	67	-	-	1,065,152,103	76	-	-
6 months to 1 year	100,835,990	19	(1,008,250)	1	22,869,192	2	(228,692)	1
1 to 2 years	22,539,369	4	(3,380,906)	15	274,572,315	20	(41,185,847)	15
2 to 3 years	15,411,883	3	(4,623,565)	30	851,371	-	(255,411)	30
3 to 4 years	793,631	-	(396,815)	50	468,422	-	(234,211)	50
4 to 5 years	413,920	-	(310,440)	75	5,647,487	-	(4,235,615)	75
Over 5 years	36,918,651	7	(36,918,651)	100	32,586,910	2	(32,586,910)	100
	535,679,089	100	(46,638,627)	9	1,402,147,800	100	(78,726,686)	6

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(d) The other receivables with significant single amount and separate provision for bad debts are as follows:

31 December 2017

	Carrying amount	Provsion	Percentage	Reason
Company1	274,000,000	(164,400,000)	60%	Note

Note: See notes XI.2(1).

(e) In 2017, the Group did not have any significant material write-offs or recoveries of other receivables that were fully or in a significant proportion of bad debts in previous years (2016: Nil).

(f) As at 31 December 2017, the Group's other receivables that were written off amounted to RMB 50,000 (31 December 2016: RMB 802,000).

(g) The five largest other receivables were as follows:

31 December 2017	Amount	Provision for bad debts	Percentage of total other receivables
The five largest other receivables	1,635,524,028	(164,400,000)	38%

31 December 2016	Amount	Provision for bad debts	Percentage of total other receivables
The five largest other receivables	2,144,283,062	(41,706,757)	43%

(h) As at December 31, 2017, the Group had no other receivables that were terminated due to the transfer of financial assets.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

(a) Classification of inventory:

	31 December 2017		
	Carrying amount	Provision	Net value
Raw materials	991,390,146	-	991,390,146
Goods in process	43,617,444	-	43,617,444
Finished Goods	81,763,513	-	81,763,513
Revolving Materials	628,040,987	-	628,040,987
Development Cost(i)	304,888,552	-	304,888,552
Properties under development (ii)	31,402,969	-	31,402,969
Completed properties held for sale	10,969,670,113	(38,546,761)	10,931,123,352
	13,050,773,724	(38,546,761)	13,012,226,963

	31 December 2016		
	Carrying amount	Provision	Net value
Raw materials	773,083,269	-	773,083,269
Goods in process	85,278,128	-	85,278,128
Finished Goods	30,106,191	-	30,106,191
Revolving Materials	647,099,455	-	647,099,455
Development Cost(i)	292,530,148	-	292,530,148
Properties under development (ii)	34,126,706	-	34,126,706
Completed properties held for sale	8,591,218,212	(15,609,462)	8,575,608,750
	10,453,442,109	(15,609,462)	10,437,832,647

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

(a) Classification of inventories(continued):

(i) Development cost are listed below:

	31 December 2017	31 December2016
Opening balance	292,530,148	283,809,306
Addition for the year	12,613,635	9,038,916
Transfer to Properties under development	(255,231)	(318,074)
Ending balance	304,888,552	292,530,148

(ii) Properties under development are listed below:

	31 December 2017	31 December 2016
Opening balance	34,126,706	38,622,715
Addition for the year	255,231	318,074
Sales	(2,978,968)	(4,814,083)
Ending balance	31,402,969	34,126,706

In 2017, the source of funds included bank borrowings, and the annual capitalization rate used to determine the capitalization amount of borrowing costs was 4.09% (2016: 4.22%).

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (continued)

(b) Completed properties held for sale are listed below:

	31 December 2017	31 December 2016
Completed properties held for sale		
- aggregate amount of costs incurred	68,898,009,527	59,933,275,852
- aggregate gross profits	5,727,623,254	5,452,947,425
-Anticipated loss	(38,546,761)	(15,609,462)
-Settlement Amount	(63,655,962,668)	(56,795,005,065)
	10,931,123,352	8,575,608,750

Aggregate amount of costs incurred.Aggregate gross profits.Anticipated loss and Settlement Amount are not include the data which project was completed as end of the year.

(c) Provision for decline in value of inventories are listed below:

	31 December 2016	Provision	Write-off	31 December 2017
Completed and Unsettled Project	15,609,462	192,922,443	(169,985,144)	38,546,761

	31 December 2015	Provision	Write-off	31 December 2016 (Restated)
Completed and Unsettled Project	15,350,132	259,330	-	15,609,462

The net realizable value is determined by the estimated selling price of the inventories minus the estimated cost of completion, the estimated selling expenses and the relevant taxes and fees. The inventories provision is reversed when the construction contract revenue is recognized based on the percentage of completion method.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other current assets

	31 December 2017	31 December 2016 (Restated)
Pending deduct VAT on purchase	803,902,475	288,273,562
Tax prepayment	29,912,956	2,468,243
	833,815,431	290,741,805

8. Available-for-sale financial assets

	31 December 2017	31 December2016
Equity instruments available-for-sale measured at fair value(Note 1)	2,654,797,418	2,936,312,441
Equity instruments available-for-sale measured at cost(Note 2)	1,149,088,501	1,149,088,501
	3,803,885,919	4,085,400,942

Note 1: The fair value of available-for-sale equity instruments measured at fair value is based on the closing prices of the last trading day of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited.

Note 2: Available-for-sale financial assets measured at cost are mainly unlisted equity investments held by the Group. These investments have no active market quotation, and their fair value fair estimates have a large range of changes, and various types are used to determine fairness. The probability of a value estimate cannot be reasonably determined, so its fair value cannot be reliably measured. The Group has no plans to dispose of these investments.

Available-for-sale financial assets measured at fair value:

	31 December 2017	31 December 2016
Equity intruments available-for-sale		
Cost	863,449,313	727,375,145
Accumulative changes in fair value through other comprehensive income	1,791,348,105	2,208,937,296
Fair value	2,654,797,418	2,936,312,441

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale financial assets(continued)

Available-for-sale financial assets measured at cost

2017

	Book value					
	Opening balance	Addition	Deduction	Ending balance	Holding ratio (%)	Cash dividend
China Harbour Engineering Co., Ltd. ("CEHC")	349,520,634	-	-	349,520,634	10.00	30,047,409
Dalian Taiping Bay Investment Holding Ltd	300,000,000	-	-	300,000,000	7.69	-
CCCC Real Estate Yixing Co., Ltd	180,000,000	-	-	180,000,000	20.00	-
Others	319,567,867	-	-	319,567,867		1,251,022
	1,149,088,501	-	-	1,149,088,501		31,298,431

2016

	Book value					
	Opening balance	Addition	Deduction	Ending balance	Holding ratio (%)	Cash dividend
CHEC	349,520,634	-	-	349,520,634	10.00	38,261,869
Dalian Taiping Bay Investment Holding Ltd	-	300,000,000	-	300,000,000	7.69	-
CCCG Real Estate (Yixing) Co., Ltd	180,000,000	-	-	180,000,000	20.00	-
CCCCXiangyang Investment Construction Co., Ltd.	76,250,000	-	76,250,000	-	-	-
Others	371,992,867	-	52,425,000	319,567,867		5,628,880
	977,763,501	300,000,000	128,675,000	1,149,088,501		43,890,749

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term receivables

	31 December 2017	31 December 2016 (Restated)
Construction receivables	7,485,728,914	5,577,381,798
PPP project receivables	6,478,964,581	5,187,093,528
Project deposit receivables	4,752,105,405	3,922,323,680
	18,716,798,900	14,686,799,006
Less:		
Provsion for long term receivables	94,671,979	-
Less: Due wthin one year	7,807,431,335	4,486,825,928
	10,814,695,586	10,199,973,078

Movement of long-term receivables provision is listed below:

	Openning balance of last year	Provision for the year	Reverse for the year	Ending balance
2017	-	94,671,979	-	94,671,979

Long-term receivables are listed according to the net value after discounting, discount rate is 4.75%-4.90%(2016: 4.35%-4.75%).

Transfer of long term receivables is listed in note VIII.2

Restricted long-term receivables owned by the group is listed in note V.56.

10. Long-term equity investments

	31 December 2017	31 December 2016
Investment in joint venture(a)	1,765,487,259	396,849,253
Investment in Associate(b)	2,926,941,383	2,426,811,768
	4,692,428,642	2,823,661,021
Less: Provision for impairment of long term investment(c)	1,000,000	1,000,000
	4,691,428,642	2,822,661,021

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments(continued)

(a) Investment in joint venture

	Accounting method	Investment cost	31 December 2016	Movement for the year: Increase or decrease investment	Movement for the year: Adjusted by equity method Net profit and loss	Movement for the year: Others enjoyed change in equity	31 December 2017	Holding shares proportion	Right to vote proportion
Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd. (Note 1)	Equity method	975,000,000	-	975,000,000	500,699	-	975,500,699	39%	39%
Cangzhou Bohai New Area TDC Construction Port Construction Management Co., Ltd. (Note 2)	Equity method	203,464,300	-	203,464,300	-	-	203,464,300	57%	57%
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd. (Note 3)	Equity method	48,000,000	48,506,771	118,365,000	894,327	-	167,766,098	60%	70%
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	Equity method	113,574,861	125,580,480	-	7,433,912	-	133,014,392	50%	50%
Tangshan Caofeidian Dredging Co., Ltd	Equity method	30,006,000	95,631,976	-	(6,683,370)	-	88,948,606	45%	45%
Tangshan Jinhang Dredging Engineering Co.,Ltd.	Equity method	35,000,000	76,426,462	-	954,724	-	77,381,186	50%	50%
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd	Equity method	10,000,000	45,581,800	-	116,358	(6,180)	45,691,978	50%	50%
Chifeng Zhongjiao Investment Construction Development Co., Ltd (Note 4)	Equity method	28,275,000	-	28,275,000	-	-	28,275,000	51%	51%
CCCC (Jiaocheng) Investment and Construction Co., Ltd (Note 5)	Equity method	22,000,000	-	22,000,000	-	-	22,000,000	44%	44%
Yuxi CCCC Xingyun Lake Environmental Treatment Co., Ltd.(Note 6)	Equity method	18,000,000	-	18,000,000	-	-	18,000,000	45%	45%
Jishou CCCC Water Conservancy Construction Development Co., Ltd. (Note 7)	Equity method	5,445,000	-	5,445,000	-	-	5,445,000	54.45%	54.45%
Guangdong Dachangqing Engineering Construction Co., Ltd. (Note 8)	Equity method	36,640,992	5,121,764	(5,121,764)	-	-	-	60%	60%
			396,849,253	1,365,427,536	3,216,650	(6,180)	1,765,487,259		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investment (Continued)

(a) Investment in joint venture (Continued)

Note 1: The company's subsidiary, CCCC-TDC, holds a 15% stake in Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd. and holds 24% equity of Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd. According to the company's articles of association, CCCC-TDC, Eco-Environment and Chengdu Cultural Tourism Development Group Co., Ltd. and nine other shareholders jointly control Chengdu Jinjiang Greenway Construction Investment Group Co., Ltd., so they are accounted for as joint ventures by equity method.

Note 2: Cangzhou Bohai New Area TDC Construction Port Construction Management Co., Ltd. was newly established in December this year, and the subsidiary of the Company, CCCC-TDC, holds 57% of its equity. According to the company's articles of association, CCCC-TDC and Cangzhou Port Group Co., Ltd. and Tianjin Sanjian Construction Engineering Co., Ltd. jointly control the Tianhang Construction Port Construction Management Co., Ltd. in Bohai New Area, so they are accounted for as joint ventures by the equity method.

Note 3: The company's subsidiary CCCC-TDC and CCCC Fourth Harbour Engineering Co., Ltd., Fuzhou Taiwanese Investment Zone Development and Construction Co., Ltd. (hereinafter referred to as "Fuzhou Taiwan Investment Corporation") invested in the establishment of Fuzhou Taiwanese Investment Zone Investment Co., Ltd. (hereinafter referred to as “Fuzhou Taiwanese Business”) is responsible for the implementation of investment, construction, operation, maintenance and maintenance management of infrastructure projects in Songshan A Area of Fuzhou Taiwanese Investment Zone. The three companies hold 60%, 10% and 30% respectively. CCCC-TDC and CCCC Fourth Harbour Engineering Co., Ltd. signed a shareholding agreement, so the proportion of voting rights of CCCC-TDC is 70%. According to the company's articles of association and actual operations, Fuzhou Taiwan Investment Corporation has one-vote veto on major issues such as financing decisions of Fuzhou Taiwanese businessmen. Therefore, CCCC-TDC cannot actually control Fuzhou Taiwanese companies, so it is accounted for as a joint venture by the equity method.

Note 4: Chifeng CCCC Investment Construction Development Co., Ltd. was newly established in December this year, and the subsidiary of the Company, CCCC-TDC, holds 51% of its equity. According to the company's articles of association, CCCC-TDC and Linxi County Urban and Rural Coordination Co., Ltd. jointly control Chifeng Zhongjiao Investment Construction Development Co., Ltd., so they are accounted for as joint ventures by equity method.

Note 5: CCCC (Jiaocheng) Investment and Construction Co., Ltd. was newly established in December this year, and the subsidiary of the Company, CCCC-TDC, holds 44% of its equity. According to the company's articles of association, CCCC-TDC and China Merchants Securities Asset Management Co., Ltd. jointly control CCCC (Jiaocheng) Investment and Construction Co., Ltd., so they are accounted for as joint ventures by equity method.`

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investment (Continued)

(a) Investment in joint venture (Continued)

Note 6: Yuxi Zhongjia Xingyun Lake Environmental Treatment Co., Ltd. was newly established in December this year, and the subsidiary of the Company, CCCC-TDC, holds 45% of its equity. According to the company's articles of association, CCCC-TDC and China Merchants Securities Asset Management Co., Ltd. jointly control Yuxi Zhongjiao Xingyun Lake Environmental Governance Co., Ltd., so they are accounted for as joint ventures by equity method.

Note 7: Jishou Zhongjiao Water Conservancy Construction Development Co., Ltd. was newly established in December this year, and the subsidiary of the Company, CCCC-TDC, holds 54.45% of its equity. According to the company's articles of association, CCCC-TDC and Jishou City Geely Water Construction Co., Ltd. jointly control Jishou Zhongjiao Water Conservancy Construction Development Co., Ltd., so they are accounted for as joint ventures by equity method.

Note 8: The company's subsidiary Guanghang Bureau disposed of the entire shareholding of Guangdong Dachangqing Engineering Construction Co., Ltd. in May 2017, resulting in disposal losses of RMB 2,321,558, is listed in Note V.46.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investment (Continued)

(b) Investment in assocate

	Accounting method	Investment cost	31 December 2016	Movement for the year: Increase or decrease investment	Movement for the year: Adjusted by equity method Net profit and loss	Movement for the year: Others enjoyed Change in equity	31 December 2017	Holding shares proportion	right to vote proportion
CCCC (Shantou) East Coast New City Investment and Construction Co., Ltd. (Note 1)	Equity method	681,000,000	886,983,323	-	110,774,520	-	997,757,843	15%	15%
Shenhua Shanghai Dredging Co., Ltd. (Note 2)	Equity method	300,000,000	339,259,066	-	20,495,855	(102,972)	359,651,949	50%	28.57%
Tianjin Lingang Industrial Investment Holdings Co., Ltd (Note 3)	Equity method	300,000,000	300,000,000	-	-	-	300,000,000	10%	10%
Tianjin Port Aviation Engineering Co., Ltd.	Equity method	98,951,331	268,977,521	-	22,091,192	-	291,068,713	24%	24%
CCCC South China Investment Co., Ltd (Note 4)	Equity method	100,000,000	-	100,000,000	24,062	-	100,024,062	20%	20%
China Communications Construction Co., Ltd. Southern Latin America Regional Corporation (Note 5)	Equity method	106,966,530	-	106,966,530	(10,770,920)	-	96,195,610	15%	15%
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	Equity method	55,190,588	55,553,847	34,344,490	377,309	-	90,275,646	32%	32%
Tianjin Zhongjiao Haibin New City Construction Co., Ltd. (Note 6)	Equity method	181,800,000	135,315,163	(133,483,320)	(1,831,843)	-	-	-	-
Other			440,722,848	219,000,000	30,350,583	1,894,129	691,967,560		
			2,426,811,768	326,827,700	171,510,758	1,791,157	2,926,941,383		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investment (Continued)

(b) Investment in Assocate (Continued)

Note 1: The company's subsidiary Guanghang Bureau holds a 15% stake in China Eastern (Shantou) East Coast New City Investment and Construction Co., Ltd. According to the company's articles of association, the Guangzhou Air Navigation Bureau has one director attached to its board of directors and is entitled to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 2: Shanghai Airlines, a subsidiary of the Company, holds 50% of the equity of Shenhua Shanghai Dredging Co., Ltd. According to the company's articles of association, SAIC only holds 28.57% of the voting rights in the board of directors of Shenhua Shanghai Dredging Co., Ltd., and exerts only significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 3: CCCC-TDC, a subsidiary of the Company, holds a 10% stake in Tianjin Lingang Industrial Investment Holdings Ltd. According to the company's articles of association, the board of directors of Tianjin Lingang Industrial Investment Holding Ltd. has 10 director seats. Since Tianhang has one director in its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. As an associate, it is accounted for using the equity method.

Note 4: CCCC-TDC, a subsidiary of the Company, holds a 20% equity interest in CCCC Investment Co., Ltd. According to the company's articles of association, the shareholding ratio and voting rights of CCCC-TDC in CCCC South China Investment Co., Ltd. are both 20%, which only exerts significant influence on them. Therefore, it is accounted for as an associate by the equity method.

Note 5: China Communications Construction Co., Ltd. South Latin America Regional Corporation was newly established this year. The company holds 15% of the shares of China Communications Construction Co., Ltd. Southern Latin America Regional Corporation. According to the company's articles of association, the board of directors of the South American Latin American Regional Corporation of China Communications Construction Co., Ltd. has six director seats. Since the company has one director in its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 6: The company's subsidiary CCCC-GDC disposed of the entire equity of Tianjin CCCC Haibin New City Construction Co., Ltd. in December 2017, resulting in disposal losses of RMB 20,262,708, see Notes V.46.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Long-term equity investment (Continued)

(c) Long-term equity investment impairment provision

	31 December 2017	31 December 2016
Associate		
Zhongyang Asset Management Co., Ltd.	1,000,000	1,000,000

As at 31 December 2017 and 31 December 2016, there was no change in the Group's long-term equity investment impairment provision.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Investment Properties

2017	Buildings	Land Use Rights	Total
Cost			
Beginning	127,585,305	37,716,020	165,301,325
Transfer from fixed asset (Note V.12)	13,796,934	-	13,796,934
Closing	141,382,239	37,716,020	179,098,259
Accumulated Depreciation & Amortization			
Beginning	60,790,769	11,911,592	72,702,361
Additions	4,417,215	547,238	4,964,453
Transfer from fixed asset (Note V.12)	5,736,809	-	5,736,809
Closing	70,944,793	12,458,830	83,403,623
Carrying amount			
Ending balance	70,437,446	25,257,190	95,694,636
Opening balance	66,794,536	25,804,428	92,598,964

2016	Buildings	Land Use Rights	Total
Cost			
Beginning	127,585,305	37,716,020	165,301,325
Accumulated Depreciation & Amortization			
Beginning	56,373,555	10,836,251	67,209,806
Additions	4,417,214	1,075,341	5,492,555
Closing	60,790,769	11,911,592	72,702,361
Carrying amount			
Ending balance	66,794,536	25,804,428	92,598,964
Opening balance	71,211,750	26,879,769	98,091,519

In 2017, no impairment was provided for investment properties (2016: Nil).

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets

2017	Buildings	Machinery	Vessels	vehicles	Furniture & Electrics	Temporary facilities	Total
Cost							
Opening balance (Restated)	1,159,992,698	741,771,910	24,050,746,640	187,270,889	181,500,845	62,094,815	26,383,377,797
Addition	34,463,477	178,601,144	449,821,408	29,780,997	32,290,011	13,042,935	737,999,972
Purchase	3,541,120	39,860,833	10,861,317	24,808,185	29,226,111	8,311,910	116,609,476
Transfer from construction in progress (Note V.13)	18,395,485	130,959,789	435,082,162	1,895,680	2,259,210	-	588,592,326
Business combination not under the same control	12,526,872	7,486,330	-	1,250,300	167,700	-	21,431,202
Other	-	294,192	3,877,929	1,826,832	636,990	4,731,025	11,366,968
Deduction	(16,734,610)	(43,541,200)	(927,247,333)	(45,692,018)	(17,535,267)	(887,523)	(1,051,637,951)
Disposal	(2,937,676)	(43,541,200)	(921,482,767)	(43,958,848)	(17,338,553)	(887,523)	(1,030,146,567)
Transfer to investment properties(Note V.11)	(13,796,934)	-	-	-	-	-	(13,796,934)
Other	-	-	(5,764,566)	(1,733,170)	(196,714)	-	(7,694,450)
Reclassification	-	2,832,815	16,733,506	(1,242,116)	(18,324,205)	-	-
Ending balance	1,177,721,565	879,664,669	23,590,054,221	170,117,752	177,931,384	74,250,227	26,069,739,818
Accumulated depreciation							
Opening balance(Restated)	485,549,827	470,893,887	10,162,304,230	141,181,144	136,227,540	58,354,218	11,454,510,846
Addtion	35,105,682	90,927,275	750,853,171	18,181,318	23,962,653	3,882,873	922,912,972
Accual	33,489,827	85,601,628	750,853,171	16,639,020	23,312,961	3,882,873	913,779,480
Business combination not under the same control	1,615,855	2,734,842	-	574,992	142,052	-	5,067,741
other	-	2,590,805	-	967,306	507,640	-	4,065,751
Deduction	(7,274,941)	(40,056,362)	(899,869,691)	(45,202,758)	(15,548,179)	(887,523)	(1,008,839,454)
Disposal	(1,538,132)	(39,496,362)	(894,399,445)	(43,728,188)	(15,177,035)	(887,523)	(995,226,685)
Transfer to investment properties(Note V.11)	(5,736,809)	-	-	-	-	-	(5,736,809)
Other	-	(560,000)	(5,470,246)	(1,474,570)	(371,144)	-	(7,875,960)
Reclassification	-	1,855,720	9,223,496	3,550,002	(14,629,218)	-	-
Ending balance	513,380,568	523,620,520	10,022,511,206	117,709,706	130,012,796	61,349,568	11,368,584,364
Carrying amount							
Closing	664,340,997	356,044,149	13,567,543,015	52,408,046	47,918,588	12,900,659	14,701,155,454
Beginning	674,442,871	270,878,023	13,888,442,410	46,089,745	45,273,305	3,740,597	14,928,866,951

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets (Continued)

2016 (Restated)	Buildings	Machinery	Vessels	vehicles	Furniture & Electrics	Temporary facilities	Total
Cost							
Opening balance	1,143,080,772	649,927,885	23,023,804,978	185,441,543	248,868,058	81,675,231	25,332,798,467
Addition	67,833,086	50,514,883	1,488,471,834	19,087,517	23,524,429	174,331	1,649,606,080
Purchase	3,262,486	24,949,259	192,990	17,101,481	22,191,572	-	67,697,788
Transfer from construction in progress (Note V.13)	64,567,400	22,488,211	1,483,218,607	916,462	998,254	174,331	1,572,363,265
Other	3,200	3,077,413	5,060,237	1,069,574	334,603	-	9,545,027
Reclassification	(6,925)	73,315,702	-	212,800	(73,521,577)	-	-
Deduction	(50,914,235)	(31,986,560)	(461,530,172)	(17,470,971)	(17,370,065)	(19,754,747)	(599,026,750)
Disposal	(2,550,330)	(25,594,814)	(101,801,667)	(13,744,112)	(13,424,041)	(18,204,028)	(175,318,992)
Disposal of subsidiaries	(48,363,905)	(6,391,746)	(359,728,505)	(3,726,859)	(3,935,695)	-	(422,146,710)
Other	-	-	-	-	(10,329)	(1,550,719)	(1,561,048)
Ending Balance	1,159,992,698	741,771,910	24,050,746,640	187,270,889	181,500,845	62,094,815	26,383,377,797
Accumulated depreciation							
Opening balance	460,421,755	424,840,088	9,687,515,206	138,550,152	128,350,188	74,333,176	10,914,010,565
Addition	31,779,832	69,140,162	717,236,841	18,074,575	22,461,144	3,729,268	862,421,822
Accual	31,779,832	68,355,883	712,244,030	17,586,030	22,461,144	3,729,268	856,156,187
Other	-	784,279	4,992,811	488,545	-	-	6,265,635
Reclassification	-	500	-	-	(500)	-	-
Deduction	(6,651,760)	(23,086,863)	(242,447,817)	(15,443,583)	(14,583,292)	(19,708,226)	(321,921,541)
Disposal	(1,972,341)	(17,244,730)	(62,221,234)	(13,047,505)	(11,096,464)	(18,204,028)	(123,786,302)
Disposal of subsidiaries	(4,679,419)	(5,842,133)	(180,226,583)	(2,396,078)	(3,482,505)	-	(196,626,718)
Other	-	-	-	-	(4,323)	(1,504,198)	(1,508,521)
Ending Balance	485,549,827	470,893,887	10,162,304,230	141,181,144	136,227,540	58,354,218	11,454,510,846
Carrying amount							
Closing	674,442,871	270,878,023	13,888,442,410	46,089,745	45,273,305	3,740,597	14,928,866,951
Beginning	682,659,017	225,087,797	13,336,289,772	46,891,391	120,517,870	7,342,055	14,418,787,902

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed Assets(Continued)

As at 31 December 2017, fixed assets with a book value of RMB 26,517,145 (31 December 2016: RMB118,844,781) are fully deprecated and still in use.

(a) The book value of the fixed assets under operating lease where the Company is lessor:

	31 December 2017	31 December 2016
Vessels and vehicles	2,853,153	5,426,442

(b) Fixed assets under finance lease where the Company is lessee

31 December 2017	Cost	Accumulated depreciation	Carrying amount
Vessels and vehicles	3,164,702,824	1,190,664,124	1,974,038,700
Machinery	184,564,755	97,914,431	86,650,324
	3,349,267,579	1,288,578,555	2,060,689,024

31 December 2016	Cost	Accumulated depreciation	Carrying amount
Vessels and vehicles	3,164,702,824	824,642,340	2,340,060,484
Machinery	184,564,755	88,795,703	95,769,052
	3,349,267,579	913,438,043	2,435,829,536

(c) As at 31 December 2017, the fixed assets that have not been validated are as follows:

	Carrying amount	Reason
Buildings	956,480	In procedure

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress

2017

Projects name	Budgets RMB ('0000) (Note)	31 December 2016	Increases	Transfer to fixed assets (Note V.12)	Transfer to intangible assets (Note V.14)	Deduction	31 December 2017	Souce of funds	Capitalization of borrowing cost	Capitalization of borrowing cost this year	Proportion to budget
Southern China Headquarters Phase II Project	159,710	448,002,012	158,938,024	-	-	-	606,940,036	Self-financing	144,492,023	26,927,689	38%
Innovation Road Semi-submersible ship manufacturing	26,751	65,104,938	202,403,086	(267,508,024)	-	-	-	Self-financing	3,322,749	3,322,749	100%
DCM shipbuilding supervision fee	14,180	2,226,217	139,574,630	(139,451,285)	-	-	2,349,562	Self-financing	-	-	
6500 square class squirting boat	55,000	-	183,738,725	-	-	-	183,738,725	Self-financing	22,113	22,113	33%
Research experimental platform and simulation platform construction project	11,088	109,822,175	-	(109,822,175)	-	-	-	Self-financing	-	-	100%
Condensate project	33,978	-	319,884,867	-	-	-	319,884,867	Self-financing	-	-	94%
LYNC project implementation	254	2,543,892	-	-	(2,543,892)	-	-	Self-financing	-	-	
Ship equipment management System	52	516,880	75,472	-	(592,352)	-	-	Self-financing	-	-	
Security management system	104	1,042,761	-	-	(1,042,761)	-	-	Self-financing	-	-	
Others		176,119,126	174,442,882	(71,810,842)	-	(18,182,868)	260,568,298		1,117,179	-	
Carrying amount		805,378,001	1,179,057,686	(588,592,326)	(4,179,005)	(18,182,868)	1,373,481,488		148,954,064	30,272,551	

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress(Continued)

2016

	Budget (RMB '0000) (Note)	31 December 2015	Increases	Transfer to fixed assets (Note V.12)	Deduction	31 December 2016	Source of funds	Capitalization of borrowing cost	Capitalization of borrowing cost this year	Proportion to budget
Southern China Headquarters Phase II Project	92,477	783,570,817	336,763,895	-	(672,332,700)	448,002,012	Self-financing	117,564,334	35,759,372	48%
Innovation Road Semi-submersible ship manufacturing	25,000	-	65,104,938	-	-	65,104,938	Self-financing	-	-	26%
DCM shipbuilding supervision fee	2,600	-	2,226,217	-	-	2,226,217	Self-financing	-	-	9%
21,000 squirting boat	144,000	906,512,532	514,876,277	(1,421,388,809)	-	-	Self-financing	30,257,590	10,319,097	100%
Research experimental platform and simulation platform construction project	12,000	79,321,827	30,569,746	(69,398)	-	109,822,175	Self-financing	-	-	92%
LYNC project implementation	259	2,136,192	407,700	-	-	2,543,892	Self-financing	-	-	98%
Ship equipment management system	63	406,889	109,991	-	-	516,880	Self-financing	-	-	82%
Security management system	110	974,761	68,000	-	-	1,042,761	Self-financing	-	-	95%
Others		226,117,538	170,590,760	(150,905,058)	(69,684,114)	176,119,126		6,821,386	-	
Carrying amount		1,999,040,556	1,120,717,524	(1,572,363,265)	(742,016,814)	805,378,001		154,643,310	46,078,469	

In 2017, Self-financing sources include bank borrowings.The annual capitalization rate used to determine the capitalization amount of borrowing costs is 4.09% (2016: 4.22%).

Note: The project budget value is adjusted according to the change of the amount of construction in progress, and the project progress is calculated based on the budget and accumulated investment.

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

2017	Land use rights	Software	Franchise and others	Total
Cost				
Opening balance	1,516,691,285	21,458,206	43,483,704	1,581,633,195
Addition	66,723,943	8,233,324	25,917,200	100,874,467
Purchases	66,723,943	4,054,319	25,917,200	96,695,462
Transfers from construction in progress (Note V.13)	-	4,179,005	-	4,179,005
Closing balance	1,583,415,228	29,691,530	69,400,904	1,682,507,662
Accumulated depreciation				
Opening balance	186,262,013	11,340,739	7,487,282	205,090,034
Addition	38,510,782	4,263,647	-	42,774,429
Depreciation provided during the year	38,510,782	4,263,647	-	42,774,429
Closing balance	224,772,795	15,604,386	7,487,282	247,864,463
Accounting amount				
At end of year	1,358,642,433	14,087,144	61,913,622	1,434,643,199
At beginning of year	1,330,429,272	10,117,467	35,996,422	1,376,543,161

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets (continued)

2016	Land use rights	Software	Franchise and others	Total
Cost				
Opening balance	1,235,073,372	20,151,846	1,619,556	1,256,844,774
Addition	376,699,672	1,306,360	41,864,148	419,870,180
Purchases	74,683,325	1,306,360	41,864,148	117,853,833
Others	302,016,347	-	-	302,016,347
Deductions	(95,081,759)	-	-	(95,081,759)
Disposal	(659,600)	-	-	(659,600)
Disposal of subsidiaries	(94,422,159)	-	-	(94,422,159)
Closing balance	1,516,691,285	21,458,206	43,483,704	1,581,633,195
Accumulated depreciation				
Opening balance	163,723,219	8,149,194	268,348	172,140,761
Addition	26,153,361	3,191,545	7,218,934	36,563,840
Accrual	26,153,361	3,189,677	7,218,934	36,561,972
Others	-	1,868	-	1,868
Deductions	(3,614,567)	-	-	(3,614,567)
Disposal	(269,493)	-	-	(269,493)
Disposal of subsidiaries	(3,345,074)	-	-	(3,345,074)
Closing balance	186,262,013	11,340,739	7,487,282	205,090,034
Accounting amount				
At end of year	1,330,429,272	10,117,467	35,996,422	1,376,543,161
At beginning of year	1,071,350,153	12,002,652	1,351,208	1,084,704,013

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets (continued)

During 2017, development expenditures are amounting to RMB 520,850,886 (2016: RMB354,355,444), with RMB 514,988,864 (2016:RMB354,355,444) included in profit or loss, with RMB4,179,005 (2016: Nil) recognised as intangible assets and the development expenditure balance was RMB 1,683,017 (2016: Nil). On December 31, 2017, the proportion of intangible assets transferred from development expenditures to the carrying amount of intangible assets is 0.29% (2016: 1%)

As at 31 December 2017, the carrying amount of land use rights which is getting land use right certificate is RMB12,113,278 (2016: RMB1,076,040).

15. Goodwill

	31 December 2016	Increase	31 December 2017
CCCC Water Resources and Hydropower Construction Co., Ltd.	-	30,420,616	30,420,616

In January 2017, the company's subsidiary, SAIC, acquired Zhejiang Lingyun Water Conservancy and Hydropower Construction Co., Ltd. (now renamed as CCCC Water Resources and Hydropower Construction Co., Ltd.) through a business combination not under the same control to form a goodwill of RMB 30,420,616. See note VI.1.

The goodwill acquired by the business combination has been allocated to the asset group for impairment testing. The recoverable amount of the asset group of CCCC Water Resources and Hydropower Construction Co., Ltd. is based on the five-year budget approved by the management and is determined based on the present value of the estimated future cash flows. Cash flows over the five-year period are extrapolated based on the growth rates described below. The key assumptions made by management in determining cash flow projections are as follows:

	31 December 2017
Income growth rate	3.0%
Discount Rate	12.0%

Revenue growth rate – The annual average income growth rate over five years, and management determines the budget revenue growth rate based on forecasts of market development.

Discount rate – Management uses a discount rate that reflects the specific risk of the relevant asset group as the discount rate.

As of December 31, 2017, the recoverable amount of the asset group of CCCC Water Resources and Hydropower Construction Co., Ltd. is greater than its book value, so no impairment of related goodwill is required.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and liabilities

(a) Deferred tax assets without offset:

	31 December 2017		31 December 2016 (Restated)	
	Deductible temporary differences and tax losses	Deferred tax assets	Deductible temporary differences and tax losses	Deferred tax assets
Provision for impairment of assets	2,951,270,541	551,155,355	2,568,989,229	546,537,851
Discount on receivable	356,677,669	63,393,887	297,284,808	56,132,246
Accumulated unrecovered losses	216,788,353	54,197,088	146,670,032	36,667,508
Retirement and retired staff welfare	165,756,412	31,771,294	189,886,586	41,733,310
Accured expenses	184,223,435	27,748,939	311,250,744	53,283,849
Fair value changes	-	-	6,391,967	958,795
Others	51,361,342	8,389,811	59,925,064	9,772,139
	3,926,077,752	736,656,374	3,580,398,430	745,085,698
among them:				
The amount expected to be transferred back within 1 year (including 1 year)		45,148,544		69,186,453
The amount expected to be transferred back after 1 year		691,507,830		675,899,245
		736,656,374		745,085,698

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and liabilities (continued)

(b) Deferred tax liabilities without offset

	31 December 2017		31 December 2016 (Restated)	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Fair value changes	2,077,225,905	362,945,799	2,383,275,175	595,818,794
Depreciation and amortisation	28,508,984	7,127,246	17,266,012	4,316,503
Others	739,702,152	175,543,119	498,613,558	118,053,703
	2,845,437,041	545,616,164	2,899,154,745	718,189,000
among them:				
The amount Expected to be transferred back within 1 year (including 1 year)		21,315,287		28,057,095
The amount expected to be transferred back after 1 year		524,300,877		690,131,905
		545,616,164		718,189,000

(c) The Group's unrecognized deferred tax assets are deductible losses and deductible temporary differences are as follows:

	31 December 2017	31 December 2016 (Restated)
Deductible loss	1,208,909,669	1,174,084,336
Deductible temporary difference	222,142,509	89,686,930
	1,431,052,178	1,263,771,266

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and liabilities (continued)

(d) Deferred tax assets and liabilities which have not been recognized will be expired as followed:

	31 December 2017	31 December 2016 (Restated)
Less than 1year	9,974,733	115,408,710
1 to 2 years	76,843,764	23,603,344
2 to 3 years	258,378,915	76,843,764
3 to 4 years	699,849,603	258,378,915
4 to 5 years	163,862,654	699,849,603
	1,208,909,669	1,174,084,336

(e) The deductible amount of deferred tax assets and deferred tax liabilities:

	31 December 2017	31 December 2016 (Restated)
Deferred income tax assets/liabilities	341,796,643	303,106,510

The deferred income tax assets and net deferred income tax liabilities after offset are shown as follows:

	31 December 2017		31 December 2016 (Restated)	
	Deferred income tax net assets or net liabilities	Deductible or taxable temporary difference after mutual	Deferred income tax net assets or net liabilities	Deductible or taxable temporary difference after mutual
Deferred income tax assets, net	394,859,731	2,151,619,975	441,979,188	2,344,995,566
Deferred income tax liabilities, net	203,819,521	1,070,979,264	415,082,490	1,663,751,881

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Other non-current assets

	31 December 2017	31 December 2016
Prepayment for equipments	166,060,931	205,581,800
Prepayment for land and bulidings	88,786,719	88,786,719
	254,847,650	294,368,519

18. Provision for impairment of assets

2017	At ending of privious year	Accrual	Reductions			At ending of year
			Reverse	Write-off	others	
accounts receivable	2,721,648,081	1,314,403,040	(1,123,807,562)	(243,800)	-	2,911,999,759
Other receivables	81,180,922	132,542,812	(2,518,572)	(50,000)	-	211,155,162
Long-term receivables	-	94,671,979	-	-	-	94,671979
Impairment of inventories	15,609,462	192,922,443	(169,985,144)	-	-	38,546,761
	2,818,438,465	1,734,540,274	(1,296,311,278)	(293,800)	-	3,256,373,661

2016	At ending of privious year	Accrual	Reductions			At ending of year
			Reverse	Write-off	others	
Accounts receivable	2,160,378,708	1,221,094,121	(658,633,140)	-	(1,191,608)	2,721,648,081
Other receivables	37,905,122	44,486,956	(408,596)	(802,000)	(560)	81,180,922
Impairment of inventories	15,350,132	259,330	-	-	-	15,609,462
	2,213,633,962	1,265,840,407	(659,041,736)	(802,000)	(1,192,168)	2,818,438,465

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Short-term borrowings and Long-term borrowings

(a) Short-term borrowings

	31 December 2017	31 December 2016 (Restated)
Borrowings with credit	5,643,842,812	4,326,495,352
Secured borrowings(note1)	511,644,600	400,000,000
Guaranteed borrowings(note2)	98,013,000	-
	6,253,500,412	4,726,495,352

Note1: As at 31 December 2017, these borrowings were secured by the Group's trade receivables amounting to RMB 488,678,728 (31 December 2016: RMB 537,500,000) and long-term receivables amounting to RMB27,083,248 (31 December 2016: RMB185,234,836)and time deposits amounting to RMB 104,350,000 (31 December 2016: Nil).

Note2: Guaranteed borrowings amounting to RMB98,013,000 (31 December 2016: Nil)were guaranteed by certain subsidiaries of the Group.

As at 31 December 2017, those borrowings of the Group bear interest at effective rates ranging from 0.64% to 5.00% (2016: 0.64% to 6.44%) per annum.

As at 31 December 2017, no borrowings were dued (31 December 2016: None).

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Short-term borrowings and Long-term borrowings (continued)

(b) Long-term borrowings

	31 December 2017	31 December 2016 (Restated)
Borrowings with credit	2,893,879,021	3,370,530,857
Secured borrowings(Note1)	540,315,592	180,000,000
Guaranteed borrowings(Note2)	377,890,951	440,099,991
	3,812,085,564	3,990,630,848
Subtract: Current portion of long-term borrowings (Note Ⅴ.28)		
Borrowings with credit	296,285,297	590,946,321
Secured borrowings	49,980,000	-
Guaranteed borrowings	88,366,500	94,759,572
	434,631,797	685,705,893
	3,377,453,767	3,304,924,955

Note1:As at 31 December 2017, these borrowings were secured by the Group's trade receivables amounting to RMB 249,980,000 (31 December 2016: RMB 180,000,000) and long-term receivables amounting to RMB 414,765,131 (31 December 2016: Nil).

Note2:As at 31 December 2017, guaranteed borrowings amounting to RMB349,106,394 (31 December 2016: RMB430,099,991) were guaranteed by certain subsidiaries of the CCCC Group; guaranteed borrowings amounting to RMB5,784,557 (31 December 2016: RMB10,000,000) were guaranteed by certain subsidiaries of the Group; guaranteed borrowings amounting to RMB23,000,000 (31 December 2016: Nil) were guaranteed by certain third parties.

As at 31 December 2017, those borrowings of the Group bear interest at effective rates ranging from 0.30% to 6.00% (31 December 2016: 0.30% to 6.90%) per annum.

As at 31 December 2017, no borrowings were dued (31 December 2016: None).

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Financial liabilities measured at fair value through profit or loss

	31 December 2017	31 December 2016
Derivative financial instruments:		
Forward foreign exchange contract (Note)	-	6,391,967

Note: On 31 December 2017, the forward foreign exchange contract signed by the company's subsidiary, Tianhang Bureau, and the bank has expired.

As a forward foreign exchange contract for derivative financial instruments, the fair value assessment loss on 31 December 2016 was RMB 6,391,967, which was determined based on the amount confirmed by the transaction bank or the amount calculated based on the market exchange rate provided by the transaction bank, and included in the change in fair value of profit and loss (Notes 5, 45).

21. Notes payable

	31 December 2017	31 December 2016
Bank acceptance notes	1,939,031,935	1,314,580,845
Trade acceptance draft	193,065,893	72,600,000
	2,132,097,828	1,387,180,845

As at 31 December 2017, the Group had no notes payable due (31 December 2016: Nil).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Accounts payable

Accounts payable are non-interest-bearing, and are settled as agreed.

Accounts payable classified by nature are as followed:

	31 December 2017	31 December 2016 (Restated)
Accounts payable for projects	16,298,419,620	13,863,918,162
Accounts payable for material	2,318,809,290	1,550,016,377
Accounts payable for leasing	339,044,921	349,254,816
Accounts payable for equipments	387,788,994	370,765,618
Accounts payable for logistic	214,181,733	83,485,595
Others	480,806,315	385,114,066
	20,039,050,873	16,602,554,634

As at 31 December 2017, accounts payable more than 1 year amounting to RMB2,235,262,974(31 December 2016: RMB1,260,700,987) were payable for engineering and equipments, as related business was still in process, the accouts payable was not settled.

23. Receipts in advance

	31 December 2017	31 December 2016
Receipts in advance for projects	1,479,786,153	2,065,579,967
Infrastructure construction	1,213,962,754	1,439,740,995
Receipts in advance for sales of goods	137,258,094	12,114,517
	2,831,007,001	3,517,435,479

As at 31 December 2017, receipts in advance more than 1 year amounting to RMB231,611,325 (31 December 2016: RMB273,230,684) were due to the fact that some of the projects have not been finalized or completed with the owners.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Receipts in advance (Continued)

The analysis of the project settled without completed formed by the construction contract is as follows:

	31 December 2017	31 December 2016
Accumulated settlement	34,218,365,043	60,710,110,310
Less: Accumulated cost	27,553,728,161	50,352,211,906
Accumulated gross profit	5,450,674,128	8,918,157,409
Project Settled without completed	1,213,962,754	1,439,740,995

The above amounts did not include completed projects at year end.

24. Employee benefits payable

2017	At beginning of year (Restated)	Increase	Decrease	At ending of year
Employee benefits payable-short term(a)	5,455,085	2,982,072,088	(2,980,861,198)	6,665,975
Defined contribution plan (b)	24,224,310	366,621,857	(352,116,225)	38,729,942
Portion of termination benefits paid within 1 year (Note V.33)	-	22,060,000	-	22,060,000
	29,679,395	3,370,753,945	(3,332,977,423)	67,455,917

2016(Restated)	At beginning of year	Increase	Decrease	At ending of year
Employee benefits payable-short term(a)	10,225,750	2,741,107,913	(2,745,878,578)	5,455,085
Defined contribution plan (b)	24,906,441	329,589,207	(330,271,338)	24,224,310
	35,132,191	3,070,697,120	(3,076,149,916)	29,679,395

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Employee benefits payable (Continued)

(a) Employee benefits payable-short term

2017	At beginning of year (Restated)	Increase	Decrease	At ending of year
Salaries, bonuses, allowances and subsidies	-	1,902,968,799	(1,902,968,799)	-
Staff welfare	-	111,554,705	(111,554,705)	-
Social security	161,635	150,134,070	(148,877,089)	1,418,616
Including: Medical insurance	161,504	132,090,791	(130,989,646)	1,262,649
Work injury insurance	44	7,367,060	(7,294,537)	72,567
Maternity insurance	87	10,676,219	(10,592,906)	83,400
Housing funds	39,333	191,332,926	(191,330,728)	41,531
Union running costs and employee education costs	5,015,875	65,830,001	(65,640,048)	5,205,828
Other short-term benefits	238,242	560,251,587	(560,489,829)	-
	5,455,085	2,982,072,088	(2,980,861,198)	6,665,975

2016(Restated)	At beginning of year	Increase	Decrease	At ending of year
Salaries, bonuses, allowances and subsidies	-	1,780,418,364	(1,780,418,364)	-
Staff welfare	-	67,456,903	(67,456,903)	-
Social security	182,709	140,133,379	(140,154,453)	161,635
Including: Medical insurance	182,709	124,191,316	(124,212,521)	161,504
Work injury insurance	-	6,496,687	(6,496,643)	44
Maternity insurance	-	9,445,376	(9,445,289)	87
Housing funds	62,140	175,372,114	(175,394,921)	39,333
Union running costs and employee education costs	4,524,873	54,410,998	(53,919,996)	5,015,875
Short-term paid absence	-	63,767	(63,767)	-
Other short-term benefits	5,456,028	523,252,388	(528,470,174)	238,242
	10,225,750	2,741,107,913	(2,745,878,578)	5,455,085

As at 31 December 2017, there is no payable in the employee benefits payable, and the balance is expected to be fully released and used in the next year (31 December 2016: Nil).

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Employee benefits payable (Continued)

(b) Defined contribution plan

2017	At beginning of year (Restated)	Increase	Decrease	At ending of year
Basic pension insurance	3,327	265,167,420	(261,956,160)	3,214,587
Contribution to pension fund	24,221,534	93,563,220	(82,480,295)	35,304,459
Unemployment insurance	(551)	7,891,217	(7,679,770)	210,896
	24,224,310	366,621,857	(352,116,225)	38,729,942

2016(Restated)	At beginning of year	Increase	Decrease	At ending of year
Basic pension insurance	886	231,561,773	(231,559,332)	3,327
Contribution to pension fund	24,905,021	84,415,911	(85,099,398)	24,221,534
Unemployment insurance	534	13,611,523	(13,612,608)	(551)
	24,906,441	329,589,207	(330,271,338)	24,224,310

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Taxes and surcharges payable

	31 December 2017	31 December 2016 (Restated)
Corporate income tax	465,076,419	477,545,801
VAT	220,103,363	55,767,553
Individule income tax	41,920,839	53,521,559
Land appreciation tax	36,161,785	47,409,165
Urban maintenance and construction tax	860,129	2,364,803
Educational Surcharge	528,767	1,153,272
Business tax	122,031	152,400
Others	4,870,825	26,923,936
	769,644,158	664,838,489

26. Dividend payable

	31 December 2017	31 December 2016 (Restated)
CCCC	4,383,429,608	4,512,022,005
China Road&Bridge	1,031,532	705,336
CCCC Xihai Investment Co.,Ltd.	4,250,585	2,606,703
Others	63,937,448	63,398,960
	4,452,649,173	4,578,733,004

As at 31 December 2017, dividend payable more than 1 year amounting to RMB4,120,435,327 (31 December 2016: RMB4,570,043,994) were due to the fact that shareholders did not require payment of dividends, etc.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Other payables

	31 December 2017	31 December 2016 (Restated)
Exchanges with China and related subsidiaries	898,576,658	992,695,618
Deposit payable, advance payment	321,669,777	329,508,460
Performance bond	194,957,200	193,164,162
Equity purchase	278,647,289	95,117,782
Bid bond	27,806,486	24,244,884
Payable for equipment	113,211,879	16,960,892
Others	1,011,376,173	435,058,863
	2,846,245,462	2,086,750,661

As at 31 December 2017, other payable more than 1 year amounting to RMB570,080,378 (31 December 2016:RMB451,127,080) were payable for cash pledge and security deposit, as related business was still in process, the accouts payable was not settled.

28. Current portion of non-current liabilities

	31 December 2017	31 December 2016 (Restated)
Current portion of long-term payables (NoteV.31)	1,726,900,094	1,674,508,559
Current portion of bonds payable (NoteV.30)	-	1,299,388,273
Current portion of long-term borrowings (NoteV.19(b))	434,631,797	685,705,893
Current portion of other non-current liabilities	-	1,001,989
	2,161,531,891	3,660,604,714

29. Other current liabilities

	31 December 2017	31 December 2016 (Restated)
Amounts to be transferred to output VAT	1,161,957,113	839,191,588

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Bonds payable

	31 December 2017	31 December 2016
Bonds payable	5,986,951,377	7,277,732,247
Less: Current portion of bonds payable (NoteV.28)	-	1,299,388,273
	5,986,951,377	5,978,343,974

	Face value (Yuan)	Issue date	The term	Annual interest rate	Issue amount ('0000)	Interest payment method	Approved document
CCCC Dredging 2016 Corporate Bonds (Phase I)	100	24 February 2016	3+2 Year	2.99%	200,000	Pay interest once a year and one-time repayment of principal at maturity	China Securities Regulatory Commission "Zheng Jian Li [2016] No. 162"
CCCC Dredging 2016 Corporate Bonds (Phase II)	100	5 July 2016	3+2 Year	3.01%	300,000		China Securities Regulatory Commission "Zheng Jian Li [2016] No. 162
CCCC Dredging 2016 Corporate Bonds (Phase III)	100	5 July 2016	5 Year	3.35%	100,000		China Securities Regulatory Commission "Zheng Jian Li [2016] No. 162"

	31 December 2016	Discount amortization	Repayment this year	31 December 2017
CCCC Dredging 2016 Corporate Bonds	5,978,343,974	8,607,403	-	5,986,951,377

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term payables

	31 December 2017	31 December 2016 (Restated)
Finance lease	1,552,900,649	1,947,155,408
Others	3,155,288,064	3,456,473,130
	4,708,188,713	5,403,628,538
Less: Current portion of long-term payable(NoteV.28)	1,726,900,094	1,674,508,559
	2,981,288,619	3,729,119,979

32. Deferred income

	31 December 2017	31 December 2016
Government grants	43,074,900	44,790,000

Government grants	31 December 2016	Current year in Non-operating income/ other income	31 December 2017	Related to assets/income
Infrastructure subsidy funds	38,990,000	-	38,990,000	Related to assets
Other government grants related to assets	5,800,000	(1,715,100)	4,084,900	Related to assets
	44,790,000	(1,715,100)	43,074,900	

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term employee benefits payable

	31 December2017	31 December 2016
Defined benefit liability -- Supplementary retirement benefits	212,550,000	238,070,000
Less: Current portion of supplementary retirement benefits (NoteV.24)	22,060,000	-
	190,490,000	238,070,000

Supplementary retirement benefits are only available to employees who retire before 31 December 2005. The benefits they receive after retirement depend on their retirement status, length of service, and salary, and are affected by inflation and other factors.

The Group's supplementary retirement benefit obligations on the balance sheet date are calculated based on the expected cumulative welfare unit method and reviewed by external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

The principal actuarial assumptions used as at the balance sheet date are as follows:

	31 December 2017	31 December 2016
Discount rate	4.00%	3.25%
Future pension cost increase	4.00%-8.00%	4.00%-8.00%

The quantitative sensitivity analysis for significant assumptions used is as follows:

2017

	Increase	Increase/decrease in defined benefit obligations	Decrease	Increase/decrease in defined benefit obligations
Discount rate	0.25%	(3,730,000)	0.25%	3,850,000
Future pension cost increase	1.00%	6,660,000	1.00%	(5,870,000)

2016

	Increase	Increase/decrease in defined benefit obligations	Decrease	Increase/decrease in defined benefit obligations
Discount rate	0.25%	(4,237,646)	0.25%	4,380,488
Future pension cost increase	1.00%	4,118,611	1.00%	(3,642,471)

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term employee benefits payable (Continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the balance sheet date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The total expenses recognised in profit or loss in respect of the plan are as follows:

	2017	2016
Past service cost	1,012,020	(13,000,000)
Gain or loss on settlement	(48,562)	(220,000)
Net interest	5,441,005	7,930,000
Net cost of supplementary retirement benefits	6,404,463	(5,290,000)
Recognised in administrative expenses	963,458	(13,220,000)
Recognised in finance expenses	5,441,005	7,930,000
	6,404,463	(5,290,000)

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

	2017	2016
Opening balance	238,070,000	277,750,000
Net interest included in profit or loss	6,404,463	(5,290,000)
Included in other comprehensive income		
-Actuarial gains due to changes in financial assumptions	(11,950,000)	(4,830,000)
-Actuarial losses due to changes in demographic assumptions	2,660,000	-
-Actuarial gains due to empirical differences	(220,000)	(4,660,000)
Benefits paid	(22,414,463)	(24,900,000)
Closing balance	212,550,000	238,070,000
Less: Current portion of supplementary retirement benefits	22,060,000	-
	190,490,000	238,070,000

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Paid-in capital

Year 2017 and Year 2016

	Ratio	Beginning balance	Increase	Decrease	Closing balance
CCCC	99.90%	11,763,672,516	-	-	11,763,672,516
China Road&Bridge	0.10%	11,775,448	-	-	11,775,448
	100.00%	11,775,447,964	-	-	11,775,447,964

35. Capital reserves

	31 December 2016 (Restated)	Increase	Decrease	31 December 2017
Equity premium				
-Restructuring and issuing new shares	6,730,330,088	-	-	6,730,330,088
-equity premium (Note1)	74,560,666		(87,217)	74,473,449
-Transactions with minority shareholders (Note 3)	(16,775,087)	1,564,280	-	(15,210,807)
- The acquisition CCCC International Shipping and Hongkong Marine Construction Limited reorganization	(79,698,563)	-	-	(79,698,563)
- Business combination under the same control (Note 4)	210,000,000	-	(278,647,289)	(68,647,289)
Other capital reserve				
- The impact of changes in other owners' equity of the investee under the equity method	1,949,029	1,784,977	-	3,734,006
-Others	21,011,550	-	-	21,011,550
	6,941,377,683	3,349,257	(278,734,506)	6,665,992,434

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Capital reserves (Continued)

	31 December 2015 (Restated)	Increase	Decrease	31 December 2016 (Restated)
Equity premium				
-Restructuring and issuing new shares	6,730,330,088	-	-	6,730,330,088
-equity premium (Note2)	74,484,488	76,178	-	74,560,666
-Transactions with minority shareholders	(16,775,087)	-	-	(16,775,087)
- The acquisition of CCCC Shipping and Hong Kong Maritime reorganization,	(79,698,563)	-	-	(79,698,563)
- Business combination under the same control (Note 4)	210,000,000	-	-	210,000,000
Other capital reserve				
- The impact of changes in other owners' equity of the investee under the equity method	2,133,737	-	(184,708)	1,949,029
-Others	21,011,550	-	-	21,011,550
	6,941,486,213	76,178	(184,708)	6,941,377,683

Note1: The reduction in the share premium is due to the fact that the exchange rate at the time of capital injection is less than the minority shareholders' equity agreed in investment agreement, when the subsidiary CCCC Ecological Environmental Protection Investment Co., Ltd. accepted the second US dollar capital injection from the minority shareholder Zhonghe Property Co., Ltd.

Note 2: The increase in share premium is due to the fact that the exchange rate at the time of capital injection is more than the minority shareholders' equity agreed in investment agreement, when the subsidiary CCCC Ocean Construction Development Co., Ltd. and CCCC Ecological Environmental Protection Investment Co., Ltd. accepted the US dollar capital injection from the minority shareholder Zhonghe Property Co., Ltd.

Note 3: The increase in other capital reserves was for Tianhang Bureau to increase the capital of the non-wholly-owned subsidiary CCCC (Indonesia) Ocean Heavy Industry Co., Ltd. and purchase some minority shares. The shareholding ratio increased from 83.78% to 88.27%. The equity transactions with minority shareholders are transferred to capital reserve in accordance with the guidelines.

Note 4: On 1 July 2017, the company's subsidiary, Tianhang Bureau, completed the business combination of CCCC Fuqing Co., Ltd. under the same control. (Note 6, 2).

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other comprehensive income

	Accumulated balance of other comprehensive income in the consolidated balance sheet			Other comprehensive income in the consolidated income statement of 2017				
	Opening balance at 31 December 2016	Attributable to owners of the parent	Ending balance at 31 December 2017	Before tax	Less: Reclassification from other comprehensive income to profit or loss	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss								
Remeasurement gains or losses of a defined benefit plan	(16,832,099)	7,382,500	(9,449,599)	9,510,000	-	(2,127,500)	7,382,500	-
Other comprehensive income that may be reclassified to profit or loss								
Other comprehensive income using the equity method that may be reclassified to profit or loss	834,565	-	834,565	-	-	-	-	-
Change in the fair value of available-for-sale financial assets	1,610,914,351	(151,012,685)	1,459,901,666	863,727,567	(1,247,613,247)	232,872,995	(151,012,685)	-
Exchange differences on translation of foreign currency financial statements	(18,774,584)	(15,151,795)	(33,926,379)	(14,770,542)	-	-	(15,151,795)	381,253
	1,576,142,233	(158,781,980)	1,417,360,253	858,467,025	(1,247,613,247)	230,745,495	(158,781,980)	381,253

Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other comprehensive income (continued)

	Accumulated balance of other comprehensive income in the consolidated balance sheet			Other comprehensive income in the consolidated income statement of 2016				
	Opening balance at 31 December 2015	Attributable to owners of the parent	Ending balance at 31 December 2016	Before tax	Less: Reclassification from other comprehensive income to profit or loss	Less: Income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that will not be reclassified to profit or loss								
Remeasurement gains or losses of a defined benefit plan	(24,398,599)	7,566,500	(16,832,099)	9,490,000	-	(1,923,500)	7,566,500	-
Other comprehensive income that may be reclassified to profit or loss								
Other comprehensive income using the equity method that may be reclassified to profit or loss	834,565	-	834,565	-	-	-	-	-
Change in the fair value of available-for-sale financial assets	1,892,129,244	(281,214,893)	1,610,914,351	(27,319,610)	(364,065,784)	110,170,501	(281,214,893)	-
Exchange differences on translation of foreign currency financial statements	(781,161)	(17,993,423)	(18,774,584)	(18,319,105)	-	-	(17,993,423)	(325,682)
Total	1,867,784,049	(291,641,816)	1,576,142,233	(36,148,715)	(364,065,784)	108,247,001	(291,641,816)	(325,682)

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Specialised reserves

	31 December 2016	Increase	Decrease	31 December 2017
Safety production fee	732,953,430	412,684,880	(288,102,135)	857,536,175

	31 December 2015	Increase	Decrease	31 December 2016
Safety production fee	653,754,903	351,858,314	(272,659,787)	732,953,430

38. Surplus reserves

	31 December 2016	Increase	Decrease	31 December 2017
Statutory Surplus Reserves	79,591,754	78,916,425	-	158,508,179

	31 December 2015	Increase	Decrease	31 December 2016
Statutory Surplus Reserves	78,370,680	1,221,074	-	79,591,754

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the net profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Retained Earnings

	2017	2016 (Restated)
Retained earnings at the end of year	6,095,934,515	4,365,713,459
Add: Business combination under the same control (note 1)	72,483,011	40,944,216
Retained earnings at the beginning of year	6,168,417,526	4,406,657,675
Net profit attributable to the owners	2,009,374,366	1,769,063,233
Less: Appropriation to statutory surplus reserve	78,916,425	1,221,074
Less: Cash dividend declared for ordinary shares(Note 2)	330,031,476	6,082,308
Balance at end of the current year	7,768,843,991	6,168,417,526

Note 1: On July 1, 2017, tianhang bureau, a subsidiary of the company, completed the enterprise merger under the same control of China Communication Fuqing. CCCC Fuqing is considered to have existed since the controlling shareholder began to implement the control, and its retained earnings retroactively adjusted the undistributed profit at the beginning of the year by RMB 72,483,011 (2016: RMB 40,944,216).

Note 2: According to the resolution of the general meeting of shareholders on June 28, 2017, the company pays cash dividends totaling RMB 326,195,753 to shareholders of CCCC and China Road&Bridge based on the net profit attributable to the owner of the parent company from July to December 2015. As of December 31, 2017, the cash dividend has not been fully paid.

In accordance with the notice on distribution of 2015 annual profit issued by China jiao tong fuqing on June 6, 2017, based on 20% of the 2015 net profit, the total cash dividend of RM3,835,723 was paid to the original shareholder China jiao tong construction corporation. As of December 31, 2017, the cash dividend has not been paid.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Revenue and cost of sales

	2017	2016 (Restated)
Revenue from principal operations	34,368,328,360	30,436,543,337
Other operating revenue	213,392,915	1,112,675,864
	34,581,721,275	31,549,219,201

	2017	2016 (Restated)
Cost from principal operations	29,527,325,973	25,201,911,532
Other operating cost	141,702,272	802,307,639
	29,669,028,245	26,004,219,171

(a) Revenue and cost of sales of primary business is as follows:

	2017		2016(Restated)	
	Revenue	Cost of sales	Revenue	Cost of sales
Business of dredging	14,353,251,815	12,687,403,343	11,373,110,857	9,572,549,915
Business of landfill	12,153,101,139	10,000,876,335	11,195,011,142	8,561,240,157
Front and back service	6,294,604,379	5,282,138,141	8,372,090,342	7,551,665,949
Environmental protection and trading	2,254,436,900	2,243,974,027	128,775,904	148,900,419
Intersegment eliminations	(687,065,873)	(687,065,873)	(632,444,908)	(632,444,908)
	34,368,328,360	29,527,325,973	30,436,543,337	25,201,911,532

(b) Revenue and cost of sales of other business is as follows:

	2017		2016(Restated)	
	Revenue	Cost of sales	Revenue	Cost of sales
Asset leasing	33,113,781	28,446,781	39,449,101	37,062,172
Sales of material	23,300,908	14,917,199	25,664,499	22,132,221
Consulting service	24,222,452	13,205,107	7,553,547	6,661,846
Others	132,755,774	85,133,185	1,040,008,717	736,451,400
	213,392,915	141,702,272	1,112,675,864	802,307,639

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Revenue and cost of sales

(c) The construction contract has been started as follows:

	2017	Accumulated incurred costs	Accumulated recognized gross profit	The amount of the price settled
Construction contract	245,432,025,544	96,451,737,688	11,178,297,382	97,874,327,711

	2017	Accumulated incurred costs	Accumulated recognized gross profit	The amount of the price settled
Construction contract	221,368,523,251	110,285,487,758	14,371,104,834	117,505,115,375

In 2017, due to the increase of raw material price and the change of contract income, the group's net loss of the contract is estimated to be RMB192,922,443 (2016: RMB 259,330).

41. Taxes and surcharges

	2017	2016 (Restated)
Sales tax	13,637,543	203,552,673
City maintenance and construction tax	14,816,552	23,587,721
Educational surcharge	8,370,865	12,858,651
Others	63,631,223	146,612,223
	100,456,183	386,611,268

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Administrative expenses

	2017	2016 (Restated)
Employee compensation costs	1,317,053,253	1,174,717,372
Research and development expenses	514,988,864	354,355,444
Traveling and transportation expenses	145,492,189	84,840,830
Depreciation and amortization expenses	177,700,115	196,631,709
Consulting fees	118,894,756	130,262,707
Office allowance	93,714,421	60,435,983
Professional agency service expenses	35,941,988	38,944,998
Bidding expenses	7,994,229	6,756,936
Taxes	171,238	11,659,277
Others	419,455,864	423,045,358
	2,831,406,917	2,481,650,614

43. Finance expenses

	2017	2016 (Restated)
Interest expenses	606,488,431	749,862,016
Less: interest income	(104,406,212)	(67,102,599)
interest capitalised	(118,404,884)	(131,322,430)
Exchange (gains)/losses	285,438,137	(164,122,005)
Discounted interest	(10,423,633)	(176,173,439)
Others	153,537,241	48,965,633
	812,229,080	260,107,176

The group capitalizes the borrowing costs incurred in the acquisition and construction or production of assets eligible for capitalization. In 2017, the capitalized amount of borrowing costs was RMB 118,404,884 (2016: RMB 131,322,430), of which RMB 87,461,238 (2016: RMB 85,078,659) was included in inventory, RMB 30,272,551 (2016: RMB 46,078,469) was included in construction in progress, and RMB 248,305 (2016: RMB 165,302) was included in intangible assets, and RMB 422,790 (2016:Nil) was included in long-term receivables.

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Losses from impairment of assets

	2017	2016
Provision for bad debts	415,291,697	606,539,341
Losses from decline in value of inventories(Notes V.6(b))	192,922,443	259,330
	608,214,140	606,798,671

45. Gain or loss arising from changes in fair value

	2017	2016
Derivative financial instrument	6,391,967	5,824,740

46. Investment income

	2017年	2016年
Investment income from available for sale financial assets	147,493,747	165,585,545
Long-term equity investment income calculated by equity method (Note V.10(a)(b))	174,727,408	45,708,914
Investment loss from financial liabilities at fair value through profit and loss	(6,992,851)	(6,989,517)
Investment income from disposal of financial assets available for sale assets	1,643,222,523	364,065,784
Investment income generated from the disposal of subsidiaries	-	47,063,088
Investment income/(losses) generated from long-term equity investments accounted for using the equity method	(22,584,266)	10,408,656
Total	1,935,866,561	625,842,470

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Profit or loss arising from disposal of assets

	2017	2016 (Restated)
Gains on disposal of non-current assets	35,526,628	5,023,572
Losses on disposal of non-current assets	(9,266,439)	(35,782,460)
	26,260,189	(30,758,888)

48. Other income

Government grants relating to daily operations are as follows:

	2017	Related to assets/ income
Haizhu District Science And Technology Industry Business And Information Technology Bureau Project Fundinig	3,400,000	Related to income
Technology Center Innovation Capacity Building Project	1,200,000	Related to assets
Mud Pump And Pipeline Transportation Technology Research And Experimental Platform Construction Special Fund	640,210	Related to income
Zhuhai Headquarters Economic Enterprise Support Fund	524,000	Related to income
CCCC-TDC High-tech Enterprise Award	500,000	Related to income
Haizhu District Science and Technology Industry Business and Information Technology Bureau High-tech Enterprise Award	404,200	Related to income
Guangzhou Municipal Finance Bureau Treasury Payment Branch 2016 Special Fund for Enterprise after Research and Development	263,100	Related to income
Guangzhou Haizhu District Science and Technology Industry Business and Information Technology Bureau special fund	263,100	Related to income
Guangzhou Haizhu District Science and Technology Industry Business and Information Bureau Special Fund for Service Outsourcing Development	177,300	Related to income
Guangzhou Municipal People's Government Local Records Office Annual Report Fund	6,000	Related to income
	7,377,910	

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Non-operating income

	2017	2016 (Restated)
Government grants	39,454,595	37,869,027
Insurance claims income	26,189,506	32,442,292
Others	8,816,428	16,107,437
	74,460,529	86,418,756

50. Non-operating expenses

	2017	2016 (Restated)
Accident compensation	-	28,227,338
Donations	2,582,000	750,000
Others	422,775	10,547,781
	3,004,775	39,525,119

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Expenses classified by nature

The operating expenses, sales expenses and administrative expenses in the income statement are classified by nature as follows:

	2017	2016 (Restated)
Subcontract fee	15,698,569,098	13,867,468,349
Labor costs	2,764,588,674	2,841,753,233
Material expenses	1,861,541,304	1,274,292,436
Cost of goods	1,616,901,708	1,006,230,078
Fuels fee	1,388,214,111	1,491,698,748
Lease fee	1,358,473,923	939,402,911
Depreciation and amortization	1,073,717,708	1,007,550,067
Maintenance costs	596,011,703	642,634,189
Research and development costs	514,988,864	354,355,444
Safety cost	412,684,880	351,858,314
The insurance premium	218,975,622	168,253,660
transportation	161,279,069	153,312,919
Others	2,958,142,981	4,442,958,923
	30,624,089,645	28,541,769,271

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Income tax expenses

	2017	2016 (Restated)
Current tax	497,029,925	627,873,112
Deferred tax	66,627,725	60,986,268
	563,657,650	688,859,380

A reconciliation of the income tax expenses applicable to profit before taxes is listed as follows:

	2017	2016 (Restated)
Profit before tax	2,518,693,422	2,401,734,774
Income tax at the statutory income tax rate of 25%	629,673,356	600,433,694
Tax effect of preferential tax rates for some subsidiaries	(125,120,009)	(94,875,960)
Effect of non-taxable income	(80,555,289)	(52,828,073)
Income tax benefits on research and development expenses	(55,842,372)	(46,013,654)
Effect of non-taxable costs, expenses and losses	127,908,936	132,412,072
adjustments to current tax of previous periods	(3,407,153)	(6,298,615)
Deductible temporary differences in previous years	(3,452,712)	(20,834,919)
Deductible losses in previous years	40,965,663	174,962,401
Deductible temporary differences not recognised as deferred tax assets	33,487,230	1,902,434
Income tax	563,657,650	688,859,380

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Notes to items in the statement of cash flows

(a) Cash received relating to other operating activities

	2017	2016 (Restated)
Margin and Deposits	186,908,630	380,506,321
Recovery of restricted depsoits	164,232,687	-
Others	74,232,499	83,748,067
	425,373,816	464,254,388

(b) Cash paid relating to other operating activities

	2017	2016 (Restated)
Deposits	143,386,830	525,817,845
Research and development expenses	514,988,864	354,355,444
Restricted deposits	-	231,698,957
Travel and transportation expenses	159,760,902	93,923,768
Office expenses	102,403,608	73,262,698
Professional agency service and consulting expense	154,836,744	169,207,705
Bank charges	110,269,280	51,355,170
Bidding expenses	7,994,229	7,469,247
Others	971,906,241	970,943,019
	2,165,546,698	2,478,033,853

(c) Cash paid relating to other financing activities

	2017	2016
Financial lease expenses	443,722,561	1,024,807,106

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information to the consolidated statement of cash flows

(a) Operating cash flow adjusted from net profit

	2017	2016 (Restated)
Net profit	1,955,035,772	1,712,875,394
Plus: Impairment losses on assets	608,214,140	606,798,671
Depreciation of fixed assets	913,779,480	856,156,187
Amortisation of investment properties	4,964,453	5,492,555
Amortisation of intangible assets	42,774,429	36,561,972
Amortisation of long-term prepaid expenses	112,199,346	109,339,353
Disposal of fixed asset, intangible assets and other long-term assets	(26,260,189)	30,758,888
Gains from changes in fair value	(6,391,967)	(5,824,740)
Finance expense	558,774,668	520,662,151
Investment income	(1,942,859,412)	(632,831,987)
Decrease of deferred tax assets	83,149,648	5,377,423
Increase / (decrease)of deferred tax liabilities	(14,394,423)	55,608,845
Increase of inventory	(2,582,001,943)	(1,152,832,637)
Increase of receivables	(1,301,125,513)	(3,456,544,455)
Increase of payables	3,495,671,612	5,223,365,964
	1,901,530,101	3,914,963,584

(b) Information of gain of subsidiaries

	2017
Price	65,680,000
Cash and cash equivalents paid	65,680,000
Less: Cash and cash equivalents when gain subsidiaries(Note VI.1)	37,443,204
Cash and cash equivalents (received)/ paid	28,236,796

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Supplementary information to the consolidated statement of cash flows (Continued)

(c) Change of Cash and cash equivalents

	2017	2016 (Restated)
Cash and cash equivalents ending balance	8,157,100,059	8,088,856,377
Less: Cash and cash equivalents openning balance	8,088,856,377	5,646,422,787
Net increase of cash and cash equivalents	68,243,682	2,442,433,590

(d) Cash and cash equivalents

	2017	2016 (Restated)
Cash and bank balances (Note V.1)	8,332,332,008	8,428,321,013
Including: Cash	8,199,712	11,536,886
Bank deposits	8,074,326,847	7,991,034,081
Others	249,805,449	425,750,046
Less: Restricted bank deposits (Note V.56)	175,231,949	339,464,636
Cash and cash equivalents ending balance	8,157,100,059	8,088,856,377

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Foreign currency

	31 December 2017			31 December 2016		
	Foreign currencies	Exchange rate	RMB equivalents	Foreign currencies	Exchange rate	RMB equivalents
Cash and cash equivalents						
U.S. Dollar	171,159,190	6.5342	1,118,388,380	56,017,162	6.9498	389,308,070
H.K. Dollar	247,778,317	0.8359	207,117,895	2,564,621	0.8959	2,297,644
SAR	71,387,481	1.7423	124,378,408	11,824,839	1.8497	21,872,405
Others			182,399,698			181,326,637
			1,632,284,381			594,804,756
Trade receivables						
U.S. Dollar	248,657,132	6.5342	1,624,775,434	169,376,027	6.9498	1,177,129,513
SAR	154,824,793	1.7423	269,751,237	434,153,031	1.8497	803,052,862
MYR	54,919,920	1.6071	88,261,804	2,264,365	1.5527	3,515,879
Others			136,829,188			82,756,388
			2,119,617,663			2,066,454,642
Other receivables						
U.S. Dollar	30,324,356	6.5342	198,145,408	109,910,646	6.9498	763,857,008
MYR	8,207,807	1.6071	13,190,767	17,407	1.5527	27,028
XAF	757,475,882	0.0119	9,013,963	1,666,554,636	0.0110	18,332,101
Others			25,351,897			111,770,177
			245,702,035			893,986,314
Long-term receivables						
U.S. Dollar	36,270,750	6.5342	237,000,332	28,158,541	6.9498	195,696,227
SAR	79,067,068	1.7423	137,758,553	17,892,427	1.8497	33,095,623
Others			5,170,267			9,992,882
			379,929,152			238,784,732

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Foreign currency (continued)

	31 December 2017			31 December 2016		
	Foreign currencies	Exchange rate	RMB equivalents	Foreign currencies	Exchange rate	RMB equivalents
Short-term borrowings						
H.K. Dollar	1,074,680,000	0.8359	898,325,012	232,860,246	0.8959	208,619,494
U.S. Dollar	87,000,000	6.5342	568,475,400	58,891,335	6.9498	409,283,000
			-	2,843,519	7.2772	20,692,858
			1,466,800,412			638,595,352
Long-term borrowings						
Euro Dollar						
U.S. Dollar	188,203,927	7.8023	1,468,423,499	213,568,052	7.2772	1,554,177,427
	18,500,000	6.5342	120,882,700			-
			1,589,306,199			1,554,177,427
Trade payable						
U.S. Dollar						
H.K. Dollar	109,594,200	6.5342	716,110,423	26,619,876	6.9498	185,002,817
MYR	290,297,300	0.8359	242,659,513	289,417,513	0.8959	259,289,150
Other	47,882,807	1.6071	76,952,459	-	-	-
			109,165,580			37,223,246
			1,144,887,975			481,515,213
Other payables						
U.S. Dollar						
H.K. Dollar	94,192,218	6.5342	615,470,789	21,076,727	6.9498	146,479,038
Other	45,794,384	0.8359	38,279,526	10,475,820	0.8959	9,385,287
			34,176,728			20,323,475
			687,927,043			176,187,800

Year ended 31 December 2017 Expressed in Renminbi Yuan

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56 . Assets with restricted ownership

	From the year ended 31 December 2017	From the year ended 31 December 2016 (Restated)
Cash and cash equivalents (Note 1)	175,231,949	339,464,636
Trade receivables (Note 2)	738,658,728	717,500,000
Long-term receivables (Note 3)	441,848,379	185,234,836
Total	1,355,739,056	1,242,199,472

Note 1:On December 31, 2017, the monetary fund of the group with the book value of RMB 175,231,949 (on December 31, 2016: RMB 339,464,636) was mainly used as guarantee deposit, acceptance deposit, letter of credit deposit and pledge to obtain bank borrowings, which were restricted.

Note 2: On December 31, 2017, the group used the receivables with the book value of RMB 738,658,728 (December 31, 2016: RMB 717,500,000) as pledge to obtain bank borrowings.

Note 3: On December 31, 2017, the long-term receivables of the group with the book value of RMB 441,848,379 (December 31, 2016: RMB 185,234,836) are pledged for obtaining bank borrowings.

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VI. CHANG IN SCOPE

1. Business combination not under common control

During the year, the company's subsidiary, CCCC-SDC, obtained a 100% equity interest in Zhejiang Lingyun Water Conservancy and Hydropower Construction Co., Ltd. (now renamed as China Communications Water Resources and Hydropower Construction Co., Ltd.) with cash of RMB65,680,000, and its fair value of identifiable net assets determined based on the assessment. It is RMB 35,259,384. Since the payment of the purchase price on January 9, 2017, CCCC-SDC has obtained control over CCCC Water Resources and Hydropower Construction Co., Ltd., so the purchase date is determined to be January 9, 2017.

The fair value and book value of the identifiable assets and liabilities of CCCC Water Resources and Hydropower Construction Co., Ltd. at the date of purchase are as follows:

	9 January 2017 fair value	9 January 2017 book value
Cash	37,443,204	37,443,204
Accounts receivable	39,775,688	39,775,688
Other receivables	36,215,108	36,215,108
Prepayments	27,926,931	27,926,931
Inventories	15,329,671	15,329,671
Fixed assets	16,363,461	16,363,461
Long-term prepayment	343,097	343,097
Accounts payable	(81,675,317)	(81,675,317)
Receipts in advance	(2,899,804)	(2,899,804)
Taxes and surcharges payable	(2,367,063)	(2,367,063)
Other payables	(51,195,592)	(51,195,592)
Total	35,259,384	35,259,384
Goodwill	30,420,616	
	65,680,000 (a)	

(a): This amount is the consideration paid by the CCCC-SDC for cash payment in the business combination.

The operating results and cash flow of China Communications Water Resources and Hydropower Construction Co., Ltd. from the date of purchase to the end of the year are as follows:

	From 9 January 2017 to 31 December 2017
Operating income	680,505,720
Net profit	8,417,411
Net cash flow	16,444,838

Year ended 31 December 2017 Expressed in Renminbi Yuan

VI. CHANGE IN SCOPE(Continued)

2. Business combination under common control

On April 10, 2017 and June 26, 2017, the company's subsidiary, CCCC-TDC, obtained a 70% equity interest in CCCC -Fuqing, and reached an equity transfer agreement with China's controlling shareholder, CCCC Ltd. The memorandum on the equity transfer work, the transaction consideration is cash RMB 278,647,289. CCCC -Fuqing is a subsidiary of CCCC Ltd., a controlling shareholder. Since both parties are controlled by the controlling shareholder CCCC Ltd. and the control is not temporary, the merger is a business combination under the same control. On June 5, 2017, CCCC Fuqing completed the shareholder approval change registration procedure. On July 1, 2017, the company completed the transfer of equity transfer with CCCC Fuqing. At this point, CCCC-TDC completed the business combination under the same control of CCCC Fuqing, and the merger date was determined to be July 1, 2017.

	From 1 January 2017 to 1 July 2017	2016
Operating income	60,469,883	163,533,692
Net profit	28,744,084	53,744,433
Net cash flow	(270,333,264)	267,318,801

The book value of the assets and liabilities of CCCC Fuqing on the balance sheet date and the previous accounting period is as follows:

	1 July 2017	31 December 2016
Cash	90,022,438	360,355,702
Other current assets	4,626,991	2,666,900
Long-term receivable	1,649,226,607	1,786,829,194
Fixed assets	544,961	679,711
Deferred tax assets	41,514,855	36,030,191
short-term borrowings	(300,000,000)	(330,000,000)
Accounts payable	(176,895,825)	(200,863,320)
Other payable	(294,506,554)	(313,908,371)
Non-current assets due within one year	(392,229,476)	(629,404,648)
Other current liabilities	(25,036,399)	(23,499,711)
Long-term borrowings	(50,000,000)	(180,000,000)
Long-term payable	(28,088,962)	(28,088,962)
Deferred tax liabilities	(92,366,997)	(77,249,527)
Total	426,811,639	403,547,159
Minority shareholders' equity	(128,043,492)	(121,064,148)
	298,768,147	282,483,011
Consolidation difference (included in equity)	(20,120,858)	
Merger consideration	278,647,289	

VI. CHANGE IN SCOPE(Continued)

3. Changes in scope of consolidation for other reasons

(i) CCCC-SDC, a subsidiary of the Company, established CCCC Nanyi Investment Co., Ltd. in January 2017 with CCCC Third Navigation Engineering Co., Ltd. and Quanzhou Nanyi Port Development Co., Ltd. Registered capital is RMB 200 million, CCCC-SDC has a 70% shareholding. At the end of the year, CCCC-SDC has paid RMB 70 million in cash.

(ii) In June 2017, the company's subsidiary, CCCC-SDC established CCCC Yangminghu Investment Co., Ltd. with Changde Yangminghu Investment Development Co., Ltd. The registered capital is RMB 100 million, and the company's shareholding ratio is 80%. At the end of this year, CCCC-SDC has paid RMB 80 million in cash.

(iii) CCCC International Shipping Co.,LTD, a subsidiary of the Company, invested in the establishment of the company Zhongjiao (Zhoushan) Junhang Engineering Co., Ltd. in September 2017 with a registered capital of USD 8 million. The company's shareholding ratio is 100%. At the end of the year, the capital contribution payed by the company was RMB 8 million.

(iv) In November 2017, CCCC Eco-Environmental Investment Co., Ltd. and CCCC-TDC jointly established CCCC (Yiliang) Investment Construction Development Co., Ltd. with Yiliang Juyuan Water Operation Co., Ltd. The registered capital is RMB 80 million. AT the end of this year, Yiliang Juyuan Water Operation Co., Ltd. has not yet invested. The company's total shareholding ratio is 80%, and At the end of the year, it has contributed RMB 64 million in cash.

(v) Subsidiaries of CCCC-SDC, Zhuhai Zhongjiao shanghang Transportation Construction Co., Ltd., Wenzhou shanghang Engineering Investment Construction Co., Ltd., Taizhou shanghang Engineering Construction Co., Ltd., Shanghai Waterway Engineering Consulting Co., Ltd., Shanghai Shangjun Haiyuan Foreign Service Co., Ltd., Shanghai Waterway Engineering General Contracting Co., Ltd., Ningbo Shanghang Port Co., Ltd.; the subsidiary of CCCC-TDC, China Communications Tianhang (Fujian) Traffic Construction Co., Ltd. and China Communications Tianjin Seafarers Technical Service Co., Ltd. were written off during the year.

Expressed in Renminbi Yuan

VII. EQUITY IN OTHER ENTITIES

1. Subsidiaries

(a) Composition of a corporate group

The subsidiaries listed here are the second-level subsidiaries and the main third-tier subsidiaries of the Company. Becasuse the subsidiaries of the company's subsidiaries and the following subsidiaries are too large, they are not listed here.

(i) Subsidiaries acquired through business combinations under common control

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
CCCC-SDC	China	RMB	760,606	Dredging and filling enterprise	100%	-	100%
CCCC-TDC	China	RMB	580,747	Dredging and filling enterprise	100%	-	100%
CCCC-GDC	China	RMB	493,374	Dredging and filling enterprise	100%	-	100%
CCCC International Shipping Co.,LTD (Note (a))	Panama	USD	990	Logistic company	51%	44%	80%
Hong Kong Marine Construction Limited	Hong Kong	HKD	100	Dredging and filling enterprise	100%	-	100%
CHEC Dredging Co.Ltd	China	RMB	100,000	Dredging and filling enterprise	-	100%	100%
SDC Waterway Construction Co.Ltd	China	RMB	88,000	Dredging and filling enterprise	-	100%	100%
Shanghai Communications Construction Co.Ltd	China	RMB	80,000	Dredging and filling enterprise	-	100%	100%
CCCC.TDC Binhai Environmental Protection Navigation Engineering Co.,Ltd.	China	RMB	53,543	Dredging and filling enterprise	-	100%	100%
CCCC (Fuqing) Investment Co., Ltd.	China	RMB	30,000	Road engineering construction company	70%	-	70%
CCCC.TDC Yantai Environmental Protection Dredging Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC TDC Harbour Construction Engineering Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC TDC Southern Communications Construction Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC SDC (Fujian) Communications Construction Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
China Communications Dredging Technology Equipment National Engineering Research Center Co., Ltd.	China	RMB	20,000	Dredging and filling enterprise	-	94%	94%

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VII. EQUITY IN OTHER ENTITIES(CONTINUED)

1. Subsidiaries(Continued)

(a) Composition of a corporate group(Continued)

(i) Subsidiaries acquired through business combinations under common control(Continued)

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
Taizhou SDC Engineering Construction Co., Ltd.	China	RMB	20,000	Dredging and filling enterprise	-	100%	100%
CCCC Yunze Navigation Co., Ltd.	China	RMB	18,000	Dredging and filling enterprise	-	55%	55%
Shanghai Waterway Engineering Design and Consulting Co.,Ltd.	China	RMB	17,126	Survey and design	-	100%	100%
Shanghai Hangdao Logistics Co.,Ltd.	China	RMB	10,000	Logistic company	-	100%	100%
Yingkou Economic and Technological Development Zone Investment Development Co., Ltd. (Note (b))	China	RMB	10,000	Dredging and filling enterprise	-	55%	60%
Shanghai Dahua Surveying and Mapping Co., Ltd.	China	RMB	8,000	Survey and design	-	100%	100%
Shanghai Dahua Surveying and Mapping Co., Ltd.	China	RMB	80,000	Dredging and filling enterprise	-	100%	100%

Note (a): The Company and its subsidiary CCCC-TDC hold a total of 95% shares of CCCC International Shipping Co.,LTD. The board of directors consists of 5 directors, 4 of which are recommended by the Company and CCCC-TDC, 1 is recommended by Chuwa Bussan Co., Ltd., so the company has 80% of the voting rights.

Note (b): The company's subsidiary CCCC-GDC holds 55% shares in Yingkou Economic and Technological Development Zone Investment Development Co., Ltd. The board of directors consists of 5 directors, 3 of which are recommended by CCCC-GDC, 1 is recommended by Zhongji Yintai Capital Investment Co., Ltd, and 1 is recommended by Yingkou Economic and Technological Development Zone Marine Fisheries Industrial Park Development Co., Ltd. Therefore CCCC-GDC has 60% of the voting rights and substantially control its business decisions, so it is included in the scope of consolidation.

Expressed in Renminbi Yuan

VII. EQUITY IN OTHER ENTITIES(CONTINUED)

1. Subsidiaries(Continued)

(a) Composition of a corporate group(Continued)

(ii) Subsidiaries acquired through business combinations under non-common control

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
CCCC Water Resources and Hydropower Construction Co.Ltd	China	RMB	5,500	Water conservancy and hydropower construction enterprise	100%	-	100%

(iii) Subsidiaries acquired through establishment or investment

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
CCCC Quanhui Park Construction Development Co., Ltd. (Note (a))	China	RMB	20,000	Dredging and filling enterprise	-	76%	80%
Liaoning GDC Real Estate Co., Ltd.	China	RMB	17,450	Real estate	-	100%	100%
CCCC Dredging (Wuhan) Environmental Protection Engineering Co., Ltd.	China	RMB	-	Environental protection company	100%	-	100%
CCCC Marine Construction& Development Co.,Ltd (Note (b))	China	RMB	50,000	Marine construction and development enterprise	50%	-	60%
CCCC Ecological Environmental Protection Investments Co.,Ltd (Note (c))	China	RMB	100,000	Investment holding	63.4%	-	57%
CCCC Zhoushan Xiaogan Central Business District Development Co., Ltd. (Note (d))	China	RMB	200,000	Real estate development	70%	-	60%
CCCC South Wing Investment Co., Ltd.	China	RMB	10,000	Dredging and filling enterprise	70%	-	70%

VII. EQUITY IN OTHER ENTITIES(CONTINUED)

1. Subsidiaries(Continued)

(a) Composition of a corporate group(Continued)

(iii) Subsidiaries acquired through establishment or investment(Continued)

Note (a): The company's subsidiary CCCC-SDC holds 76% shares of Zhongjiao Quanhui Park Construction Development Co., Ltd.,The board of directors consists of 5 directors, 3 of which are recommended by CCCC-SDC, and 1 is recommended by CCCC Third Harbor Consultants Co., Ltd., which signed a concerted action agreement with CCCC-SDC. Therefore CCCC-SDC has 80% of voting rights, which can substantially control its business decisions, so it is included in the scope of consolidation.

Note (b): The company holds 50% shares in CCCC Marine Construction& Development Co.,Ltd. The board of directors consists of 5 directors, 3 of which are recommended by the company, 1 is recommended by China Harbour Engineering Co., Ltd., 1 is recommended by Chuwa Bussan Co., Ltd. Therefore the company has 60% of the voting rights. It can control its business decisions in substance and so incorporates CCCC Marine Construction& Development Co.,Ltd into the scope of consolidation.

Note (c): The company holds 63.4% shares in CCCC Ecological Environmental Protection Investments Co.,Ltd. The board of directors consists of 7 directors, 4 of which are recommended by the company, 2 by CCCC Electrical and Mechanical Engineering Co.,Ltd., 1 by Chuwa Bussan Co., Ltd, Therefore the company has 57% of the voting rights, which can substantially control its business decisions and so incorporates it into the scope of consolidation.

Note (d): The company holds 70% shares in CCCC Zhoushan Qiandao Central Business District Development Co., Ltd. The board of directors consists of 5 directors, 3 of which are recommended by the company, 1 by Zhoushan Xiaogandao Business District Construction Holdings Ltd and 1 by employee representative. The company has a voting right ratio of 60%, which can substantially control its business decisions, so it is included in the scope of consolidation.

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VII. EQUITY IN OTHER ENTITIES(CONTINUED)

2. Equity in joint ventures and associates

The Group did not have an individually significant joint venture or associate. The aggregate financial information of the individually insignificant joint ventures is as follows:

	2017	2016
Joint ventures:		
The carrying value of investments on December 31	1,765,487,259	396,849,253
The total of the following items calculated according to the shareholding ratio		
Net profit/(loss) and total comprehensive income/(loss)	3,216,650	(48,276,337)

	2017	2016
Associates:		
The carrying value of investments on December 31	2,926,941,383	2,426,811,768
The total of the following items calculated according to the shareholding ratio		
Net profit and total comprehensive income	171,510,758	93,985,251

Both net profit and total comprehensive income have been considered about the fair value of identifiable assets and liabilities at the time of investment and the adjustment effect of the unified accounting policies.

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VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS

1. Financial instruments by category

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

31 December 2017

Financial assets

	Borrowings and receivables	Available-for-sale financial assets	Total
Currency funds	8,332,332,008	-	8,332,332,008
Notes receivable	1,974,246,290	-	1,974,246,290
Accounts receivable	11,210,388,178	-	11,210,388,178
Interests receivable	942,553	-	942,553
Dividends receivable	34,633,945	-	34,633,945
Other receivables	4,062,397,271	-	4,062,397,271
Available-for-sale financial assets	-	3,803,885,919	3,803,885,919
Long-term receivables (including due within one year)	18,622,126,921	-	18,622,126,921
	44,237,067,166	3,803,885,919	48,040,953,085

Financial liabilities

	Other financial liabilities	Total
Short-term borrowings	6,253,500,412	6,253,500,412
Notes payable	2,132,097,828	2,132,097,828
Accounts payable	20,039,050,873	20,039,050,873
Interests payable	270,629,269	270,629,269
Dividends payable	4,452,649,173	4,452,649,173
Other payables	2,846,245,462	2,846,245,462
Current portion of non-current liabilities	2,161,531,891	2,161,531,891
Special payables	70,066,503	70,066,503
Long-term borrowings	3,377,453,767	3,377,453,767
Bonds payable	5,986,951,377	5,986,951,377
Long-term payables	2,981,288,619	2,981,288,619
	50,571,465,174	50,571,465,174

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VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

1. Financial instruments by category(Continued)

31 December 2016 (Restated)

Financial assets

	Borrowings and receivables	Available-for-sale financial assets	Total
Currency funds	8,428,321,013	-	8,428,321,013
Notes receivable	358,308,593	-	358,308,593
Accounts receivable	15,943,559,539	-	15,943,559,539
Interests receivable	61,500	-	61,500
Dividends receivable	111,744,720	-	111,744,720
Other receivables	4,960,361,393	-	4,960,361,393
Available-for-sale financial assets	-	4,085,400,942	4,085,400,942
Long-term receivables (including due within one year)	14,686,799,006	-	14,686,799,006
	44,489,155,764	4,085,400,942	48,574,556,706

Financial liabilities

	Financial liabilities measured at fair value through profit or loss Transactional	Other financial liabilities	Total
Shore-term borrowings	-	4,726,495,352	4,726,495,352
Financial liabilities measured at fair value through profit or loss	6,391,967	-	6,391,967
Notes payable	-	1,387,180,845	1,387,180,845
Accounts payable	-	16,602,554,634	16,602,554,634
Interests payable	-	394,918,438	394,918,438
Dividends payable	-	4,578,733,004	4,578,733,004
Other payables	-	2,086,750,661	2,086,750,661
Current portion of non-current liabilities	-	3,660,604,714	3,660,604,714
Special payables		70,353,715	70,353,715
Long-term borrowings	-	3,304,924,955	3,304,924,955
Bonds payable	-	5,978,343,974	5,978,343,974
Long-term payables	-	3,729,119,979	3,729,119,979
	6,391,967	46,519,980,271	46,526,372,238

VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety & Transferred financial assets that are derecognized in their entirety

As part of its normal business, the Group entered into an accounts receivable factoring arrangement (the “Arrangement”) and transferred certain accounts receivable to a financial institution. Subsequent to the transfer, the Group did not retain any rights on the use of the accounts receivable, including the sale, transfer or pledge of the accounts receivable to any other third parties. (1) Under the Arrangement, the Group may be required to reimburse the financial institution for loss of interest if any trade debtors have late payment. The Group retains the default risk of the trade debtor after the transfer and therefore continues to fully recognise it and its related short-term and long-term borrowings. The original carrying value of the accounts receivable and long-term receovables transferred under the Arrangement that have not been settled as at 31 December 2017 was RMB738,658,728, RMB441,848,379 (31 December 2016: RMB537,500,000, RMB365,234,836). The carrying amount of relevant short-term borrowings and long-term borrowings the Group recognised was RMB511,644,600, RMB540,315,592 (December 31, 2016: RMB400,000,000, RMB180,000,000). (2) Under the arrangement, if the Group has transferred almost all the risks and rewards of the accounts receivable to the financial institution, the Group derecognises the relevant accounts receivable. In 2017, the book value of the Group's accounts receivable (including long-term receivables) transferred and terminated for the factoring business was RMB2,420,092,058 (2016: RMB4,669,200,000), and the related factoring fee was RMB108,554,498, which was included in current profit and loss (2016: RMB235,436,423).

On November 8, 2017, the Group established the “BOC Securities-China Communications Dredging Phase I Accounts Receivable Asset Support Special Plan” (hereinafter referred to as the “Special Plan”) and listed on the Shanghai Stock Exchange. Under this arrangement, the Group has transferred almost all the risks and rewards of the ownership of the accounts receivable to the special plan, and the Group derecognised the relevant accounts receivable. In 2017, the book value of the Group's accounts receivable (including long-term receivables) that were transferred to the special plan was RMB 1,230,062,522 (2016: Nil), and the related financing expenses of RMB 83,676,958 were included in the current profit and loss (2016: Nil).

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

As of December 31, 2017, the Group's book value of bank acceptance notes (the “Derecognised Notes”) endorsed by suppliers for settlement of accounts payable was RMB 190,261,697 (December 31, 2016: RMB 2,000,000). The Derecognised Notes had a maturity of 1 to 12 months at 31 December 2017. In accordance with the *Law of Negotiable Instruments*, the holders of the Derecognised Notes have a right of recourse against the Group if the accepting banks default (the “Continuing Involvement”). In the opinion of the Group, the Group has transferred substantially all the risks and rewards relating to the Derecognised Notes. Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated accounts payable. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the Group, the fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant.

During the year ended 31 December 2017, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

3. Risks of financial instruments

The Group's major financial instruments include bank borrowings, bonds payable, finance leases, and currency funds. The main purpose of these financial instruments is to finance the operations of the Group. The Group has a variety of other financial assets and liabilities directly arising from operations, such as accounts receivable and accounts payable.

Major risks from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group's risk management policies are outlined below.

Credit risk

The Group trades only with recognized and reputable third parties. The Group has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant bad debt risks.

Other financial assets of the Group include monetary funds, other receivables, and available-for-sale financial assets. The credit risk of these financial assets arises from counterparty defaults, and the maximum exposure is equal to the carrying amount of these instruments. The majority of the Group's monetary funds are held by major Chinese financial institutions and overseas banks with good credit ratings that the management considers to be of high credit quality. The Group adopts a cap policy to limit the credit risk to any financial institution.

The Group's major customers are China's national, provincial and local government agencies, as well as other state-owned enterprises. This portion of the revenue is an important part of the Group's operating income for the year. The Group has policies in place to ensure that customers with qualified credit history are provided with services, and the Group also regularly evaluates the credit status of customers. For overseas companies with insufficient creditworthiness, the Group generally requires a letter of guarantee or letter of credit. Credit risk is centrally managed in terms of customers/transactions, geographic regions and industries. At 31 December 2017, the Group had certain concentrations of credit risk as 12% (31 December 2016: 18%) and 29% (31 December 2016: 32%) of the Group's accounts receivable were due from the Group's largest debtor and five largest debtors, respectively. The Group does not hold any collateral or other credit enhancements in relation to the balance of accounts receivable.

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VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

3. Risk of financial instruments(Continued)

Credit risk(Continued)

On December 31, the maturity analysis of financial assets that were not considered to be impaired individually or in combination was as follows:

2017	Total	Neither past due or impaired	Past due but not impaired	
			Within 6 months	Over 6 months
Currency funds	8,332,332,008	8,332,332,008	-	-
Notes receivable	1,974,246,290	1,974,246,290	-	-
Accounts receivable	7,771,267,087	7,412,515,910	231,708,969	127,042,208
Interests receivable	942,553	942,553	-	-
Dividends receivable	34,633,945	34,633,945	-	-
Other receivables	1,479,248,658	1,371,803,067	15,921,558	91,524,033
Available-for-sale financial assets	3,803,885,919	3,803,885,919	-	-
Long-term receivables	18,112,004,551	18,112,004,551	-	-

2016(Restated)	Total	Neither past due or impaired	Past due but not impaired	
			Within 6 months	Over 6 months
Currency funds	8,428,321,013	8,428,321,013	-	-
Notes receivable	358,308,593	358,308,593	-	-
Accounts receivable	11,585,369,313	11,496,315,372	15,539,222	73,514,719
Interests receivable	61,500	61,500	-	-
Dividends receivable	111,744,720	111,744,720	-	-
Other receivables	2,361,179,741	2,355,998,099	2,350,320	2,831,322
Available-for-sale financial assets	4,085,400,942	4,085,400,942	-	-
Long-term receivables	14,686,799,006	14,686,799,006	-	-

At 31 December 2017, accounts receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

At 31 December 2017, accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Group considers that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

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VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

3. Risk of financial instruments(Continued)

Credit risk(Continued)

Liquidity risk

The Group uses a cyclical liquidity planning tool to manage the risk of funding shortages The tool considers both the maturity date of its financial instruments and the estimated cash flows generated by the Group's operations.

The Group's goal is to use a variety of financing instruments such as bank borrowings, bonds payable, and financial leasing to maintain a balance between sustainability and flexibility. As of December 31, 2017, 69.02% (December 31, 2016: 64.83%) of the Group's debts expired in less than one year. As of December 31, 2017, the Group's unused credit line was RMB 86.5 billion (December 31, 2016: RMB 56.7 billion).

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2017	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	6,908,519,349	1,662,025,323	959,468,341	1,016,729,971	10,546,742,984
Bonds payable	183,600,000	5,183,600,000	1,067,000,000	-	6,434,200,000
Notes payable	2,132,097,828	-	-	-	2,132,097,828
Accounts payable	20,039,050,873	-	-	-	20,039,050,873
Interests payable	270,629,269	-	-	-	270,629,269
Dividends payable	4,452,649,173	-	-	-	4,452,649,173
Other payables	2,846,245,462	-	-	-	2,846,245,462
Special payables	-	993,510	69,072,993	-	70,066,503
Long-term payables	1,767,406,803	2,416,811,047	680,362,750	119,801,560	4,984,382,160
	38,600,198,757	9,263,429,880	2,775,904,084	1,136,531,531	51,776,064,252

31 December 2016 (Restated)	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	5,575,571,417	634,516,359	2,771,235,971	25,446,934	9,006,770,681
Bonds payable	1,539,078,354	183,600,000	6,117,210,640	-	7,839,888,994
Derivative financial instruments	6,391,967	-	-	-	6,391,967
Notes payable	1,387,180,845	-	-	-	1,387,180,845
Accounts payable	16,602,554,634	-	-	-	16,602,554,634
Interests payable	394,918,438	-	-	-	394,918,438
Dividends payable	4,578,733,004	-	-	-	4,578,733,004
Other payables	2,086,750,661	-	-	-	2,086,750,661
Special payables	-	1,241,722	69,111,993	-	70,353,715
Long-term payables	1,756,975,090	2,869,319,667	1,037,770,967	201,325,351	5,865,391,075
	33,928,154,410	3,688,677,748	9,995,329,571	226,772,285	47,838,934,014

VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

3. Risk of financial instruments(Continued)

Liquidity risk(Continued)

Market risk

Interest rate risk

The Group's exposure to interest rate changes mainly comes from interest-bearing liabilities such as borrowings and bonds payable. The borrowings with floating interest rates expose the Group to cash flow interest rate risk. Fixed-rate borrowings expose the Group to fair value interest rate risk. The Group determines the relative proportion of fixed rate and floating rate contracts based on the prevailing market environment.

As at December 31, 2017, the Group's floating rate borrowings were approximately RMB4,675,045,676 (December 31,2016 (restated): RMB3,858,533,343).

The following table shows the sensitivity analysis of interest rate risk, which reflects the net profit and loss (through the impact on floating rate borrowing) and other comprehensive income after the reasonable and possible changes in interest rates under the assumption that other variables are constant.

2017	Base point Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total owner's equity Increase/ (Decrease)
RMB	100	(35,062,843)	(35,062,843)
2016(Restated)	Base point Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total owner's equity Increase/ (Decrease)
RMB	100	(28,939,000)	(28,939,000)

Currency risk

The functional currency of most of the Group's subsidiaries is Renminbi, and most transactions are settled in RMB. However, the Group's revenue from overseas operations, payments for purchase of machinery and equipment from overseas suppliers and certain expenses are settled in foreign currencies. Renminbi is not freely convertible into other foreign currencies, and the conversion of RMB into foreign currency is subject to the foreign exchange control rules and regulations promulgated by the Chinese government.

As of December 31, 2017 and December 31, 2016, the Group's foreign currency denominated (mainly in US dollars and Euros) currency funds, accounts receivable, other receivables, long-term receivables, borrowings, accounts payable, other payables, etc. are summarized in Note V.55.

Year ended 31 December 2017 Expressed in Renminbi Yuan

VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

3. Risk of financial instruments(Continued)

Market risk(Continued)

Currency risk(Continued)

The following table shows the sensitivity analysis of currency risk, which reflects the impact on the net profit after tax and other comprehensive income after the reasonable and possible changes in the exchange rate of RMB against the US dollar and the euro under the assumption that other variables are constant.

31 December 2017	Exchange rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
RMB appreciation against the US dollar	5%	(43,990,564)	(43,990,564)
RMB depreciation against the US dollar	(5%)	43,990,564	43,990,564
RMB appreciation against the euro	5%	55,640,292	55,640,292
RMB depreciation against the euro	(5%)	(55,640,292)	(55,640,292)
31 December 2016			
RMB appreciation against the US dollar	5%	(66,945,974)	(66,945,974)
RMB depreciation against the US dollar	(5%)	66,945,974	66,945,974
RMB appreciation against the euro	5%	59,110,415	59,110,415
RMB depreciation against the euro	(5%)	(59,110,415)	(59,110,415)

Equity instrument investment price risk

The investment price risk of equity instruments refers to the risk that the fair value of equity securities will decrease due to changes in the level of stock indices and the value of individual securities. As at 31 December 2017, the Group was exposed to equity instrument investment price risk arising from investments in individual equity instruments classified as available-for-sale equity instrument investments (Notes V.8).

Year ended 31 December 2017 Expressed in Renminbi Yuan

VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

3. Risk of financial instruments(Continued)

Market risk(Continued)

The following table illustrates the sensitivity of the after-tax other comprehensive income of the Group to every 10% change in the fair value (based on the book value of the balance sheet date) of equity instrument investments, assuming all other variables remain constant. For the purpose of this sensitivity analysis, for an available-for-sale equity instrument investment, the effect is considered to be an effect on changes in the fair value of the available-for-sale equity instrument investment, regardless of factors such as impairment that may affect profit or loss.

2017	Equity instrument investment book value	Net profit or loss Increase/ (Decrease)	Other comprehensive income net of tax Increase/ (Decrease)	Total equity Increase/ (Decrease)
Equity instrument investment				
at Shanghai Stock Exchange	235,748,451	-	176,811,338	176,811,338
at Hong Kong Stock Exchange	29,731,291	-	22,298,468	22,298,468

2016	Equity instrument investment book value	Net profit or loss Increase/ (Decrease)	Other comprehensive income net of tax Increase/ (Decrease)	Total equity Increase/ (Decrease)
Equity instrument investment				
at Shanghai Stock Exchange	267,798,618	-	200,848,964	200,848,964
at Hong Kong Stock Exchange	25,832,626	-	19,374,470	19,374,470

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VIII. FINANCIAL INSTRUMENTS AND RELATED RISKS (CONTINUED)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support business development and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and changes in the risk characteristics of related assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to owners, return capital to owners or issue new shares. The Group is not subject to external mandatory capital requirements. No changes in the objectives, policies or processes for managing capital were made during the years ended 31 December 2017 and 31 December 2016.

The Group uses leverage ratios to manage capital. The leverage ratio is the ratio of net liabilities to adjusted capital plus net liabilities. Net liabilities is total borrowings (including short-term borrowings, long-term borrowings, bonds payable and long-term payables, etc.) minus cash and cash equivalents. The total capital is the sum of shareholders' equity and net liabilities as shown in the consolidated balance sheet. The Group's leverage ratio on the balance sheet date is as follows:

	31 December 2017	31 December 2016 (Restated)
Short-term borrowings	6,253,500,412	4,726,495,352
Long-term borrowings	3,377,453,767	3,304,924,955
Bonds payable and their interests	6,095,592,858	7,415,373,105
Financing lease payments	1,552,900,649	1,947,155,408
Less: Cash and cahs equivalents (Note V.54(c))	8,157,100,059	8,088,856,377
Net liabilities(A)	9,122,347,627	9,305,092,443
Shareholders' equity	30,129,941,682	28,614,337,400
Total capital(B)	39,252,289,309	37,919,429,843
Leverage ratio(A/B)	23%	25%

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IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

31 December 2017

	Input value used for fair value measurement			
	active market offer Level 1	significant observable Input value Level 2	significant unobservable input value Level 3	Total
Continuous Fair Value Measurement				
Available-for-sale financial assets	2,654,797,418	-	-	2,654,797,418

31 December 2016

	Input value used for fair value measurement			
	active market offer Level 1	significant observable Input value Level 2	significant unobservable input value Level 3	Total
Continuous Fair Value Measurement				
Available-for-sale financial assets	2,936,312,441	-	-	2,936,312,441
Financial liabilities at fair value through profit or loss	-	(6,391,967)	-	(6,391,967)

Year ended 31 December 2017 Expressed in Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value (Continued)

31 December 2017

	Input value used for fair value measurement			
	Active market offer Level 1	Significant observable Input value Level 2	Significant unobservable input value Level 3	Total
Long-term borrowings	-	3,090,802,402	-	3,090,802,402
Bonds payable	-	5,986,951,377	-	5,986,951,377
	-	9,077,753,779	-	9,077,753,779

31 December 2016 (Restated)

	Input value used for fair value measurement			
	Active market offer Level 1	Significant observable Input value Level 2	Significant unobservable input value Level 3	Total
Long-term borrowings	-	3,217,989,965	-	3,217,989,965
Bonds payable	-	5,978,343,974	-	5,978,343,974
	-	9,196,333,939	-	9,196,333,939

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IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair value valuation

Fair Value of Financial Instruments

The followings are the book value and fair value of all types of financial instruments except those with little difference between book value and fair value:

	Book value		Fair value	
	31 December 2017	31 December 2016 (Restated)	31 December 2017	31 December 2016 (Restated)
Financial liabilities				
Long-term borrowings	3,377,453,767	3,304,924,955	3,090,802,402	3,217,989,965
Bonds payable	5,986,951,377	5,978,343,974	5,768,201,454	5,578,903,528
	9,364,405,144	9,283,268,929	8,859,003,856	8,796,893,493

Management has assessed currency funds, notes receivable, accounts receivable, interests receivable, other receivables, short-term borrowings, notes payable, accounts payable, dividends payable and other payables. Due to the short remaining period, fair value is comparable to book value.

On each balance sheet day, the Group analyses changes in the value of financial instruments and determines the main input values applicable to valuation.

Fair value of financial assets and liabilities, in order to determine the amount of assets exchanged or debts liquidated voluntarily by both parties familiar with the situation in a fair transaction, rather than in the case of forced sale or liquidation. The following methods and assumptions are used to estimate fair value.

Long-term receivables, long-term borrowings, bonds payable and so on, use the discount method of future cash flow to determine the fair value, and take the market rate of return of other financial instruments with similar contract terms, credit risk and residual period as the discount rate. On December 31 2017, the fair value of long-term receivables is similar to the book value, and the risk assessment of non-performance of long-term borrowings and bonds payable is not significant.

For listed equity instruments, the fair value is determined by market quotes. Non-listed available-for-sale equity instruments use the discounted valuation model to estimate fair value, and the assumptions used are not supported by observable market prices or interest rates. The Group needs to make an estimate of the estimated future cash flows, including estimated future dividends and disposal income. The Group believes that the fair value and its changes estimated by valuation techniques are reasonable and are also the most appropriate value on the balance sheet date.

4. Adjustment and level conversion of fair value measurement

In this year, there has been no transfer of fair value measurement of financial assets and liabilities between the first and second levels, nor has there been any transfer to or from the third level.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Parent

Name of parent company	Place of regist ration	Nature of Business	registered capital (*0,000)	Share Holding Proportion %	Right to vote %
CCCC	Beijing	Coastal and inland river port engineering and infrastructure construction industry mainly consisting of survey, design, construction and supervision of highway, railway, bridge and tunnel engineering; dredging industry mainly consisting of infrastructure dredging, maintenance dredging, dredging by dredging and filling and environmental protection dredging; dredging industry mainly consisting of heavy marine equipment, construction machinery, road construction machinery and bridge components. Equipment manufacturing industry; and foreign trade and economic business with international project contracting, labor service cooperation and import and export trade as the main business	1,617,474	100	100

(2) Subsidiaries

The basic information of subsidiaries and related information are listed in Notes VII.1.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(3) Joint ventures and associates

Joint Venture and associates see Notes VII.2 on the Rights and Interests of Joint Venture and associates.

(4) Other related parties

Name of related party	Relations with the Group
China Harbor Engineering Co., Ltd.	Joint control by parent controller
CCCC Investment Co., Ltd.	Joint control by parent controller
CCCC First Harbor Engineering Co., Ltd.	Joint control by parent controller
CCCC Second Harbor Engineering Co., Ltd.	Joint control by parent controller
CCCC Third Harbor Engineering Co., Ltd.	Joint control by parent controller
CCCC Fourth Harbor Engineering Co., Ltd.	Joint control by parent controller
CCCC First Highway Consultants Co., Ltd.	Joint control by parent controller
CCCC First Harbor Consultants Co., Ltd.	Joint control by parent controller
CCCC Settlement Center	Joint control by parent controller
CCCC Finance Co., Ltd.	Joint control by parent controller
CCCC Mechanical & Electrical Engineering Co., Ltd.	Joint control by parent controller
CCCC Financial Leasing Co., Ltd.	Joint control by parent controller
PetroChina CCCC Oil Products Sales Co., Ltd.	Joint control by parent controller
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	Joint control by parent controller
CCCC Urban Investment Co., Ltd.	Joint control by parent controller
CCCC Road & Bridge technology Co., Ltd.	Joint control by parent controller
CCCC Indonesia Co., Ltd.	Joint control by parent controller
CCCC (Malaysia) SDN BHD	Joint control by parent controller
CCCC (Lianyungang) Construction and Development Co., Ltd.	Joint control by parent controller
CCCC Tianfu Chengdu Industrial Co., Ltd.	Joint control by parent controller
CCCC Highway Consultant Co., Ltd.	Joint control by parent controller
CCCC Kunming Construction and Development Co., Ltd.	Joint control by parent controller
CCCC Material Co., Ltd.	Joint control by parent controller
CCCC Southwest Investment Development Co., Ltd.	Joint control by parent controller
Chuwa Bussan Co., Ltd.	Joint control by parent controller
CCCC Second Harbor Consultants Co., Ltd.	Joint control by parent controller
CCCC Fourth Harbor Consultants Co., Ltd.	Joint control by parent controller
CCCC Haixi Investment Co., Ltd.	Joint control by ultimate controller
CCCC Real Estate Beijing Property Co., Ltd.	Joint control by ultimate controller
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	Joint control by ultimate controller
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	Joint venture by parent controller
Tianjin Port and Waterway Engineering Co., Ltd.	Joint venture by parent controller

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(5) Related party transactions

(a) Pricing Policy

The prices of the products sold to the affiliated parties, the provision of labor services or construction services to the affiliated parties, the purchase of raw materials from the affiliated parties, the acceptance of the labor services of the affiliated parties and the subcontracting projects from the affiliated parties are fixed on the basis of general commercial terms. The rents paid to the affiliated parties and the reference market prices for asset transfer are determined after consultation between the two parties.

(b) Purchase of goods

	2017	2016
Chuwa Bussan Co., Ltd.	355,623,733	-
PetroChina CCCC Oil Products Sales Co., Ltd.	106,032,740	59,416,363
CCCC Materials & Equipment Co., Ltd.	4,685,551	-
CCCC First Harbour Engineering Co., Ltd.	329,865	-
	466,671,889	59,416,363

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(5) Related party transactions (Continued)

(c) Providing labour/construction services

	2017	2016
China Harbor Engineering Co., Ltd.	1,931,532,506	1,302,249,487
CCCC	1,322,651,978	1,422,346,930
CCCC Fourth Harbor Engineering Co., Ltd.	851,661,687	255,649,270
CCCC (Malaysia) SDN BHD	650,818,102	131,115,885
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	611,886,769	160,601,466
CCCC Investment Co., Ltd.	465,952,618	498,606,858
CCCC Indonesia Co., Ltd.	348,286,724	228,386,549
Shenhua Shanghai Airlines Dredging Co.,Ltd.	276,271,986	102,452,821
CCCC City Investment Holding Co., Ltd.	222,312,312	59,054,654
CCCC First Harbor Engineering Co., Ltd.	195,760,472	109,063,184
CCCC First Harbor Engineering Co., Ltd.	151,677,136	35,153,123
Chifeng CCCC Investment Development Co., Ltd.	99,147,508	-
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	90,792,793	657,663,611
Tianjin Port and Shipping Engineering Co.,Ltd.	73,828,730	1,196,413
Tianjin Port and Waterway Engineering Co., Ltd.	65,707,495	20,389,623
CCCC Second Harbor Engineering Co., Ltd.	65,134,247	136,793,116
Yuxi CCCC Xingyun Lake Environmental Management Co., Ltd.	60,089,680	-
Tianjin Lingang Industrial Investment Holding Ltd.	24,175,807	3,489,611
Jishou CCCC Water Conservancy Construction Development Co., Ltd.	18,095,448	-
Tangshan Caofeidian Dredging Co., Ltd.	13,043,128	4,109,838
CCCC Second Harbor Consultants Co., Ltd.	745,143	34,757,282
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	-	19,939,606
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	3,965,312	84,581,697
Others	10,445,303	13,613,520
	7,553,982,884	5,281,214,544

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(5) Related party transactions (Continued)

(d) Sale of properties

	2017	2016
CCCC Fourth Harbor Consultants Co., Ltd.	-	973,045,238

(e) Acceptance of Labor/engineering subcontracting

	2017	2016
CCCC First Harbor Engineering Co., Ltd.	310,135,114	645,762,511
CCCC Fourth Harbor Engineering Co., Ltd.	289,198,531	106,892,745
CCCC Third Harbor Engineering Co., Ltd.	171,617,571	270,373,157
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	148,173,653	31,181,587
Shenhua Shanghai Dredging Co., Ltd.	94,985,123	51,037,106
Tianjin Port and Waterway Engineering Co., Ltd.	29,079,967	44,170,918
Tangshan Caofeidian Dredging Co., Ltd.	13,592,233	12,932,045
CCCC Highway Planning and Design Institute Co., Ltd.	7,258,470	14,114,127
CCCC Real Estate Beijing Property Co.,Ltd.	5,928,922	9,143,446
Others	2 4,748,153	13,270,490
	1,094,717,737	1,198,878,132

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(5) Related party transactions (Continued)

(f) Acceptance/provision of funds

	Types of Related Transactions	2017	2016 (Restated)
CCCC Financial Leasing Co., Ltd.	Obtain borrowing	536,700,000	250,000,000
CCCC Financial Leasing Co., Ltd.	Borrowing repayment	880,000,000	-
CCCC Financial Leasing Co., Ltd.	Borrowing interest	14,621,085	21,079,115
CCCC Settlement Center	Obtain borrowing	250,000,000	632,306,000
CCCC Settlement Center	Borrowing repayment	450,000,000	662,306,000
CCCC Settlement Center	Deposit interest	1,442,478	944,553
CCCC Settlement Center	Borrowing interest	8,221,500	10,143,131
CCCC Settlement Center	Deposit	1,723,525,542	1,092,159,091
CCCC Settlement Center	Withdraw	2,022,498,421	613,148,938
CCCC Finance Co., Ltd.	Obtain borrowing	3,850,000,000	2,840,000,000
CCCC Finance Co., Ltd.	Borrowing repayment	3,350,000,000	2,440,000,000
CCCC Finance Co., Ltd.	Deposit interest	18,607,269	13,058,843
CCCC Finance Co., Ltd.	Borrowing interest	105,845,288	95,180,838
CCCC Finance Co., Ltd.	Deposit	43,792,626,827	65,639,844,061
CCCC Finance Co., Ltd.	Withdraw	44,680,009,929	63,953,210,374

Cash and bank deposits deposited in CCCC Settlement Center and CCCC Finance Co., Ltd. are accrued at current market interest rates. Borrowings from CCCC Financial Leasing Co., Ltd., China Communications and Settlement Center and CCCC Finance Co., Ltd. are charged at current market interest rates. Interest-free advances with related parties

(g) Operating lease

	2017	2016
CCCC	1,665,360	839,526

(h) Finance lease

	2017	2016
CCCC Financial Leasing Co.,Ltd.	-	784,904,760

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(5) Related party transactions (Continued)

(i) Commissioned construction of fixed assets

	2017	2016
CCCC Tianhe Machinery Equipment Manufacturing Co.,Ltd.	-	172,921,000

(j) Granting borrowings

	2017	2016
CCCC Financial Leasing Co., Ltd.	800,000,000	-
CCCC Southwest Investment Development Co., Ltd.	200,000,000	300,000,000
CCCC Fourth Harbour Engineering Co., Ltd.	-	65,000,000
	1,000,000,000	365,000,000

(k) Guarantee

Guarantee	31 December 2017	31 December 2016	Starting Date	Ending Date	Complete
Tianjin Port and Waterway Engineering Co., Ltd.	46,855,600	46,855,600	2009-08-07	2018-08-06	No

(l) Acceptance of guarantee

Guarantor	2017	2016
CCCC	349,106,395	430,099,991

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(5) Related party transactions (Continued)

(m) Compensation of key management

	2017	2016
Compensation	8,728,610	6,233,600

6. Amounts due from/ to related parties

(a) Cash and cash equivalents

	31 December 2017	31 December 2016
CCCC Finance Co., Ltd.	4,150,944,488	4,700,025,059

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(b) Trade receivables

Account	31 December 2017 Balance	31 December 2017 Bad debt provision	31 December 2016 (Restated) Balance	31 December 2016 (Restated) Bad debt provision
CCCC	1,760,181,558	-	3,439,789,198	-
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	729,724,954	-	239,334,729	-
China Harbour Engineering Co., Ltd.	633,974,804	-	1,278,597,875	-
CCCC Fourth Harbour Engineering Co., Ltd.	477,617,101	-	168,491,558	-
CCCC Indonesia Co., Ltd.	335,632,112	-	196,972,068	-
CCCC Urban Investment Co., Ltd.	297,011,689	-	166,289,818	-
CCCC First Harbour Engineering Co., Ltd.	278,144,196	-	147,061,076	-
CCCC Investment Co., Ltd.	105,436,369	-	221,095,196	-
Tangshan Caofeidian Dredging Co., Ltd.	75,776,465	(44,306,807)	100,864,209	(39,623,374)
CCCC Third Harbour Engineering Co., Ltd.	75,319,110	-	32,346,645	-
CCCC Liyang City Investment and Construction Co., Ltd.	49,159,284	-	-	-
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	39,727,768	-	1,743,681	-
CCCC Second Harbour Engineering Co., Ltd.	19,229,392	-	30,759,535	-
Tianjin Port Waterway Engineering Co., Ltd.	8,185,910	(1,564,665)	20,508,372	(6,036,397)
Tianjin Lingang Industrial Investment Holding Co., Ltd.	875,566	(8,756)	104,714,134	(8,051,567)
CCCC Fourth Harbour Consultants Co., Ltd.	-	-	510,869,750	-
CCCC (Malaysia) SDN BHD	-	-	72,905,546	-
Others	64,763,244	(14,953,779)	33,993,746	(781,592)
	4,950,759,522	(60,834,007)	6,766,337,136	(54,492,930)

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Relevant Party's Balance of Receivables and Payables(continued)

(c) Prepayment

	31 December 2017		31 December 2016 (Restated)	
	Balance	Bad debt provision	Balance	Bad debt provision
CCCC First Harbour Engineering Co., Ltd.	77,474,156	-	1,654,423	-
CCCC Tianfu Chengdu Industrial Co., Ltd.	8,226,016	-	-	-
CCCC Financial Leasing Co., Ltd.	7,703,160	-	25,000,000	-
Shanghai Zhenhua Heavy Industry (Group) Co., Ltd.	3,100,000	-	-	-
CCCC Mechanical & Electrical Engineering Co., Ltd.	92,524	-	-	-
CCCC Highway Tianjin Port and Waterway Engineering Co., Ltd.	-	-	3,659,185	-
CCCC Second Harbour Engineering Co., Ltd.	-	-	785,245	-
Others	524,604	-	144,000	-
	97,120,460	-	31,242,853	-

Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(d) Dividends Receivable

	31 December 2017		31 December 2016	
	Balance	Bad debt provision	Balance	Bad debt provision
CCCC Tianhe Machinery Equipment Manufacturing Co., Ltd.	25,079,494	-	25,079,494	-
China Harbour Engineering Co., Ltd.	7,652,374	-	71,726,234	-
CCCC Kunming Construction and Development Co., Ltd.	924,836	-	-	-
Guangdong Dachangqing Engineering Construction Co., Ltd.	-	-	13,036,914	-
	33,656,704	-	109,842,642	-

Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(e) Other receivables

	31 December 2017		31 December 2016(Restated)	
	Balance	Bad debt provision	Balance	Bad debt provision
CCCC Settlement Center	413,867,900	-	712,840,779	-
CCCC Financial Leasing Co., Ltd.	319,547,000	-	317,727,000	-
CCCC Southwest Investment Development Co.,Ltd.	200,000,000	-	-	-
CCCC	110,907,970	-	60,639,711	-
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd.	35,996,149	-	37,330,766	-
CCCC Fourth Harbour Engineering Co., Ltd.	63,972,966	-	73,000,000	-
China Harbour Engineering Co., Ltd.	23,268,557	-	84,048,094	-
Tianjin Port and Shipping Engineering Co., Ltd.	19,906,454	-	-	-
CCCC Investment Co., Ltd.	2,004,140	-	23,590,000	-
Others	10,927,437	-	32,424,073	-
	1,200,398,573	-	1,341,600,423	-

Year ended 31 December 2017 Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(f) Long-term receivables

Name	31 December 2017	31 December 2016 (Restated)
CCCC	1,858,192,188	78,487,360
China Harbour Engineering Co., Ltd.	359,092,313	242,915,353
CCCCInvestment Co., Ltd.	264,655,581	190,473,375
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	183,716,279	153,044,315
CCCC Urban Investment Co., Ltd.	75,863,826	70,661,889
CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd.	73,141,106	-
CCCC (Malaysia) Co., Ltd.	65,848,329	13,962,655
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	48,946,195	-
CCCC Fourth Harbour Engineering Co., Ltd.	36,468,073	-
CCCC Third Harbour Engineering Co.,Ltd.	32,247,250	-
Shenhua ShanghaiDredging Co., Ltd.	26,455,706	-
Others	10,790,958	22,103,818
	3,035,417,804	771,648,765

(g) Short-term borrowings

	31 December 2017	31 December 2016 (Restated)
CCCC Finance Co., Ltd.	3,150,000,000	2,650,000,000
CCCC Financial Leasing Co., Ltd.	536,700,000	330,000,000
Beijing Capital Settlement Center of CCCC Corporation	100,000,000	300,000,000
	3,786,700,000	3,280,000,000

Year ended 31 December 2017 Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(h) Accounts payable

	31 December 2017	31 December 2016 (Restated)
CCCC	308,471,522	192,052,304
Chuwa Bussan Co., Ltd.	289,969,408	-
CCCC Fourth Harbour Engineering Co., Ltd.	245,411,954	50,981,560
CCCC Third Harbour Engineering Co., Ltd.	85,007,269	155,582,408
PetroChina CCCC Oil Products Sales Co., Ltd.	47,436,367	11,339,076
CCCC First Harbour Engineering Co., Ltd.	41,343,479	40,134,623
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	25,000,000	32,436,660
Shenhua Shanghai Airlines Dredging Co., Ltd.	14,284,004	1,949,025
CCCC Highway Planning and Design Institute Co., Ltd.	605,577	7,057,551
Tangshan Caofeidian Dredging Co., Ltd.	-	36,308,904
Others	39,753,681	10,972,791
	1,097,283,261	538,814,902

Year ended 31 December 2017 Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(i) Other payables

	31 December 2017	31 December 2016 (Restated)
CCCC	949,462,313	664,911,481
China Harbour Engineering Co., Ltd.	157,116,999	211,272,709
CCCC Haixi Investment Co., Ltd.	47,500,000	-
CCCC First Harbour Engineering Co., Ltd.	25,209,438	179,315,062
Chuwa Bussan Co., Ltd.	19,602,600	-
CCCC Third Harbour Engineering Co., Ltd.	10,828,950	-
CCCC Investment Co., Ltd.	-	16,025,204
Others	30,353,322	19,288,944
	1,240,073,622	1,090,813,400

(j) Long-term payables

	31 December 2017	31 December 2016 (Restated)
CCCC Financial Leasing Co., Ltd.	742,956,983	950,019,851
CCCC Fourth Harbour Engineering Co., Ltd.	19,800,680	105,579,851
CCCC Road & Brige technology Co., Ltd.	8,322,498	7,945,105
CCCC First Harbour Engineering Co., Ltd.	5,540,046	230,463,326
Tianjin Port and Shipping Engineering Co., Ltd.	4,973,754	12,650,553
CCCC	59,613	79,404,648
Cangzhou Bohai New Area Jinhua Port Construction Engineering Co., Ltd.	-	42,593,407
CCCC First Highway Consultants Co., Ltd.	-	19,733,288
	781,653,574	1,448,390,029

Year ended 31 December 2017 Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

(6) Amounts due from/ to related parties (continued)

(k) Dividends payable

	31 December 2017	31 December 2016 (Restated)
CCCC	4,383,429,608	4,512,022,005
China Road & Brige	1,031,532	705,336
CCCC Haixi Investment Co., Ltd.	4,250,585	2,606,703
	4,388,711,725	4,515,334,044

(7) Commitments between the Group and related parties

(a) Providing construction services

	31 December 2017	31 December 2016 (Restated)
CCCC	2,490,485,097	2,883,954,422
China Harbour Engineering Co., Ltd.	1,582,507,377	1,745,495,129
CCCC Second Harbour Engineering Co., Ltd.	1,459,941,213	1,563,878,021
CCCC (Malaysia) SDN BHD	1,360,723,288	2,011,541,390
CITIC Investment Co., Ltd.	903,323,062	1,888,430,704
CCCC Fourth Harbour Engineering Co., Ltd.	674,633,447	941,308,143
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	570,344,507	1,182,231,276
CCCC Urban Investment Co., Ltd.	388,995,052	425,120,590
Chifeng CCCC Investment Development Co., Ltd.	306,941,231	336,088,739
Tianjin Lingang Industrial Investment Holding Co., Ltd.	303,763,460	327,939,268
CCCC Indonesia Co., Ltd.	302,383,491	683,175,185
Shenhua Shanghai Dredging Co., Ltd.	194,145,405	470,417,391
CCCC (Lianyungang) Construction and Development Co., Ltd.	154,118,850	154,118,850
CCCC Third Harbour Engineering Co., Ltd.	96,591,402	104,889,890
CCCC First Harbour Consultants Co., Ltd.	62,358,910	171,344,115
CCCC Liyang Urban Investment and Construction Co., Ltd.	43,980,261	76,697,756
Sanya Phoenix Island International Cruise Port Development Co., Ltd.	23,689,816	92,333,307
Tangshan Caofeidian Dredging Co., Ltd.	23,461,200	36,504,328
Tianjin Port and Waterway Engineering Co., Ltd.	11,762,585	85,591,315
Others	23,169,142	6,906,231
	10,977,318,796	15,197,966,050

Year ended 31 December 2017 Expressed in Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS(CONTINUED)

7. Commitments between the Group and related parties (Continued)

(b) Acceptance of Labour

	31 December 2017	31 December 2016
CCCC First Harbour Engineering Co., Ltd.	170,939,015	114,069,877
CCCC Third Harbour Engineering Co., Ltd.	109,278,730	173,466,640
Tianjin Port and Waterway Engineering Co., Ltd.	59,000,000	-
	339,217,745	287,536,517

XI. COMMITMENTS AND CONTINGENCIES

(1) Major commitment

Capital commitment

The followings are the capital commitments contracted but not provided for as at the balance sheet date:

	31 December 2017	31 December 2016
Intangible assets-Concession	1,194,703,652	1,228,506,736

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XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(2) Contingencies

The followings are the contingent events that occurred on the balance sheet date but did not meet the conditions for recognition of liabilities and were not reflected in the financial statements:

(a) Pending lawsuits

	31 December 2017	31 December 2016
Pending lawsuits	129,654,929	215,429,898

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

CCCC Yunze Navigation Co., Ltd. (hereinafter referred to as “CCCC Yunze”), a subsidiary of CCCC-TDC, publicly listed 100% equity of its wholly-owned subsidiary Qingdao Zhongjin Coast Industrial Co., Ltd. (hereinafter referred to as "Zhongjin") on 25 January 2011 at Chongqing Equity Exchange. Qingdao International Commodity Exchange Co., Ltd. (hereinafter referred to as “Qingdao Commodity Exchange”) was delisted for RMB520,000,000. As of December 31 2017, Qingdao Commodity Exchange failed to pay the balance of RMB 274,000,000 as agreed in the contract. CCCC-TDC made provision for impairment of RMB164,400,000 for other receivables according to the individual identification method. CCCC Yunze and Qingdao Commodity Exchange have conducted arbitration and litigation on equity transfer disputes since 2012. At present, CCCC Yunze has made a further appeal with the relevant departments.

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XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(2) Contingencies (continued)

(b) External guarantee

	31 December 2017	31 December 2016
Provision of external guarantees	46,855,600	46,855,600

As at 31 December 2017, the external guarantees provided by the Group are as follows:

Guarantor	Guarantee	Bank borrowings	Borrowing Period
CCCC-TDC	Tianjin North Port and Shipping Petrochemical Terminal Co., Ltd	46,855,600	2009-2018

XII. EVENTS AFTER THE BALANCE SHEET DATE

No siginificant events after the balance sheet date occurred.

XIII. OTHER SIGNIFICANT EVENTS

(1) Segment reporting

(a) Operating segments

The reporting segments of the Group are business units that offer different products or services or operate in different regions. Since various businesses or regions require different technologies and market strategies, the Group independently manages the production and operation activities of each reporting segment and evaluates its operating results separately to determine the allocation of resources and evaluate its performance.

The Group has four reporting segments, namely:

- Dredging business, such as dredging and maintenance dredging of the waterway infrastructure of ports, rivers and lakes (“dredging business”);
- Filling Land Reclamation Business ("landfilling and reclamation business");
- Pre and after services, such as dredging and landfilling related hydraulic engineering, foundation treatment, dredging and landfilling related survey and design, dredging and landfilling related equipment design, construction and maintenance, mapping and providing fuel ("pre and after dredging service");
- Environmental, marine engineering and trading business, including marine and port services, environmental engineering, offshore engineering and trading business ("environmental, offshore and trading business").

The inter-segment transfer price is determined by reference to the price at which the third party sells or provides services.

Expressed in Renminbi Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(1) Segment reporting (continued)

(a) Operating Segment (continued)

2017

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental, offshore and trading business	Inter-segment offset	Total
Operating income	14,353,251,815	12,153,101,139	6,507,997,294	2,254,436,900	687,065,873	34,581,721,275
Of which: external transaction income	14,075,554,018	11,760,807,527	6,490,947,515	2,254,412,215	-	34,581,721,275
Inter-segment transaction income	277,697,797	392,293,612	17,049,779	24,685	687,065,873	-
Operating cost						
Of which: external transaction cost	12,687,403,343	10,000,876,335	5,423,840,413	2,243,974,027	687,065,873	29,669,028,245
Inter-segment transaction cost	12,665,031,163	9,609,172,770	5,150,850,285	2,243,974,027	-	29,669,028,245
	22,372,180	391,703,565	272,990,128	-	687,065,873	-
Total profit						2,518,693,422
Income tax expense						563,657,650
Net profit						1,955,035,772

Expressed in Renminbi Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(1) Segment reporting (continued)

(a) Operating Segment (continued)

2016 (Restated)

	Dredging business	Landfilling business	Pre and after service	Environmental, marine and trading business	Inter-segment offset	Total
Operating income	11,373,110,857	11,195,011,142	9,484,766,206	128,775,904	632,444,908	31,549,219,201
Of which: external transaction income	11,287,169,195	11,195,011,142	8,957,226,844	109,812,020	-	31,549,219,201
Inter-segment transaction income	85,941,662	-	527,539,362	18,963,884	632,444,908	-
Operating cost						
Of which: external transaction cost	9,572,549,915	8,561,240,157	8,353,973,588	148,900,419	632,444,908	26,004,219,171
Inter-segment transaction cost	9,491,949,889	8,559,609,968	7,803,758,895	148,900,419	-	26,004,219,171
	80,600,026	1,630,189	550,214,693	-	632,444,908	-
Total profit						2,401,734,774
Income tax expense						688,859,380
Net profit						1,712,875,394

Year ended 31 December 2017 Expressed in Renminbi Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(1) Segment reporting (continued)

(b) Other information

Geographical information

The total external transaction income of the Group in China and other countries and regions, and the total non-current assets of the Group other than financial assets, long-term equity investments and deferred income tax assets in domestic and other countries and regions are as follows:

Revenue from external customers

	2017	2016 (Restated)
China (except Hong Kong, Macao and Taiwan)	26,956,799,322	28,101,453,564
Other countries and regions	7,624,921,953	3,447,765,637
	34,581,721,275	31,549,219,201

Revenue from external customers is based on the locations of the customers

Total non-current assets

	31 December 2017	31 December 2016 (Restated)
China (except Hong Kong, Macao and Taiwan)	17,652,796,692	16,885,966,890
Other countries and regions	314,338,184	706,096,743
	17,967,134,876	17,592,063,633

Non-current assets information above is based on the locations of the non-current assets, excluding financial assets and deferred income tax assets.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer in 2017 (2016: Nil).

Year ended 31 December 2017 Expressed in Renminbi Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(2) Leases

(a) Fixed assets under finance lease

The Group leases fixed assets through finance leases (Note V.12(b)), and the future lease payments are summarized as follows:

	31 December 2017	31 December 2016
Within one year	458,720,551	477,857,436
In the second year, inclusive	458,720,551	477,857,436
In the third year, inclusive	349,362,434	458,722,651
After three years	450,801,876	780,373,667
	1,717,605,412	2,194,811,190

As at 31 December 2017, the balance of unrecognised financing charges was RMB164,704,763 (31 December 2016: RMB247,655,782).

(b) Lease commitment

As lessee, according to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

	31 December 2017	31 December 2016
Within one year	414,522,100	315,759,272
In the second year, inclusive	119,704,079	187,211,715
In the third year, inclusive	77,843,359	140,351,993
After three years	532,755,712	103,574,943
	1,144,825,250	746,897,923

(3) Comparative information

As mentioned in Note VI.2, the Group completed the business combination under common control of CCCC (Fuqing) Investment Co., Ltd. in the current year. Therefore, the comparative data in the consolidated financial statements of the Group were also re-presented to include the merged party's financial positions, operating results and cash flows to meet the reporting and accounting requirements of the current year.

Year ended 31 December 2017 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENT

(1) Cash and bank balance

	31 December 2017	31 December 2016
Cash	690	-
Cash at banks	4,698,568,163	3,938,078,044
	4,698,568,853	3,938,078,044

There was no foreign currency funds at 31 December 2017 (31 December 2016: Nil).

(2) Dividends receivable

	31 December 2017	31 December 2016
Receivable dividends from subsidiaries	1,161,226,715	1,130,595,965

(3) Other receivables

	31 December 2017	31 December 2016
Amount due from Subsidiaries(a)	7,585,569,544	4,991,403,171
Amount due from CCCC Subsidiary(a)	88,219,383	176,921,000
Deposit receivable	192,870	1,869,124
Other	225,628	215,670
	7,674,207,425	5,170,408,965
Less: Bad debt preparation	-	-
Net	7,674,207,425	5,170,408,965

(a)The risk of recycling of other receivables of CCCC Subsidiary and its subsidiaries is extremely low, so no provision for bad debts has been made.

(4) Long-term equity investment

	31 December 2016	Increase	Derease	31 December 2017
Subsidiary(a)	25,206,006,375	570,600,000	-	25,776,606,375
Joint ventures(b)	-	106,966,530	(10,770,920)	96,195,610
	25,206,006,375	677,566,530	(10,770,920)	25,872,801,985

Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENT(CONTINUED)

(4) Long-term equity investment(continued)

(a) Subsidiary

	Accounting Method	Investment cost	31 December 2016	Increase	31 December 2017	Percentage of equity	Percentage of voting rights	Cash dividends declared this year
CCCC-SDC	Cost method	9,398,543,780	9,398,543,780	-	9,398,543,780	100%	100%	186,396,011
CCCC-TDC	Cost method	7,071,626,738	7,071,626,738	-	7,071,626,738	100%	100%	404,738,478
CCCC-GDC	Cost method	6,957,274,514	6,957,274,514	-	6,957,274,514	100%	100%	195,802,229
CCCC International Shipping Co.,LTD	Cost method	65,161,343	65,161,343	-	65,161,343	51%	80%	-
Hong Kong Marine Construction Limited	Cost method	-	-	-	-	100%	100%	-
China Communications Dredging (Wuhan) Environmental Protection Engineering Co., Ltd	Cost method	-	-	-	-	100%	100%	-
China Communications Marine Construction Development Co., Ltd.	Cost method	250,000,000	250,000,000	-	250,000,000	100%	100%	-
China Communications Ecological Environmental Protection Investment Co., Ltd.	Cost method	634,000,000	63,400,000	570,600,000	634,000,000	63.4%	57%	-
Zhongjiao Zhoushan Qiandao Central Business District Development Co., Ltd.	Cost method	1,400,000,000	1,400,000,000	-	1,400,000,000	70%	60%	-
Total		25,776,606,375	25,206,006,375	570,600,000	25,776,606,375			786,936,718

Note: The reasons for the inconsistency between the shareholding ratio and the voting rights are detailed in Note VI.

Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS(CONTINUED)

4. Long-term equity investment(continued)

(b) Joint ventures

	Accounting Method	Investment cost	31 December 2016	Movement: increase investment	Movement: Investment income	31 December 2017	Percentage of equity	Percentage of voting rights	Cash dividends declared this year
CCCC Southern Latin America Regional Corporation	Equity method	106,966,530	-	106,966,530	(10,770,920)	96,195,610	15%	15%	-
		106,966,530	-	106,966,530	(10,770,920)	96,195,610			-

Year ended 31 December 2017 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Dividends payable

	31 December 2017	31 December 2016
Dividends payable of CCCC	977,068,512	704,630,787
Dividends payable of CRBC	1,031,532	705,336
Toatal	978,100,044	705,336,123

The company's unpaid dividends of more than one year are RMB 651,904,291 on December 31, 2017 (December 31, 2016: RMB 705,336,123).

6. Other payables

	31 December 2017	31 December 2016
Paying to subsidiaries	10,086,414,917	6,110,481,076
Payings to China Communications Construction and Subsidiaries	7,071,282	14,269,452
Payings of Equity purchase	-	95,117,782
Other	169,135,981	47,719,958
	10,262,622,180	6,267,588,268

The Company's other payables aged over one year were RMB 52,908,605 on December 31, 2017(December 31, 2016: RMB 1,976,827).

7. Revenue and cost of sales

	2017		2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	15,943,297	15,745,543	-	-
Other operating revenue	9,785,116	5,557,695	10,370,427	10,210,502
	25,728,413	21,303,238	10,370,427	10,210,502

Year ended 31 December 2017 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

8. General and administrative expenses

	2017	2016
Employee compensation costs	68,185,452	36,926,944
Traveling and transportation expenses	15,887,927	11,381,295
Office expenses	6,598,251	10,599,472
Professional agency service expenses	794,026	231,167
Employee compensation costs	4,443,725	4,128,774
Tax expenses	5,828	2,538,256
Consulting expense	801,542	1,637,598
Others	6,221,680	40,496,143
	102,938,431	107,939,649

9. Finance expenses

	2017	2016
Interest expenses	91,957,358	33,754,278
Less: Interest income	102,677,985	8,894,729
Exchange gains	(542,321)	(602,247)
Discounted interest	(5,717,104)	9,648,424
Others	83,687,168	104,251
	66,707,116	34,009,977

10. Assets loss from impairment of assets

	2017	2016
Bad debt losses	(170,675,898)	175,442,887

Year ended 31 December 2017 Expressed in Renminbi Yuan

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Investment income

	2017	2016
Subsidiary long-term equity investment income(Note XIV.4(a))	786,936,718	337,443,326
Long-term equity investment income accounted for by the equity method (Note XIV.4(b))	(10,770,920)	-
	776,165,798	337,443,326

12. Supplementary information to the consolidated statement of cash flows

(a) Reconciliation of net profit to cash flows generated from operating activities

	2017	2016
Net profit	789,164,255	12,210,738
Plus: Impairment of assets	(170,675,898)	175,442,887
Depreciation of fixed assets	5,975,426	10,321,027
Amortisation of intangible assets	376,295	120,642
Finance expenses	169,674,913	33,905,726
Investment income	(776,165,798)	(337,443,326)
Increase in inventory	(145,439)	-
Increase in operating receivables	(4,861,878,502)	(5,092,865,789)
Increase in operating payables	4,455,950,318	4,770,321,685
Net cash flows from operating activities	(387,724,430)	(427,986,410)

(b) Cash and cash equivalents

	31 December 2017	31 December 2016
Cash (Notes XIV.1)	4,698,568,853	3,938,078,044
Including: Cash on hand	690	-
Cash at banks	4,698,568,163	3,938,078,044
Less: restricted deposits	-	-
Closing balance of cash and cash equivalents	4,698,568,853	3,938,078,044

4. The audited consolidated financial statements of CCCC Dredging for the year ended 31 December 2016 which were prepared in accordance with CASBE.

CCCC Dredging (Group) Co., Ltd.

Audited Financial Statements

Year ended 31 December 2016

Important Notice

This set of audited financial statements is translated from the Chinese version. In the case where the English version does not conform to the Chinese version, the Chinese version shall prevail.

CCCC Dredging (Group) Co., Ltd.

Audited Financial Statements

Year ended 31 December 2016

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Independent Auditor's Report

PricewaterhouseCoopers Zhong Tian (2017) Shen Zi No. 24960
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To the Board of Directors of CCCC Dredging (Group) Company Limited:

We have audited the financial statements of CCCC Dredging (Group) Company Limited (the"Group"), which comprise the consolidated and company balance sheets as at 31 December 2016, and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

1. RESPONSIBILITIES OF THE MANAGEMENT FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises ("ASBEs"), and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our obligation is to express an opinion based on performing audit works. We perform the audit in accordance with China Standards on Auditing ("CSAs"). CSAs require us to abide by the Code of Ethics for Chinese Certified Public Accountants, plan and perform audit work to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Independent Auditor's Report (Continued)

PricewaterhouseCoopers Zhong Tian (2017) Shen Zi No. 24960
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The audit involves the implementation of audit procedures to obtain audit evidence about the amount and disclosure of financial statements. The audit procedures selected depend on the judgment of auditors and include an assessment of the risk of material misstatements of the financial statements due to fraud or error. In conducting risk assessments, auditors consider internal controls related to the preparation and fair presentation of financial statements to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal controls. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. OPINION

In our opinion, the above financial statements give a true and fair view, in all material aspects, of the consolidated and company financial position of the Group as at 31 December 2016 and its consolidated and company financial performance and cash flows for the year then ended in accordance with ASBEs.

PricewaterhouseCoopers Zhong Tian LLP

Chinese Certified Public Accountant ____________ Wang Lei

Shanghai, the People's Republic of China
27 March 2017

Chinese Certified Public Accountant ____________ Zhang Lin

CCCC Dredging (Group) Company Limited
CONSOLIDATED AND COMPANY BALANCE SHEET
31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

Asset	Notes	31 December 2016 Consolidation	31 December 2015 Consolidation	31 December 2016 Company	31 December 2015 Company
Current assets					
Cash and bank balance	IV(1), XV(1)	8,098,046,385	5,661,151,565	3,938,078,044	104,718,492
Notes receivable	IV(3)	358,308,593	499,962,960	-	-
Accounts receivable	IV(4)	15,943,559,539	14,181,322,425	881,915,737	-
Prepayments	IV(5)	776,518,691	889,462,836	25,000	-
Dividends receivable	XV(2)	111,744,720	79,140,104	1,130,595,965	793,152,639
Interests receivable		61,500	-	-	-
Other receivables	IV(6), XV(3)	4,930,237,464	3,425,372,367	5,170,408,965	1,853,546
Inventories	IV(7)	10,437,832,647	9,316,449,863	-	-
Current portion of non-current assets	IV(9)	4,497,691,399	1,944,098,896	131,591,967	-
Other current assets		289,822,183	184,349,743	490,892	-
Total current assets		45,443,823,121	36,181,310,759	11,253,106,570	899,724,677
Non-current assets					
Available-for-sale financial assets	IV(8)	4,085,400,942	4,186,430,419	-	-
Long-term receivables	IV(9)	8,413,143,884	10,199,608,193	150,933,424	-
Long-term equity investments	IV(10), XV(4)	2,822,661,021	2,472,921,330	25,206,006,375	23,492,606,375
Investment properties	IV(11)	92,598,964	98,091,519	-	-
Fixed assets	IV(12)	14,928,187,240	14,417,842,976	43,715,353	362,150
Construction in progress	IV(13)	805,378,001	1,999,040,556	-	-
Intangible assets	IV(14)	1,376,543,161	1,084,704,013	1,105,990	500,991
Long-term prepayments		94,308,037	84,785,305	-	-
Deferred tax assets	IV(15)	441,979,189	511,794,671	-	-
Other non-current assets	IV(16)	294,368,519	384,962,781	-	-
Total non-current assets		33,354,568,958	35,440,181,763	25,401,761,142	23,493,469,516
TOTAL ASSETS		78,798,392,079	71,621,492,522	36,654,867,712	24,393,194,193

CCCC Dredging (Group) Company Limited
CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)
31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Notes	31 December 2016 Consolidation	31 December 2015 Consolidation	31 December 2016 Company	31 December 2015 Company
Current liabilities					
Short-term borrowings	IV(17)(a)	4,396,495,352	5,567,837,026	-	-
Financial liabilities at fair value through profit or loss	IV(2)	6,391,967	12,216,707	-	-
Notes payable	IV(18)	1,387,180,845	1,148,882,017	-	-
Accounts payable	IV(19)	16,401,691,314	13,849,215,515	432,000	-
Receipts in advance	IV(20)	3,517,435,479	2,589,336,497	-	-
Employee benefits payable	IV(21)	29,580,387	35,036,384	-	-
Taxes and surcharges payable	IV(22)	664,618,942	1,472,547,123	1,109,350	720,480
Interests payable		393,407,198	252,998,662	110,659,726	-
Dividends payable	IV(23), XV(5)	4,570,043,994	4,789,914,759	705,336,123	705,336,123
Other payables	IV(24), XV(6)	1,772,842,290	1,822,640,097	6,267,588,268	107,950,057
Current portion of non-current liabilities	IV(25)	3,031,200,066	3,651,107,881	-	-
Other current liabilities	IV(26)	826,210,683	-	-	-
Total current liabilities		36,997,098,517	35,191,732,668	7,085,125,467	814,006,660
Non-current liabilities					
Long-term borrowings	IV(17)(b)	3,124,924,955	4,293,677,422	-	-
Bonds payable	IV(27)	5,978,343,974	1,298,613,748	5,978,343,974	-
Long-term payables	IV(28)	3,701,031,018	3,915,873,436	-	-
Special payables		70,353,713	68,677,637	-	-
Deferred income	IV(29)	44,790,000	7,150,000	-	-
Long-term employee benefits payable	IV(30)	238,070,000	277,750,000	-	-
Deferred tax liabilities	IV(15)	373,863,155	511,161,034	-	-
Other non-current liabilities		59,126,506	-	-	-
Total non-current liabilities		13,590,503,321	10,372,903,277	5,978,343,974	-
Total liabilities		50,587,601,838	45,564,635,945	13,063,469,441	814,006,660
Equity					
Paid-in capital	IV(31)	11,775,447,964	11,775,447,964	11,775,447,964	11,775,447,964
Capital reserves	IV(32)	6,731,377,683	6,731,486,213	11,745,491,507	11,745,491,507
Other comprehensive income	IV(34)	1,576,142,233	1,867,784,049	-	-
Specialized reserves	IV(35)	732,953,430	653,754,903	-	-
Surplus reserves	IV(33)	79,591,754	78,370,680	79,591,754	78,370,680
Retained earnings	IV(36)	6,095,934,515	4,365,713,459	(9,132,954)	(20,122,618)
Total equity attributable to owners of the parent		26,991,447,579	25,472,557,268	23,591,398,271	23,579,187,533
Non-controlling interests		1,219,342,662	584,299,309	-	-
Total equity		28,210,790,241	26,056,856,577	23,591,398,271	23,579,187,533
TOTAL LIABILITIES AND EQUITY		78,798,392,079	71,621,492,522	36,654,867,712	24,393,194,193

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Company Limited
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

	Notes	2016 Consolidated	2015 Consolidated
Revenue	IV(37)	31,385,685,509	33,703,693,133
Less: Cost of sales	IV(37)	(26,004,219,171)	(27,180,936,680)
Taxes and surcharges	IV(38)	(380,876,942)	(1,056,784,660)
Selling expenses		(55,899,486)	(40,269,958)
Administrative expenses	IV(39)	(2,448,785,926)	(1,278,136,887)
Finance expenses	IV(40)	(210,940,179)	(721,839,674)
Losses from impairment of assets	IV(42)	(606,798,671)	(1,233,112,225)
Add: Profit or loss arising from changes in fair value	IV(43)	5,824,740	5,247,715
Investment income	IV(44)	625,842,470	823,567,354
Including: Income from investments in associates and joint ventures		45,708,914	183,204,079
Operating profit		2,309,832,344	3,021,428,118
Add: Non-operating income	IV(45)(a)	91,420,877	95,737,597
Including: Gains on disposal of non-current assets		5,023,572	12,607,802
Less: Non-operating expenses	IV(45)(b)	(73,764,526)	(11,093,965)
Including: Losses on disposal of non-current assets		(34,339,407)	(3,258,267)
Profit before income taxes		2,327,488,695	3,106,071,750
Less: Income tax expenses	IV(46)	(668,357,734)	(672,004,149)
Net profit		1,659,130,961	2,434,067,601
Attributable to owners of the parent		1,731,442,130	2,490,670,371
Attributable to non-controlling interests		(72,311,169)	(56,602,770)
Other comprehensive income, net of tax		(291,967,498)	61,610,395
Other comprehensive (loss)/income, net of tax attributable to owners of the parent		(291,641,816)	61,071,619
Other comprehensive income that will not be reclassified to profit or loss			
Remeasurement gains of losses of a defined benefit plan		7,566,500	(3,211,099)
Other comprehensive income that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		(281,214,893)	64,305,818
Exchange differences on translation of foreign currency financial statements		(17,993,423)	(23,100)
Other comprehensive income, net of tax, attributable to non-controlling interests		(325,682)	538,776
Total comprehensive income		1,367,163,463	2,495,677,996
Including:			
Total comprehensive income attributable to owners of the parent		1,439,800,314	2,551,741,990
Total comprehensive income attributable to non-controlling interests		(72,636,851)	(56,063,994)

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Company Limited
COMPANY INCOME STATEMENT
Year ended 31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

	Notes	2016 Company	From 7 May 2015 (Company establishment date) to 31 December 2015 Company
Revenue		10,370,427	-
Less: Cost of sales		(10,210,502)	-
Taxes and surcharges		-	-
Selling expenses		-	-
Administrative expenses	XV(8)	(107,939,649)	(30,034,843)
Finance expenses	XV(7)	(34,009,977)	466,389
Impairment losses	XV(9)	(175,442,887)	-
Add: Losses arising from changes in fair value		-	-
Investment income	XV(10)	337,443,326	793,152,639
Including: Income from investments in associates and joint ventures		-	-
Operating profit		20,210,738	763,584,185
Add: Non-operating income		-	-
Including: Gains on disposal of non-current assets		-	-
Less: Non-operating expenses		(8,000,000)	-
Including: Losses on disposal of non-current assets		-	-
		-	
Profit before income taxes		12,210,738	763,584,185
Less: Income tax expenses		-	-
		-	
Net profit		12,210,738	763,584,185
Attributable to owners of the parent		12,210,738	763,584,185
Attributable to non-controlling interest		-	-
		-	-
Other comprehensive income, net of tax		-	-
Other comprehensive (loss)/income, net of tax attributable to the owner of the parent			
Other comprehensive income that will not be reclassified to profit or loss		-	-
Remeasurement gains of losses of a defined benefit plan		-	-
Other comprehensive income that may be reclassified to profit or loss		-	-
Changes in fair value of available-for-sale financial assets		-	-
Exchange differences on translation of foreign currency financial statements		-	-
Total comprehensive income		12,210,738	763,584,185
Total comprehensive income attributable to owners of parents		12,210,738	763,584,185
Total comprehensive income attributable to non-controlling interest		-	-

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Company Limited
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		30,198,941,803	29,686,151,347
Receipts of taxes and surcharges refunds		145,326	-
Other cash receipts relating to operating activities	IV(47)(a)	461,327,185	412,690,091
Total cash inflows from operating activities		30,660,414,314	30,098,841,438
Cash payments for goods and services		(20,363,730,269)	(22,127,196,317)
Cash payments to and on behalf of employees		(2,100,556,034)	(1,950,959,048)
Payments of all types of taxes and surcharges		(1,916,446,160)	(1,888,654,834)
Other cash payments relating to operating activities	IV(47)(b)	(2,429,559,559)	(1,647,564,541)
Total cash outflows from operating activities		(26,810,292,022)	(27,614,374,740)
Net cash flows from operating activities	IV(48)(a)	3,850,122,292	2,484,466,698
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from returns of investments		521,003,675	3,081,164,550
Cash receipts from returns on investments		140,792,304	163,881,978
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		22,606,961	156,109,657
Net cash receipts from disposal of subsidiaries and other business units		-	535,674,843
Other cash receipts relating to investing activities		105,441,102	72,970,631
Total cash inflows from investing activities		789,844,042	4,009,801,659
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(1,143,448,316)	(1,326,269,236)
Cash payments for investments		(1,336,254,064)	(313,475,000)
Net cash payments for disposal of subsidiaries and other business units		(7,880,711)	-
Total cash outflows from investing activities		(2,487,583,091)	(1,639,744,236)
Net cash flows from investing activities		(1,697,739,049)	2,370,057,423
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		952,181,348	286,288,096
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		952,181,348	162,837,200
Cash receipts from borrowings		7,376,991,721	9,741,390,118
Cash receipts from Issuing bonds		5,972,000,000	-
Other cash receipts relating to financing activities		489,597,563	100,748,186
Total cash inflows from financing activities		14,790,770,632	10,128,426,400
Cash repayments for debts		(13,102,896,221)	(11,004,353,996)
Cash payments for distribution of dividends or profit and interest expenses		(638,603,117)	(973,336,052)
Including: Profit and dividends paid to non-controlling shareholders of subsidiaries		(8,691,276)	(946,579)
Other cash payments relating to financing activities	IV(47)(c)	(1,024,807,106)	(433,996,611)
Total cash outflows from financing activities		(14,766,306,444)	(12,411,686,659)
Net cash flows from financing activities		24,464,188	(2,283,260,259)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		28,348,432	24,007,828
NET INCREASE IN CASH AND CASH EQUIVALENTS	IV(48)(c)	2,205,195,863	2,595,271,690
Add: Cash and cash equivalents at beginning of year		5,553,385,886	2,958,114,196
CASH AND CASH EQUIVALENTS AT END OF YEAR	IV(48)(d)	7,758,581,749	5,553,385,886

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging(Group) Company Limited
COMPANY STATEMENT OF CASH FLOWS (CONTINUED)
Year ended 31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

	Notes	2016	7 May 2015 (Company establishment date) To 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		-	-
Receipts of tax and surcharges refunds		-	-
Other cash receipts relating to operating activities		4,769,932,814	-
Total cash inflows from operating activities		4,769,932,814	-
Cash payments for goods and services		(25,000)	-
Cash payments to and on behalf of employees		(36,926,944)	(9,941,812)
Payments of all types of taxes and surcharges		(4,403,251)	-
Other cash payments relating to operating activities		(5,156,564,029)	(8,375,666)
Total cash outflows from operating activities		(5,197,919,224)	(18,317,478)
Net cash flows from operating activities	XV(11)(a)	(427,986,410)	(18,317,478)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from returns of investments		-	-
Cash receipts from returns on investments		-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	-
Other cash receipts relating to investing activities		8,894,728	466,389
Total cash inflows from investing activities		8,894,728	466,389
Cash payments to acquire fixed assets, intangible assets and other long-term assets		(1,059,266)	(881,315)
Cash payments for investments		(1,713,400,000)	-
Total cash outflows from investing activities		(1,714,459,266)	(881,315)
Net cash flows from investing activities		(1,705,564,538)	(414,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash proceeds from investments by others		-	123,450,896
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		-	-
Cash receipts from borrowings		-	-
Cash receipts from Issuing bonds		5,972,000,000	-
Other cash receipts relating to financing activities		-	-
Total cash inflows from financing activities		5,972,000,000	123,450,896
Cash repayments for debts		-	-
Cash payments for distribution of dividends or profit and interest expenses		(5,089,500)	-
Including: Profit and dividends paid to non-controlling shareholders of subsidiaries		-	-
Other cash payments relating to financing activities		-	-
Total cash outflows from financing activities		(5,089,500)	-
Net cash flows from financing activities		5,966,910,500	123,450,896
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,833,359,552	104,718,492
Add: Cash and cash equivalents at beginning of year		104,718,492	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	XV(11)(b)	3,938,078,044	104,718,492

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Company Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
Year ended 31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

	Notes	Equity attributeable to owners of the parent						Non-controlling interests	Total equity
		Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Special reserves	Retained earnings		
As at 1 January 2015		-	18,482,582,299	1,806,712,430	-	530,853,033	2,658,749,891	572,045,848	24,050,943,501
Increase/(decrease) during the year		11,775,447,964	(11,751,096,086)	61,071,619	78,370,680	122,901,870	1,706,963,568	12,253,461	2,005,913,076
Total comprehensive income		-	-	61,071,619	-	-	2,490,670,371	(56,063,994)	2,495,677,996
Net profit	IV(36)	-	-	-	-	-	2,490,670,371	(56,602,770)	2,434,067,601
Other comprehensive income	IV(34)	-	-	61,071,619	-	-	-	538,776	61,610,395
Capital contributions and withdrawals by shareholders		11,775,447,964	(11,751,096,086)	-	-	-		69,182,142	93,534,020
Capital contributions		11,775,447,964	(11,651,997,068)	-	-	-	-	162,837,200	286,288,096
Acquisition of subsidiaries in restructuring	IV(32)		(79,698,563)	-	-	-	-	-	(79,698,563)
Transaction with non-controlling interests	IV(32)	-	(21,534,192)	-	-	-		6,114,973	(15,419,219)
Others		-	2,133,737	-	-	-	-	(99,770,031)	(97,636,294)
Special reserve	IV(35)	-	-	-	-	122,901,870	-	183,195	123,085,065
Appropriated in the current year		-	-	-	-	342,265,796	-	302,845	342,568,641
Used in the current year		-	-	-	-	(219,363,926)	-	(119,650)	(219,483,576)
Profit appropriation and distribution		-	-	-	78,370,680	-	(783,706,803)	(1,047,882)	(706,384,005)
Appropriation to surplus reserve	IV(33)	-	-	-	78,370,680	-	(78,370,680)	-	-
Distribution to owners		-	-	-	-	-	(705,336,123)	(1,047,882)	(706,384,005)
As at 31 December 2015		11,775,447,964	6,731,486,213	1,867,784,049	78,370,680	653,754,903	4,365,713,459	584,299,309	26,056,856,577
As at 1 January 2016		11,775,447,964	6,731,486,213	1,867,784,049	78,370,680	653,754,903	4,365,713,459	584,299,309	26,056,856,577
Increase/(decrease) during the year		-	(108,530)	(291,641,816)	1,221,074	79,198,527	1,730,221,056	635,043,353	2,153,933,664
Total comprehensive income		-	-	(291,641,816)	-	-	1,731,442,130	(72,636,851)	1,367,163,463
Net profit	IV(36)	-	-	-	-	-	1,731,442,130	(72,311,169)	1,659,130,961
Other comprehensive income	IV(34)	-	-	(291,641,816)	-	-	-	(325,682)	(291,967,498)
Capital contributions and withdrawals by shareholder	IV(32)	-	(108,530)	-	-	-	-	707,601,978	707,493,448
Capital contributions		-	76,178	-	-	-	-	707,601,978	707,678,156
Others		-	(184,708)	-	-	-	-	-	(184,708)
Special reserve	IV(35)	-	-	-	-	79,198,527	-	78,226	79,276,753
Appropriated in the current year		-	-	-	-	351,858,314	-	78,226	351,936,540
Used in the current year		-	-	-	-	(272,659,787)	-	-	(272,659,787)
Profit appropriation and distribution		-	-	-	1,221,074	-	(1,221,074)	-	-
Appropriation to surplus reserve	IV(33)	-	-	-	1,221,074	-	(1,221,074)	-	-
Distributions to owners		-	-	-	-	-	-	-	-
As at 31 December 2016		11,775,447,964	6,731,377,683	1,576,142,233	79,591,754	732,953,430	6,095,934,515	1,219,342,662	28,210,790,241

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

CCCC Dredging (Group) Company Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016
(Expressed in Renminbi Yuan unless otherwise stated)

	Notes	Share capital	Capital reserve	Surplus reserves	Retained earnings	Total equity
As at 7 May 2015		-	-	-	-	-
Increase/(decrease) during the year		11,775,447,964	11,745,491,507	78,370,680	(20,122,618)	23,579,187,533
Total comprehensive income		-	-	-	763,584,185	763,584,185
Net profit		-	-	-	763,584,185	763,584,185
Capital contributions and withdrawals by shareholders		11,775,447,964	11,745,491,507	-	-	23,520,939,471
Capital contributions		11,775,447,964	11,775,447,964	-	-	23,550,895,928
Others		-	(29,956,457)	-	-	(29,956,457)
Profit appropriation and distribution		-		78,370,680	(783,706,803)	(705,336,123)
Appropriation to surplus reserve	IV(33)	-		78,370,680	(78,370,680)	-
Distribution to owners		-			(705,336,123)	(705,336,123)
As at 31 December 2015		11,775,447,964	11,745,491,507	78,370,680	(20,122,618)	23,579,187,533
As at 1 January 2016		11,775,447,964	11,745,491,507	78,370,680	(20,122,618)	23,579,187,533
Increase/(decrease) during 2016		-	-	1,221,074	10,989,664	12,210,738
Total comprehensive income		-	-	-	12,210,738	12,210,738
Net profit		-	-	-	12,210,738	12,210,738
Profit appropriation and distribution		-	-	1,221,074	(1,221,074)	-
Appropriation to surplus reserve	IV(33)	-	-	1,221,074	(1,221,074)	-
As at 31 December 2016		11,775,447,964	11,745,491,507	79,591,754	(9,132,954)	23,591,398,271

Notes to financial statements form part of the financial statements.

Legal representative: Financial controller: Accounting supervisor:

I. CORPORATE INFORMATION

CCCC Dredging (Group) Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) 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 Company Limited (“CCCC”) and China Road & Bridge Corporation (“China Road & Bridge”). The address of the Company’s registered office is Room 3655E, No.360 Nong 9, Fei Hong Street, Hong Kou District, Shanghai, the PRC.

CCCC was established exclusively by China Communications Construction Group Co., Ltd. ("CCCG") on October 8 2006 with a registered capital of RMB10,800,000,000, based on <Reply on the Overall Restructuring and Domestic and Overseas Listings of CCCG> (State-owned Assets Reform [2006] No.1063) approved by the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) on August 16, 2006. The registered address is No. 85, Deshengmenwai Street, Xicheng District, Beijing, the People's Republic of China. According to the approval of the SASAC and the China Securities Regulatory Commission, CCCC’s H shares were listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2006 and CCCC’s A shares were listed on the Shanghai Stock Exchange on 9 March 2012. The registered capital increased to RMB16,174,740,000. The core businesses of CCCC include coastal and inland river port engineering and infrastructure construction industry mainly consisting of survey, design, construction and supervision of highway, railway, bridge and tunnel engineering; dredging industry mainly consisting of infrastructure dredging, maintenance dredging, dredging by dredging and filling and environmental protection dredging; equipment manufacturing industry mainly consisting of heavy marine equipment, construction machinery, road construction machinery and bridge components; and foreign trade and economic business with international project contracting, labor service cooperation and import and export trade, etc.

The parent company is CCCC and the ultimate parent company of the Company is CCCG.

According to the approval of CCCG on April 1, 2015, “Agreeing to Establish CCCC Dredging (Group) Co., Ltd. (Chou)” (No. 71 [2015] of CCCC) and “Reply to the Approval of the Acquisition” (No. 72 [2015] of CCCC), and "Reply on Issues Related to the Management of State-owned Equity of CCCC Dredging (Group) Co., Ltd." (No. 201 [2015] of SASAC), CCCC will reorganize its assets, businesses, personnel and institutions related to its dredging business and establish a joint stock limited company. Upon approval, the process of restructuring the Company is:

(1) On May 7, 2015, CCCC and China Road & Bridge set up the Company with a cash of RMB 100 million, with a total share capital of 50 million shares. CCCC subscribed for 49.95 million shares for RMB 99.9 million in cash, and the shareholding ratio is 99.9%; China Road & Bridge subscribed for 50,000 shares for RMB 100,000 in cash, and the shareholding ratio is 0.1%; and it was verified by PWC Zhongtian LLP in PWC Zhongtian Yanzi [2015] No. 018 capital verification report. The registered capital of the Company is RMB 50 million.

(2) After the establishment of the Company, on June 5, 2015, the Company issued 11,713,722,516 ordinary shares to CCCC to acquire 100% equity of CCCC Tianjin Dredging Company Limited (“CCCC-TDC”) and 100% equity of CCCC Shanghai Dredging Company Limited (“CCCC-SDC") and 100% equity of CCCC Guangzhou Dredging Company Limited (“CCCC-GDC). The acquisition of consideration to these three companies was based on the audited net asset value on December 31, 2014, which was RMB 2,342,745,000; China Road & Bridge subscribed for 11,725,448 shares of the Company's newly issued ordinary shares in cash of RMB 23,450,896, maintaining CCCC’s and China Road & Bridge's sharholding ratio. The price was verified by PWC Zhongtian LLP with PWC Zhongtian Yanzi [2015] No. 017 Capital Verification Report. The registered capital of the Company increased to RMB 11.775 billion.

I. CORPORATE INFORMATION (CONTINUED)

The core businesses of the Company and its subsidiaries (the "Group") include: channel dredging, port and channel construction, international ship transportation, domestic waterway transportation, international shipping assistance business, domestic ship management business, water conservancy and hydropower construction project, geotechnical investigation, water and land quality survey, engineering survey and exploration, mining of mineral resources, and technology development, technical services, technology transfer, technical consultation in the field of new energy technology, professional construction of offshore oil construction engineering, port management, environmental protection construction, municipal public construction, project investment management, equity investment management, etc.

The financial statements were approved and authorised for issue by the board of directors on 27 March 2017.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

(1) Basis of preparation

These financial statements have been prepared in accordance with Accounting Standards for Business Enterprises - Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "ASBEs").

The financial statements have been prepared on a going concern basis.

(2) Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2016, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

(3) Accounting period

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(4) Recording currency

The functional and presentation currency is Renminbi (RMB).

(5) Business combination

(a) Business combianations involving entities under common control

The assets and liabilities that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination shall be adjusted to capital premium under capital. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The transaction expense of issuing equity securities or debt securities for the purpose of business combination shall be included in the initial recognized amount of equity securities or debt securities

(b) Business combination not involving entities under common control

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date. Goodwill is initially recognised and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's net identifiable assets. Where the aggregate of the fair value of the consideration transferred and any fair value of the Group's previously held equity interest in the acquiree is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

(c) Minority Shareholder

Without affecting the control, the transaction that causes the company to change its shareholding ratio of the subsidiary is transaction with the minority shareholder. For transactions with minority shareholders, in the consolidated financial statements, the assets and liabilities of the subsidiaries are continuously calculated on the purchase date or the combination date. The increased long-term equity investment is calculated according to the new shareholding ratio of the company. The difference between the share of the net assets that the subsidiary has continuously calculated from the date of purchase or the merger date is adjusted to the capital reserve (share premium). If the amount of the capital reserve (share premium) is insufficient to offset, the retained earnings are adjusted; At the time of investment, the disposal price and the disposed long-term equity investment shall be adjusted to the difference between the share of the net assets of the subsidiary and the capital reserve (share premium). If the capital reserve (share premium) is insufficient to offset, the retained earnings shall be adjusted.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(6) Method of preparing consolidated financial statements

The scope of the consolidated financial statements, which include the financial statements of the Company and all of its subsidiaries, is determined on the basis of control.

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statement from the date they are controlled by the ultimate controlling party, and the profit before the date is presented separately in the statement of Income statement.

Where the accounting policies or the accounting period of a subsidiary are different from those of the Company in the preparation of the consolidated financial statements, the Company has made adjustments to the financial statements of the subsidiary based on the Company's own accounting policies and accounting period. For subsidiaries acquired through business combinations not involving entities under common control, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.The owners' equity, current net profit and loss and comprehensive income of the subsidiary that are not owned by the company are separately listed as minority shareholders' equity, minority shareholders' profit and loss and total comprehensive income attributable to minority shareholders in the consolidated financial statements. The unrealized internal trading gains and losses arising from the sale of assets by the company to its subsidiaries shall be fully offset against the net profit attributable to shareholders of the parent company; The unrealized internal trading gains and losses arising from the sale of assets by a subsidiary to the company shall be set off between the net profit attributable to shareholders of the parent company and the gains and losses of minority shareholders according to the distribution proportion of the company to the subsidiary. The unrealized gains and losses of internal transactions arising from the sale of assets between subsidiaries shall be offset by the net profit attributable to shareholders of the parent company and the gains and losses of minority shareholders according to the distribution ratio of the parent company to the subsidiaries of the seller.

If the identification of the same transaction is different between the Group as the accounting entity and the Company or subsidiary as the accounting entity, the transaction shall be adjusted from the perspective of the Group.

(7) Cash and equivalents

Cash comprises the Group's cash on hand and bank deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

(8) Foreign currency transactions and foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are initially recorded, on initial recognition in the functional currency using the spot exchange rates prevailing at the dates of transactions.

Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the guidance for capitalisation of borrowing costs. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions, and the amount denominated in the functional currency is not changed. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(8) Foreign currency transactions and foreign currency translation (Continued)

(b) Foreign currency translation

For foreign operations, the Group translates their functional currency amounts into RMB when preparing the financial statements as follows: as at the balance sheet date, the assets and liabilities are translated using the spot exchange rate at the balance sheet date, and equity items other than "unappropriated profit" are translated at the spot exchange rates at the dates of transactions; revenue and expense items in profit or loss are translated using the spot exchange rates prevailing on the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income. Foreign currency cash flows are translated using the spot exchange rates prevailing on the dates of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial instruments

Financial assets on initial recognition are classified as financial assets at fair value through profit or loss; receivables; available-for-sale financial assets and Held-to-maturity investments. The classification of financial assets depends on the holding intention and capability of the Group except for receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading in within one year and those financial derivatives which cannot be effective hedging instruments.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include accounts receivable, long-term receivables and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or the financial assets other than those in the above categories. Within 12 months from the date of the balance sheet, the available financial assets sold or due for sale shall be listed as other current assets in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. For hold-to-maturity investments with a term exceeding 12 months at the time of acquisition but maturing within 12 months (including 12 months) from the date of the balance sheet, they shall be listed as non-current assets maturing within one year; Achieved when the deadline within 12 months (12 months included) of the held-to-maturity investment, shown as other current assets.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial instruments (Continued)

(ii) Recognition and measurement

The Group recognises a financial asset in the balance sheet at fair value when it becomes a party to the contractual provisions of a financial instrument. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.

Financial assets measured at fair value through profit or loss and available-for-sale financial assets are subsequently remeasured at fair value. Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost; receivables and held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Dividend income or interest income related to financial assets at fair value through profit or loss is charged to profit or loss for the current period.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as shareholders' equity, except for impairment losses and foreign exchange gains or losses resulting from monetary financial assets which are recognised in profit or loss, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified to profit or loss. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss.

(iii) Impairment of financial assets

Except for financial assets at fair value through profit or loss, the Group assesses at each balance sheet date the carrying amount of financial assets. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment.

Objective evidence that a financial asset is impaired is one or more events that occured after the initial recognition of the asset and have an impact (which can be reliably estimated) on the estimated future cash flows of the financial asset.

The objective evidence showing the impairment of an equity instrument held for sale includes the severe decline and the other-than-temporary decline of its fair value. The Group conducts separate inspections of each available-for-sale equity instrument investment on the balance sheet date. The Group considers other relevant factors such as price volatility to determine whether the equity instrument investment is impaired. The Group calculates the initial investment cost of available-for-sale equity instrument investments using the weighted average method.

The carrying amount of the financial asset measured at amortised cost is reduced to the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) through the use of an allowance account and the loss is recognised in profit or loss. If there is objective evidence of a recovery in the value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

If there is objective evidence that such an asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is removed and recognised in profit or loss. Impairment losses on available-for-sale debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised immediately in stockholders' equity.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial instruments (Continued)

(iii) Impairment of financial assets (Continued)

If there is objective evidence that financial assets carried at costis is impaired, the difference between its carrying amount and the present value of estimated future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

(iv) Derecognition of financial assets

A financial asset is primarily derecognised when one of the following conditions are met: (1) the rights to receive cash flows from the financial asset have expired; (2) the Group has transferred its rights to receive cash flows from the financial asset and has transferred substantially all the risks and rewards of the financial asset; or (3) the Group has transferred its rights to receive cash flows from the financial asset and has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

When the financial assets are derecognised, the difference between the book value and the received consideration and the cumulative amount of changes in fair value that is directly recognised in shareholders' equity is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are mainly other financial liabilities, including payables, borrowings and bonds payable.

Payables includes account payable, other payable etc., which initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are initially recognised at fair value less any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The maturity period less than one year (including one year) of the other financial liabilities are classified as current liabilities. For those other financial liabilities, the redemption date is more than one year, then the maturity date on the balance sheet is less than one year (including one-year), are classified as other current liabilities and listed on the item of non-current liabilities maturated within one-year, others are listed as non-currnet liabilities.

Whilist the obligation of financial liabilities are relieved completely or part of them removed, the part of financial liabilities or obligation are identified to be removed at the termination. The difference between the book value identified for termination and the consideration which has been paid, is recognised in profit or loss.

(c) Determination of the fair value of financial instruments

A financial instrument with an active market that determines its fair value by quoted prices in an active market. Financial instruments that do not exist in an active market use valuation techniques to determine their fair value. At the time of valuation, the Group adopts valuation techniques that are applicable under current circumstances and that are sufficiently supported by data and other information to be consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. Enter values and use the relevant observable input values as much as possible. Unobservable input values are used where the relevant observable input values are not available or are not practicable.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(10) Receivables

The Group's receivables comprise accounts receivable, other receivables, etc. The Group's accounts receivable from the sale of goods or the provision of labor services shall be deemed as the initial recognition amount based on the fair value of the contract or agreement receivable from the purchaser or the labor acceptor.

(a) Receivables individually significant for which provision for impairment is assessed separately

The Group assesses whether impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment has been incurred, an impairment loss is recognised.

The criterion for determining individually significant top five of the funds from third-party customers.

The method of bad-debt provision is the difference between the present value of estimated future cash flows and the carrying amount of the receivables.

(b) Receivables for which provision for impairment is assessed collectively in a group

The provisions are as follows:

Portfolio	Provision for bad debt
Accounts Receivable due from CCCC and its subsidiaries	No provision for bad debts
Retention (excluding quality retention)	No provision for bad debts
Personal Loan and Reserve Fund for Employees	No provision for bad debts
Aging	Aging analysis method

The provision rates for aging analysis method are as follows:

Aging	Provision rates for accounts receivables
Within 6 months	-
6 months to 1 year (inclusive)	1%
1 to 2 years (inclusive)	15%
2 to 3 years (inclusive)	30%
3 to 4 years (inclusive)	50%
4 to 5 years (inclusive)	75%
Over 5 years	100%

II SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(10) Receivables (Continued)

(c) Not individually insignificant receivables but are separately tested for impairment

If there is objective evidence that an impairment has been incurred, an impairment loss is recognised.

The method of bad-debt provision is the difference between the present value of estimated future cash flows and the carrying amount of the receivables.

(d) The amount of the impairment loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows and shall be recognised in profit or loss for the current period.

(e) The Group discounts the note receivable to financial institutions or endorses to others. The note receivable is derecognised when the Group has transferred substantially all the risks and rewards to the transferee. According to the transaction amount after deducting the carrying amount of the note receivable and related taxes and fees in the balance in profit or loss. Where almost all the risks and rewards associated with the ownership of the notes are retained, payments received are recognized as liabilities.

(11) Inventories

(a) Categories

Inventories include raw materials, goods in process, cost of development, product exploitation, finished goods, turnover materials and completed and unsettled, etc., which are stated at the lower of cost and net realisable value.

(b) Measurement of inventories upon delivery

Cost is determined on the weighted average basis. Cost of finished goods and goods in process comprises raw materials, direct labor and manufacturing costs allocated in a systematic manner under normal production capacity; cost of development and product exploitation include land cost that related to real estate development, construction cost, capitalized interest, other direct and indirect development costs; cost of development is carried forward to product exploitation after actual completion, and actual cost is calculated when product exploitation's cost carry-forward

(c) The basis of net realisable value of inventories and the method for calculating the provision for obsolete stock.

The inventories are written down below cost to net realisable value and the write-down is recognised in profit or loss if the cost is higher than the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

During the execution of the construction contract, if the estimated total cost of the contract exceeds the estimated total revenue of the contract, the estimated loss provision for the contract is accrued and included in the current expenses.

II SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(11) Inventories (Continued)

(d) Completed unsettled and settled unfinished

Construction contract costs are measured at actual cost, and comprise direct materials, direct labour costs, construction machinery costs, other direct costs and construction overheads . For an individual contract whose costs incurred to date plus recognised gross profits (losses) exceed progress billings, the gross amount due from customers for contract work in inventories is presented as a current asset . For an individual contract whose progress billings exceed costs incurred to date plus recognised gross profits (losses), the gross amount due to customers for contract work in advance from customers is presented as a current liability.

(e) The company adopts the perpetual inventory system

(f) Amortization method of turnover materials

The average amortization of project-specific materials in turnover materials during the project cycle shall be included in the cost or expense of the current period. Other turnover materials shall be amortized according to the expected number of times of use and within a period not exceeding three years, and shall be included in the cost or expense of the current period. low value consumables and packing materials are on the immediate write-off basis.

(12) Long-tern equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

A subsidiary is an investee that is controlled by the Group. The long-term investment is accounted for using the cost method in the Company's individual financial statements. When the consolidated financial statements are prepared, they are adjusted in accordance with the equity method.

Under the cost method, the long-term equity investment is measured at its initial investment cost. Cash dividends or profit distributions declared by the investee are recognised as investment income in profit or loss.

The joint venture is achieved by the Group through a separate entity and exercises joint control along with other investors. It is entitled to rights only to its net assets based on legal forms, contractual terms and other facts and circumstances. An associate is an entity over which the Group has significant influence.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(12) Long-term equity investments (Continued)

(a) The initial cost of investment

For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying value of owner's equity of the party being absorbed at the combination date; for a long-term equity investment through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of combination.

For a long-term equity investment acquired otherwise than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by cash, the initial investment cost is the actual purchase price paid and direct costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

(b) Subsequent measurement

Under the cost method, long-term equity investment is recorded at initial investment cost. Profits or cash dividends declared to be distributed by the investee should be recognised as investment income in the current period.

When the equity method is adopted, the initial cost of investment in excess of the share of the investee's fair value on identifiable net assets remains unchanged; the initial cost of the investment that falls short of the share of the investee's fair value on identifiable net assets shall be adjusted, by which the difference had been charged to the statement of profit or loss for the current period.

Under the equity method, after it has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss as investment income or loss. The Group's share of net losses of the investee is recognised to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume further losses. The Group's share of the investee's equity changes, other than those arising from the investee's profit or loss, other comprehensive income or profit distribution, is recognised in capital reserves, and the carrying amount of the long-term equity investment is adjusted accordingly. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. Unrealised profits and losses from transactions with its joint ventures and associates are eliminated to the extent of the Group's investments in the associates or joint ventures. However, any loss arising from such transactions which are attributable to an impairment loss shall be recognised at its entirety.

(c) Determine the basis for controlling, joint control, and significant influence on the invested entity

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control with other parties over those policies.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(12) Long-term equity investments (Continued)

(d) Impairment of long-term equity investments

For long-term equity investments in subsidiaries, joint ventures and associates, when the recoverable amount is lower than their carrying amount, the carrying amount is reduced to the recoverable amount. (Note II.(19))

(13) Investment properties

An investment property is a property held to earn rentals or for capital appreciation or both, including buildings or land use rights that have been leased out, and land use rights held for capital appreciation. Investment properties are initially measured at cost. Subsequent expenditure incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and the cost can be measured reliably; otherwise, the expenditure is recognised in profit or loss for the period in which it is incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised based on the same policy as owner-occupied buildings and land use rights. The useful lives, estimated residual value rates and annual depreciation (amortisation) rates of each category of the investment properties are as follows:

	Useful life	Estimated residual value rates	Annual depreciation (amortisation) rate
Buildings	30 years	-	3.30%
land use rights	50 years	-	2%

When an investment property is transferred to an owner-occupied property, it is reclassified as a fixed asset or intangible asset at the date of transfer. When a property under development, completed property for sale or an owner-occupied property is transferred out to earn rentals or for capital appreciation, the inventory, fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of transfer.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after deducting its carrying amount and related taxes and expenses is recognised in profit or loss for the period in which it is incurred.

The carrying amount of an investment property is reduced to the recoverable amount if the carrying amount is below the recoverable amount. (Note II.(19))

(14) Fixed assets

(a) Recognition and initial measurement

Fixed assets include buildings, vessels, vehicles, machinery, office and electronic equipment, and temporary facilities.

(Expressed in Renminbi Yuan unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(14) Fixed assets (Continued)

(a) Recognition and initial measurement (Continued)

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost, and the effect of any estimated costs of abandoning the asset is considered. When the Group conducts the restructuring of the China Communications Construction Corporation, the fixed assets invested by the state-owned shareholders are recorded at the value recognized by the state-owned asset management department.

Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures are recognised in profit or loss as incurred.

(b) Depreciation method for fixed assets

Depreciation is calculated using the straight-line method. For fixed assets with impairment provision, the depreciation amount will be determined in the future period based on the carrying amount after deducting the impairment provision and the remaining useful life.

The useful lives, estimated residual value rates and annual depreciation rates of the fixed assets are as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	20-40 years	-	2.5%-5%
Ships	10-25 years	5%-10%	3.6%-9.5%
Vehicles	5 years	-	20%
Machinery	5-20 years	-	5%-20%
Office and electronic equipment	3-5 years	-	20%-33.3%
Temporary facilities	2-3 years	-	33.3%-50%

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at each year end, and make adjustments if necessary.

(c) When the recoverable amount of a fixed asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. (Note II.(19))

(d) Recognition basis and measurement method for fixed assets held under finance leases

A lease that transfers substantially all the risks and rewards associated with ownership of an asset is a finance lease. The carrying amount of fixed assets held under finance leases is the lower of the fair value of the leased assets and the present value of the minimum lease payments. The difference between the carrying amount of the leased assets and the minimum lease payment is treated as unrecognized financing expense (Note II. (26)(b))

Fixed assets that are held under finance leases are depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(14) Fixed assets (Continued)

(e) Disposal of fixed assets

A fixed asset is derecognized when disposed or not expected to generate economic benefits through use or disposal. The disposal income from the sale, transfer, retirement or damage of fixed assets, net of its carrying amount and related taxes and expenses, is recognised in profit or loss.

(15) Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction is ready for its intended use, and other relevant expenditures. An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use, and depreciates from the next month. When the recoverable amount of construction in progress is lower than its carrying amount, the carrying amount should be reduced to the recoverable amount. (Note II. (19))

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced gets ready for its intended use. Any borrowing costs subsequently incurred are recognised in profit or loss. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense in profit or loss until the acquisition, construction or production is resumed.

Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is the actual interest costs incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed generally for the purpose of obtaining a qualifying asset, the amount of interest eligible for capitalisation is determined by applying a weighted average interest rate on the general borrowings to the weighted average of the excess of the cumulative expenditures on the asset over the expenditures on the asset funded by the specific borrowings. The effective interest rate is the interest rate used to discount the future cash flows of the borrowings during the expected duration or the applicable shorter period to the initial recognition amount of the borrowings.

(17) Intangible assets

Intangible assets, including land use rights and software, are measured at cost. The intangible assets invested by the state-owned shareholders of the Group during the restructuring of the CCCC are measured at the valuation value confirmed by the state-owned asset management department.

(a) Land-use rights

Land use rights are amortized using the straight-line basis over their estimated useful lives. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; they are accounted for as fixed assets if they cannot be reasonably allocated.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(17) Intangible assets (Continued)

(b) Software

The software is accounted for the actual price paid at the time of acquisition and is amortized on average over the estimated useful life of 1-10 years.

(c) Regular review the useful life and amortisation method

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at each year end and makes adjustment if necessary.

(d) Research and development

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase, according to their nature and whether the intangible assets ultimately formed by research and development activities have greater uncertainty.

Expenditures for the planned investigation, evaluation and selection phases for the study of the production process are expenditures for the research phase and are recognised in profit or loss when incurred; Before mass production, the expenditures for the relevant design and testing phases of the final application of the production process are expenditures during the development phase, and capitalization is achieved while meeting the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management has approved the budget for production process development;
- The Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself;
- The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- The ability to measure reliably the expenditure attributable to the intangible asset during the development phase.

Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred. Development expenditures that have been charged to profit or loss in the previous period are not reconfirmed as assets in subsequent periods. Expenditures that have been capitalized during the development phase are listed as development expenditures on the balance sheet and are converted to intangible assets from the date the project is ready for its intended use.

(e) Impairment of intangible assets

When the recoverable amount of an intangible asset is less than its carrying amount, the carrying amount should be reduced to the recoverable amount (Note II. (19)).

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(18) Long-term prepayments

Long-term prepayments represent expenditures incurred but should be recognized as expenses over one year in the current and subsequent periods including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortised on the straight-line basis over the estimated beneficial period, and are presented as net value after accumulated amortization.

(19) Impairment of long-term assets

The Group performs impairment testing of assets, including fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured at cost, and investments in subsidiaries, joint ventures and associates if any indications exists that an asset may be impaired at the balance sheet date. Intangible assets that have not been ready for intended use are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. When the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss on the asset is recognised accordingly.The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset.The Group estimates the recoverable amount on an individual basis unless it is not possible to estimate the recoverable amount of the individual asset, in which case the recoverable amount is determined for the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

Once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

(20) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for services rendered by employees or for termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term benefits

Short-term benefits includes wages, bonuses, allowances and subsidies, employee welfare, medical insurance, work injury insurance, maternity insurance, housing provident fund, trade union and education funds, and short-term paid absences. In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period. Non-monetary benefits are measured at fair value.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(20) Employee benefits (Continued)

(b) Post-employment benefits

The Group classifies post-employment benefit plans into defined contribution plans and defined benefit plans. The defined contribution plan is a post-employment benefit plan in which the Group no longer undertakes further payment obligations after depositing a fixed fee to an independent fund; the defined benefit plan is a post-employment benefit plan other than the defined contribution plan. During the reporting period, the Group's post-employment benefits mainly included basic endowment insurance, unemployment insurance, enterprise annuity plans and supplementary retirement benefits.

(i) Basic endowment insurance

The employees of the Group participated in the basic social endowment insurance organized and implemented by the local labor and social security departments. The Group pays the endowment insurance premiums to the local basic pension insurance agency on a monthly basis based on the local basic social pension insurance contribution base and ratio. After the employees' retirement, the local labor and social security department has the responsibility to pay the social basic pension to the retired employees. During the accounting period in which employees provide services, the Group recognises the amount to be paid in accordance with the above social security requirements as liabilities and is included in the current profit and loss or related asset costs. The basic endowment insurance paid by the Group for employees is a defined contribution plan.

(ii) Supplementary retirement benefits

For employees who retired before December 31, 2005, the Group provides supplementary retirement benefits, which are defined benefit plans. The present value of the defined benefit plan obligation is calculated annually by an independent actuary, and is calculated using the projected cumulative unit credit method based on the interest rate of the government bond which is similar to defined benefit plans. The net present liabilities of the present value of the defined benefit plan minus the fair value of the planned assets are shown as long-term payable employee benefits in the balance sheet. The Group included changes in the net defined benefit obligation in the current profit and loss or related asset costs. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. The supplementary retirement benefit is a defined benefit plan.

For employees who retired after December 31, 2005, in addition to the basic endowment insurance, the Group establishes an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The Group makes an annuity according to a certain proportion of the total wages and the annuity is included in the current profit or loss. This supplementary retirement benefit is a defined contribution plan.

(c) Termination benefits

The Group provides compensation when it terminates the labour relationship with the employees before the labour contract expires or encourage employees to accept the reduction voluntarilary. The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs involving the payment of termination benefits.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(20) Employee benefits (Continued)

(d) Internal retirement benefits

The Group provides internal retirement benefits to employees who accept internal retirement arrangements. Internal retirement benefits refer to wages and social insurance premiums paid to employees who have not reached the retirement age specified by the state, or who have been voluntarily withdrawn from work. The Group pays internal retirement benefits to employees who have retired from the date of the internal retirement arrangement until the employee reaches the normal retirement age. For the internal retirement benefits, the Group performs accounting treatment based on the termination benefits. When the conditions for the recognition of the termination benefits are met, the wages of the retired employees and the social insurance premiums to be paid during the period from the employee's cessation of service to the normal retirement date are recognized as liabilities and are included in profit or loss for the current period. Changes in actuarial assumptions of changes in benefits and changes in welfare standards are recognised in profit or loss when incurred.

The termination benefits expected to be paid within one year from the balance sheet date are presented as current liabilities.

(21) Distribution of profit

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting or approved by the board.

(22) Provisions

A provision is recognized when the performance of the present obligation arising from pending litigation, product quality assurance, loss contracts, etc., is probable that an outflow of economic benefits, and the amount can be reliably measured.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows; the increase in the book value of the provisions due to the discounted reduction over time is recognized as interest expense.

Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

Provisions that are expected to be paid within one year from the balance sheet date are presented as current liabilities.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(23) Deferred tax and deferred tax liabilities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset if and only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, and the Group has a legally enforceable right to set off current tax assets and current tax liabilities.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(24) Revenue recognition

(a) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised using the percentage of completion method at the balance sheet date. The outcome of a construction contract is considered to be reliably estimated when the total contract revenue can be measured reliably; it is probable that the economic benefits associated with the contract will flow to the Group; both the contract costs to complete the contract and the stage of contract completion on the balance sheet date can be measured reliably; and the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

The percentage of completion is mainly determined by the proportion of the completed contract work to the estimated total workload of the contract or the measurement progress of the completed contract work, or measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

For the construction contract completed in the current period, the balance of the total contract revenue after deducting the accumulated revenue from the previous year is taken as the current income, and the balance of the actual contract cost incurred after deducting the accumulated cost of the previous year is recognized as the current cost.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognised only to the extent of the contract costs actually incurred and expected to be recovered, and the contract costs shall be recognised as an expense in the period in which they are incurred. Contract costs that are not probably to be recovered are recognised as an expense immediately when incurred and no contract revenue shall be recognised.

When it is probable that total contract costs will exceed total contract revenue, the estimated loss shall be recognised as an expense immediately.

(b) Revenue from the sale of goods

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

Revenue from the sale of goods is recognised when: i) the significant risks and rewards in relation to the ownership of goods have been transferred to the buyer; ii) the Group retains neither continuing management nor effective control over the goods sold; iii) the amount of revenue can be reliably measured; iv) it is probable that future economic benefits will flow to the entity; v) the relevant amounts of costs can be measured reliably.

(c) Revenue from the rendering of services

When the amount of revenue and cost and the stage of transaction completion can be measured reliably and it is probable that the associated economic benefits will flow to the Group, revenue is recognized using the percentage of completion method based on the percentage of completion which is determined by the surveys of work performed; the proportion of services performed to date to the total services to be performed; or the proportion of costs incurred to date to the estimated total costs.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(24) Revenue recognition (Continued)

(d) BT Contract (Build and Transfer)

Activities under the BT contract usually include building and transferring. During the construction phase, the Group recognises the revenue and costs of the relevant construction service contracts in accordance with the accounting policies described in Note II(24)(a). The Group measures construction contract revenue based on the fair value attributable to the consideration. The Group recognizes the long-term receivables while confirming the construction contract revenue, and offsets the long-term receivables after receiving the payment from the owner.

(e) Concession activities – BOT Contract

Concession activities under BOT contracts typically include building, operating and transferring. During the building period, the Group recognises the revenue and costs of the relevant construction service contracts in accordance with the accounting policies described in Note II(24)(a). The construction contract revenue is measured at the fair value of the consideration received or receivable, and the financial assets or intangible assets are recognized at the same time as the revenue is recognized in the following cases:

(i) Within a certain period after the completion of the contracted infrastructure, the Group may unconditionally receive the determined amount of monetary funds or other financial assets from the contract grantor, and recognize the financial assets while recognizing the revenue;

(ii) According to the contract, the Group has the right to charge the recipient of the service within a certain period of time after the completion of the relevant infrastructure. However, if the amount of the fee is uncertain, the right does not constitute a right to receive cash unconditionally. The Group recognizes the intangible assets while recognizing the revenue. It is amortized on the straight-line method from the date of completion of the project to the end of the period of the operation and the period in which the extension period or the term of the franchise is terminated.

When the Group distributes infrastructure construction to other parties instead of providing actual construction services, the Group does not recognize the construction service revenue. The Group considers the contractual provisions in accordance with the construction price paid during the construction process, and recognize financial assets or intangible assets.

During the operating period, the Group recognises the corresponding revenue when providing services; the current maintenance or repair expenses incurred by the Group are recognized as current expenses.

According to the contract, the Group will recognize the current obligations of the expenses expected to be incurred to maintain the certain infrastructure capacity of the relevant infrastructure or to maintain a certain use status before transferring to the contract grantor, as a provision.

(25) Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, including refunds of tax, financial subsidies, etc.

Government grants are recognised when all attaching conditions will be complied with and the grant can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(25) Government grants (Continued)

Government grants related to assets are recognised as deferred income and evenly amortized to profit or loss over the useful life of the related assets .

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

(26) Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. All the other leases are treated as operating leases.

(a) Operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period.

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms.

(b) Finance lease

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortised using the effective interest rate method over each period during the lease term. The balance of the minimum lease payment after deducting the unrecognised finance charge is listed as long-term payables.

(27) Exchange of non-monetary assets

Non-monetary assets exchange refers to the exchange of non-monetary assets, such as inventories, fixed assets, intangible assets and long-term equity investments, which involve no or only a small amount of monetary assets (ie, premiums).

When the non-monetary assets are of commercial substance and the fair value of assets received or the assets given up can be measured reliably, the fair value of the assets given up(except where there is clear evidence indicating the fair value of received assets are more reliable) and related taxes payable are recognized as the cost of the received assets, and the difference between the fair value and the carrying amount of assets given up are recognized in profit or loss for the current period. When the non-monetary assets fail to meet criteria above, the carrying amount the assets given up and relevant taxes payable are recognized as the cost of the assets received with no profit or loss being recognized.

(28) Production safety expenses

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation <CaiQi [2012]No.16> issued by the Ministry of Finance and the State Administration of Work Safety. Production safety expenses are specifically designed to improve the safe production conditions of a company or project.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(28) Production safety expenses (Continued)

Production safety expenses accrued shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures are utilised as capital, they shall be in the collection of construction in progress first, and will be recognized in the cost of fixed assets when it is ready for use,.the same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time. The fixed assets will no longer be depreciated in the future.

(29) Finacial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks by the Group to secure loans. These guarantees in relation to loans are provided for no compensation.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement.

(30) Segment information

The Group determines the operating segments based on internal organizational structure, management requirements and internal reporting systems, and determines reporting segments based on operating segments and discloses segment information.

Operating segments are components of the Group that meet the following conditions simultaneously:

i) This component is capable of generating revenue and expenses in daily activities;

ii) The management of the Group is able to regularly evaluate the operating results of this component to determine the allocation of resources and evaluate its performance;

iii) The Group is able to obtain relevant accounting information such as the financial conditions, performance and cash flows of the component.

If two or more operating segments have similar economic characteristics and meet certain conditions, they may be combined into one operating segment.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(31) Significant accounting estimates and judgements

The Group continuously evaluates significant accounting estimates and key judgments used based on historical experience and other factors, including reasonable expectations for future events.

Significant accounting estimates and key assumptions

The significant accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year, are discussed below.

(a) Accounting estimates for construction and service contracts

The Group recognises revenue according to the percentage of completion of individual contracts for construction work and service, which requires estimation to be made by management. Where the actual contract revenue is less than estimated contract costs, a foreseeable loss arises and should be charged to profit or loss when incurred. Due to the nature of the activity undertaken in dredging, landfilling and other related businesses, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in each contract budget as the contract progresses and regularly reviews the progress of the contracts.

The Group monitors the progress payments from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise which make it likely that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the relevant impact on the consolidated financial statements and may revise relevant amount of the foreseeable loss. The revision will be reflected in the consolidated statement of profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

(b) Impairment of receivables

The impairment of receivables is primarily assessed based on current market conditions and prior experience by taking into account past due status, financial position of debtors and guarantees obtained for the outstanding debts, if any. The Group reviews the adequacy of impairment on a regular basis. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of receivables would be required.

(c) Impairment of available-for-sale financial assets

The Group determines if available-for-sale investments are not impaired in accordance with Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. The determination requires significant judgement. In making this judgement, the Group evaluates various factors, including the duration and the extent to which the fair value of an investment is less than its cost. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health and short-term business prospects of the investee, including industry and sector performance, changes in technology, and operating and financing cash flows, etc.

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(31) Significant accounting estimates and judgements (Continued)

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Significant judgement is required in determining the provision for income taxes in numerous jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

If the management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized, deferred tax assets relating to certain temporary differences and tax losses are recognised not higher than the amount of future taxable profit. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(e) Pension benefits

The supplementary benefit expenses of retired employees undertaken by the Group are the defined benefit pension obligations. The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, including the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group reassesses the appropriate discount rate used to calculate the present value of the defined benefit pension obligations each year.In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note IV(30).

If the discount rate used to increase/decrease by 0.25 percentage point from management's estimates with all other variables held constant, the carrying amount of pension obligations as at 31 December 2016 would have been RMB4,242,000 (31 December 2015: RMB5,390,000) lower or RMB4,386,000 (31 December 2015: RMB5,580,000) higher.

(f) Depreciation of Fixed Assets

Depreciation on the Group's fixed assets is calculated by the carrying amount of fixed assets deducting residual values over the estimated useful lives of the assets using the straight-line method. Management reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from fixed assets. The accounting estimate of the useful lives of fixed assets is based on historical experience, taking into account anticipated technological changes. When the useful lives and residual values differ from the original estimated useful lives and residual values, management will adjust the depreciation expense accordingly. It is possible that actual outcomes in the next financial period are different from estimates made based on historical experience. Then it could cause a material adjustment to the depreciation and carrying amount of the Group's fixed assets.

(Expressed in Renminbi Yuan unless otherwise stated)

III. TAXES

The Group's major tax categories and tax rates are as follows:

Tax category	Tax basis	Tax rate
Corporate income tax	Taxable income	15% and 25%
Value-added tax ("VAT") (a)	Taxable value added (taxable amount is calculated by multiplying the taxable sales by the applicable tax rate minus the input tax that is allowed to be deducted for the current period)	17%、11% and 6%
Business tax (a)	Taxable turnover	3% and 5%
Consumption tax	Taxable sales	5%
City maintenance and construction tax	Value-added tax, business tax and consumption tax paid	1%、5% and 7%

(a) According to the Notice of the Ministry of Finance and the State Administration of Taxation on 23 March 2016, <Notice on Comprehensively Opening the Business Tax to VAT Reform> (CaiShui [2016] No. 36), since 1 May 2016 the Group's income from dredging business, landfilling business and other related services is subject to VAT, with a tax rate of 6% and 11%. Business tax is applicable to these businesses before 1 May 2016, and the tax rate is 3%.

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMTNS

(1) Cash and bank balance

	31 December 2016	31 December 2015
Cash	11,536,148	10,354,098
Cash at banks	7,655,260,191	5,434,972,456
Others	431,250,046	215,825,011
	8,098,046,385	5,661,151,565

Other cash and bank balance mainly include bank deposits, bank drafts, foreign exchange deposits, credit card deposits, etc. and restricted deposits. Restricted deposits (Note IV(48)) mainly include bank acceptance bill deposits, performance bond deposits and letter of credit deposits.

Foreign cash and bank balance have been converted into RMB amounts at the spot exchange rate on the balance sheet date.

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

	31 December 2016 Liabilities	31 December 2015 Liabilities
Derivative financial instruments:		
Forward currency contract (Note)	(6,391,967)	(12,216,707)

Derivative financial instruments include:

Note:

On 31 December 2016, the forward currency contracts signed by the Company's subsidiary, CCCC-TDC, with the bank but not yet expired, include:

- Convert the principal amount of the euro 900,163 to the US dollar；The agreed exchange rate for the contract is 1.2. The forward foreign exchange contract will expire in the period from 12 June 2017 to 11 December 2017.

As a forward currency contract for derivative financial instruments, the fair value assessment loss at the end of the period RMB 6,391,967. (As at 31 December 2015: RMB 12,216,707). The amount is determined based on the amount confirmed by the transaction bank or based on the amount of the market exchange rate provided by the transaction bank, and is included in the gains and losses from changes in fair value. (Note IV(43)).

(3) Notes receivable

	31 December 2016	31 December 2015
Bank acceptance bills	327,028,610	496,612,940
Commercial acceptance bills	31,279,983	3,350,020
	358,308,593	499,962,960

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes Receivable (Continued)

As at 31 December 2016, the Group had non-recourse bank acceptances that were not yet due and derecognised (As at 31 December 2015: RMB 186,285,640).

(4) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable		
- CCCC and its fellow subsidiaries	6,274,854,130	5,004,409,058
- Joint ventures and Associates	147,434,143	166,385,381
- Third parties	12,242,919,347	11,170,906,694
Subtotal	18,665,207,620	16,341,701,133
Less: Provision for bad debts	(2,721,648,081)	(2,160,378,708)
Total	15,943,559,539	14,181,322,425

(a) The risk of collection of accounts receivable from CCCC and its fellow subsidiaries is extremely low, so no provision for bad debts has been made.

An ageing analysis of accounts receivable from joint ventures and associates and third parties is presented as follow:

	31 December 2016	31 December 2015
Within 6 months	5,578,755,546	5,485,305,343
6 months to 1 year	1,540,690,366	1,306,670,843
1 to 2 years	2,189,619,782	2,139,205,035
2 to 3 years	979,848,606	1,032,527,383
3 to 4 years	760,004,754	526,408,084
4 to 5 years	496,840,596	263,405,079
Over 5 years	844,593,840	583,770,308
	12,390,353,490	11,337,292,075

As at 31 December 2016, the accounts receivable of RMB 3,917,229,913 (31 December 2015: RMB 4,536,204,701) was overdue, but based on the analysis of the customer's financial status and credit history, the Group believes that this amount can be recovered and there was no impairment, so no impairment provision was made separately. The overdue ageing analysis of this part of accounts receivable is as follows:

	31 December 2016	31 December 2015
Within 1 year	3,873,915,995	4,441,084,812
1 to 2 years	43,313,918	95,119,889
	3,917,229,913	4,536,204,701

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(b) Accounts receivable from joint ventures and associates and third parties by category are presented as follows:

	31 December 2016				31 December 2015			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debt	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Subject to provision by aging group	11,797,664,253	95%	(2,128,958,844)	18%	10,858,718,534	96%	(1,681,805,167)	15%
Individually not significant but subject to separate provision for bad debts	592,689,237	5%	(592,689,237)	100%	478,573,541	4%	(478,573,541)	100%
Total:	12,390,353,490	100%	(2,721,648,081)	22%	11,337,292,075	100%	(2,160,378,708)	19%

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(c) Accounts receivable which are subject to provision by aging group were as follows:

	31 December 2016			31 December 2015		
	Gross carrying amount	Provision for bad debts		Gross carrying amount	Provision for bad debts	
	Amount	Amount	Percentage	Amount	Amount	Percentage
Within 6 months	5,310,515,184	-	-	4,666,926,015	-	-
6 months to 1 year	1,521,174,570	(14,520,416)	1%	1,292,544,012	(12,618,583)	1%
1 to 2 years	1,955,844,545	(294,188,311)	15%	2,603,429,068	(416,305,743)	16%
2 to 3 years	979,848,606	(293,454,582)	30%	1,032,527,383	(309,771,063)	30%
3 to 4 years	760,004,754	(379,688,540)	50%	504,094,164	(233,235,255)	46%
4 to 5 years	492,678,396	(369,508,797)	75%	182,382,157	(133,058,788)	73%
Over 5 years	777,598,198	(777,598,198)	100%	576,815,735	(576,815,735)	100%
	11,797,664,253	(2,128,958,844)	18%	10,858,718,534	(1,681,805,167)	15%

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(d) Accounts receivable which are not individually significant but subject to separate provision for bad debts were as follows

	Gross carrying amount	Provision for bad debts	Percentage	Reason
Company 1	86,511,438	86,511,438	100%	(i)
Company 2	75,819,900	75,819,900	100%	(i)
Company 3	49,243,396	49,243,396	100%	(i)
Company 4	35,897,000	35,897,000	100%	(i)
Company 5	23,095,792	23,095,792	100%	(i)

(i) As at 3` December 2016, according to the ageing analysis of the accounts receivable and operation of the companies above, the amount of receivable have been overdue for more than 5 years, the Group recorded all of provision for doubtful debts.

(e) In 2016, the Group recovered the amount of accounts receivable with a large proportion of bad debt provision for the previous year of RMB 128,168,336 (2015: Nil).

(f) In 2016, the Group had no accounts receivable actually written off (2015: RMB 321,828).

(g) Accounts receivable from the five largest customers were as follows:

	Amount	Provision for bad debts	Percentage of total accounts receivable
Accounts receivable from the five largest customers	6,058,413,714	(29,244,874)	32%

(h) The accounts receivable that were terminated due to the transfer of financial assets were analyzed as follows:

In 2016, the Group transferred the accounts receivables (including long-term receivables) to financial institutions in the amount of RMB 4,669,200,000 (2015: RMB 4,237,328,293) without recourse, the management of the Group believes that the above financial assets ownership-related risks and rewards have been transferred and are eligible for derecognition and are therefore derecognised in the financial statements. The finance costs associated with the derecognised financial assets were RMB 235,436,423 (2015: RMB 220,719,924).

In 2016, the Group transferred the accounts receivable and the long-term receivable to financial institutions in the amount of RMB 537,500,000 (2015: RMB 246,900,000) and RMB 185,234,836 (2015: Nil). The management of the Group believes that the risks and rewards related to the ownership of the above financial assets have not been transferred and do not meet the conditions for derecognition. Therefore, the funds received will be regarded as short-term loans. As at December 31, 2016, short-term loans (Notes IV(17)(a)) that have not yet expired were RMB 400,000,000 (December 31, 2015: RMB 36,900,000).

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Prepayments

(a) An ageing analysis of the prepayments was as follows:

	31 December 2016		31 December 2015	
	Gross carrying amount	Percentage	Gross carrying amount	Percentage
Within 1 year	704,513,630	91%	824,741,651	94%
1 to 2 years	54,618,564	7%	48,757,282	5%
2 to 3 years	15,343,597	2%	12,129,701	1%
Over 3 years	2,042,900	-	3,834,202	-
	776,518,691	100%	889,462,836	100%

As at 31 December 2016, the prepayments aged over 1 year were RMB 72,005,061 are mainly subcontracted constructions and materials prepaid (31 December 2015: RMB 64,721,185).

(b) As at 31 December 2016, prepayments to the five largest suppliers were as follows:

	Amount	Percentage
Prepayments to the five largest suppliers	264,550,388	34%

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables

	31 December 2016	31 December 2015
Funds deposited at CCCC Settlement Center	682,759,705	203,749,552
Performance bond receivable	1,148,512,833	1,036,162,316
Advance payment and deposit	743,935,316	556,303,335
Bid bond receivable	512,275,037	304,637,695
Other deposits receivable	398,828,218	569,010,695
Receivable reserve	61,359,150	43,957,960
Others	1,463,748,127	749,455,936
Subtotal	5,011,418,386	3,463,277,489
Including:		
- CCCC and its fellow subsidiaries	1,265,946,564	525,053,131
- Joint venutures and associates	45,572,785	-
- Third parties	3,699,899,037	2,938,224,358
Less: Provision for bad debts	(81,180,922)	(37,905,122)
Total	4,930,237,464	3,425,372,367

(a) The risk of collection of other receivables from CCCC and its fellow subsidiaries is extremely low, so no provision for bad debts has been made.

An ageing analysis of other receivables from associates and joint ventures and third parties is presented asfollows:

	31 December 2016	31 December 2015
Within 1 year	2,906,548,553	2,526,301,402
1 to 2 years	567,258,235	223,378,474
2 to 3 years	132,698,620	67,956,342
3 to 4 years	56,465,393	53,369,235
4 to 5 years	22,907,496	9,272,255
Over 5 years	59,593,525	57,946,650
	3,745,471,822	2,938,224,358

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

(b) Other receivables from associates and joint ventures and third parties by category are presented as follows:

	31 December 2016				31 December 2015			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Security deposit (excluding retentions) group	2,143,762,266	57%	-	-	1,871,504,630	64%	-	-
Individual employee loan, reserve fund group	61,359,150	2%	-	-	50,867,096	2%	-	-
Subject to provision by aging group	1,402,147,800	37%	(78,726,686)	6%	903,252,408	30%	(37,688,587)	4%
Individually not significant but subject to separate provision for bad debts	138,202,606	4%	(2,454,236)	2%	112,600,224	4%	(216,535)	-
Total:	3,745,471,822	100%	(81,180,922)	2%	2,938,224,358	100%	(37,905,122)	1%

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

(c) Other receivables which are subject to provision by aging group were as follows:

	31 December 2016			31 December 2015		
	Gross carrying amount	Provison for bad debts		Gross carrying amount	Provision for bad debts	
	Amount	Amount	Percentage	Amount	Amount	Percentage
Within 6 months	1,065,152,103	-	-	847,726,359	-	-
6 months to 1 year	22,869,192	(228,692)	1%	5,598,375	(55,983)	1%
1 to 2 years	274,572,315	(41,185,847)	15%	9,712,085	(1,456,813)	15%
2 to 3 years	851,371	(255,411)	30%	1,468,422	(440,527)	30%
3 to 4 years	468,422	(234,211)	50%	5,651,235	(2,825,618)	50%
4 to 5 years	5,647,487	(4,235,615)	75%	745,144	(558,858)	75%
Over 5 years	32,586,910	(32,586,910)	100%	32,350,788	(32,350,788)	100%
	1,402,147,800	(78,726,686)	6%	903,252,408	(37,688,587)	4%

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

(d) In 2016, the Group did not have any significant material write-offs or recoveries of other receivables that were fully or in a significant proportion of bad debts in previous years (2015: Nil).

(e) In 2016, the Group's other receivables that were written off amounted to RMB 802,000 (31 December 2015: RMB 4,378).

(f) In 2016, due to the disposal of subsidiaries, the Group's bad debt provision for subsidiaries was transferred out of RMB 1,192,168 (2015: Nil).

(g) The five largest other receivables were as follows:

	Amount	Provision for bad debts	Percentage of total other receivables
The five largest other receivables	2,144,283,062	(41,706,757)	43%

(h) As at 31 December 2016, the Group had no other receivables that were terminated due to the transfer of financial assets (31 December 2015: Nil).

(7) Inventories

(a) The inventory is classified as follows:

	31 December 2016		
	Gross carrying amount	Provision	Carrying amount
Raw materials	773,083,269	-	773,083,269
Properties under development (i)	292,530,148	-	292,530,148
Work in progress	85,278,128	-	85,278,128
Completed properties held for sale (ii)	34,126,706	-	34,126,706
Finished goods	30,106,191	-	30,106,191
Turnover materials	647,099,455	-	647,099,455
Gross amount due from contract customers	8,591,218,212	(15,609,462)	8,575,608,750
Total	10,453,442,109	(15,609,462)	10,437,832,647

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Inventories (Continued)

(a) The inventory is classified as follows (Continued):

	31 December 2015		
	Gross carrying amount	Provisions	Carrying amount
Raw materials	569,768,147	-	569,768,147
Properties under development (i)	283,809,306	-	283,809,306
Work in progress	111,423,908	-	111,423,908
Completed properties held for sale (ii)	38,622,715	-	38,622,715
Finished goods	17,803,601	-	17,803,601
Turnover materials	466,819,560	-	466,819,560
Gross amount due from contract customers	7,843,552,758	(15,350,132)	7,828,202,626
	9,331,799,995	(15,350,132)	9,316,449,863

(i) Properties under development

	31 December 2016	31 December 2015
Opening balance	283,809,306	246,973,761
Additions	9,038,916	36,835,545
Transfer to completed properties held for sale	(318,074)	-
Closing balance	292,530,148	283,809,306

(ii) Completed properties held for sale

	31 December 2016	31 December 2015
Opening balance	38,622,715	43,276,414
Additions	318,074	-
Sold	(4,814,083)	(4,653,699)
Closing balance	34,126,706	38,622,715

In 2016, the source of funds included bank borrowings, and the annual capitalization rate used to determine the capitalization amount of borrowing costs was 4.22% (2015: 4.92%).

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Inventories (Continued)

(b) Movements in the provision for write-down of inventories were as follows:

	31 December	Increase		Decrease		31 December
	2015	Additons provision	Others	Reversal	Write-off	2016
Gross amount due from contract customers	15,350,132	259,330	-	-	-	15,609,462

	31 December	Increase		Decrease		31 December
	2014	Additons provision	Others	Reversal	Write-off	2015
Gross amount due from contract customers	15,831,762	-	-	(481,630)	-	15,350,132

(c) The provision for write-down of inventories were as follows:

	Specific basis for determining the net realizable value	Reasons for reversing or write-offing provision for write-down of inventories this year
Raw materials Work in progress Finished goods Turnover materials Others	The estimated selling price of the inventories minus the estimated cost of completion, the estimated selling expenses and the relevant taxes and fees.	Not applicable Not applicable Not applicable Not applicable Not applicable
Gross amount due from contract customers	The estimated total cost of the contract will exceed the estimated total revenue of the contract.	Not applicable

(d) Gross amount due from contract customers:

	31 December 2016	31 December 2015
Gross amount due from contract customers		
- Contract costs incurred to date	59,933,275,852	55,937,242,189
- Recognised profit	5,452,947,425	7,649,201,111
- Expected contract loss	(15,609,462)	(15,350,132)
- Progress billings	(56,795,005,065)	(55,742,890,542)
Total	8,575,608,750	7,828,202,626

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Available-for-sale financial assets

	31 December 2016	31 December 2015
Measured at fair value		
-Available-for-sale equity instruments (i)	2,936,312,441	3,208,666,919
Measured at cost		
-Available-for-sale equity instruments (ii)	1,149,088,501	977,763,500
Less: Provision for impairment	-	-
	4,085,400,942	4,186,430,419

(i) The fair value of the available-for-sale equity instruments measured at fair value is determined based on the closing prices of the last trading day of the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Stock Exchange of Hong Kong Limited (hereinafter referred to as the "closing price").

(ii) The available-for-sale financial assets measured at cost are mainly unlisted equity investments held by the Group. These investments have no active market quotation, and the fair estimates of the fair value have a large range of changes and the estimates used to determine the fair value cannot be reasonably determined, so its fair value cannot be reliably measured. The Group has no plans to dispose of these investments.

The analysis of available-for-sale financial assets is as follows:

Available-for-sale financial assets measured at fair value:

	31 December 2016	31 December 2015
Available-for-sale equity instruments		
-Fair value	2,936,312,441	3,208,666,919
-Cost	727,375,145	610,544,559
-Accumulated into other comprehensive income	2,208,937,296	2,598,122,360
-Accumulated impairment	-	-

Available-for-sale financial assets measured at cost:

	31 December 2016	31 December 2015
Available-for-sale equity instruments		
-Cost	1,149,088,501	977,763,500
-Accumulated impairment	-	-

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Long-term receivables

	31 December 2016	31 December 2015
Retention money receivables	3,972,716,102	5,240,625,268
"Build-Transfer" project receivables	4,394,808,733	3,822,615,541
Project receivables	4,532,444,978	3,080,466,280
Subtotal	12,899,969,813	12,143,707,089
Provision for impairment	-	-
Total	12,899,969,813	12,143,707,089
Less: Current portion of long-term receivables:		
Retention money receivables	(1,300,359,949)	(973,705,012)
"Build-Transfer" project receivables	(795,512,717)	(8,371,920)
Project receivables	(2,390,953,263)	(962,021,964)
	(4,486,825,929)	(1,944,098,896)
Net	8,413,143,884	10,199,608,193

(10) Long-term equity investments

	31 Decemebr 2016	31 December 2015
Joint ventures (a)	396,849,253	268,192,452
Associates (b)	2,426,811,768	2,205,728,878
Total	2,823,661,021	2,473,921,330
Less: Provision for impairment (c)	(1,000,000)	(1,000,000)
Net	2,822,661,021	2,472,921,330

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Long-term equity investments (Continued)

(a) Investments in joint ventures

				Increase/(decrease) during the year							
	Accounting method	Investment cost	Opening balance at 31 December 2015	Increase/ (decrease) in investment	Cost method converted to equity method	Share of profits/ (losses)	Other changes in equity	Distribution of dividends	Closing balance at 31 December 2016	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	Equity method	113,574,861	125,137,361	-	-	7,754,494	-	(7,311,375)	125,580,480	50%	50%
Tangshan Caofeidian Dredging Co., Ltd.	Equity method	30,006,000	94,796,351	-	-	835,625	-	-	95,631,976	45%	45%
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd. (Note1)	Equity method	48,000,000	-	48,000,000	-	506,771	-	-	48,506,771	60%	70%
Guangdong Dachangqing Engineering Construction Co., Ltd. (Note 2)	Equity method	36,640,992	-	-	60,093,326	(54,971,562)	-	-	5,121,764	60%	60%
Tangshan Dredging Engineering Co., Ltd. (Note 3)	Equity method	35,000,000	-	-	76,277,514	148,948	-	-	76,426,462	50%	50%
Cangzhou bohai New Area Jinye Port Construction Engineering Co., Ltd. (Note 4)	Equity method	10,000,000	45,578,371	-	-	115,601	(112,172)	-	45,581,800	50%	40%
Junhang (Shanghai) International Trade Co., Ltd.	Equity method	-	2,680,369	(14,155)	-	(2,666,214)	-	-	-	-	-
Total			268,192,452	47,985,845	136,370,840	(48,276,337)	(112,172)	(7,311,375)	396,849,253		

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Long-term equity investments (Continued)

(a) Investments in joint ventures (Continued)

Note 1: This year, the subsidiary of the Company, CCCC-TDC, and CCCC Fourth Harbour Engineering Co., Ltd. and Fuzhou Taiwanese Investment Zone Development and Construction Co., Ltd. (hereinafter referred to as “Fuzhou Taiwan Investment Corporation”) invested in the establishment of Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd. (hereinafter referred to as "Fuzhou Taiwanese Business") Fuzhou Taiwanese Business is responsible for the implementation of investment, construction, operation, maintenance and maintenance management of the infrastructure project of Songshan A Area in Fuzhou Taiwanese Investment Zone. The shareholding ration of the three companies are 60%, 10% and 30% respectively. According to Fuzhou Taiwanese Business's Articles of Association and its actual operations, Fuzhou Taiwan Investment Corporation has one-vote veto on major issues such as financing decisions of Fuzhou Taiwanese business. Therefore, CCCC-TDC cannot actually control Fuzhou Taiwanese business, so it is accounted for as a joint venture by the equity method.

Note 2: Guangdong Dachangqing Engineering Construction Co., Ltd. (hereinafter referred to as “Guangdong Dachangqing”)was originally controlled by CCCC-GDC, a subsidiary of the Company. CCCC-GDC holds 60% of the shares of Guangdong Dachangqing and Shantou Port Group holds 40%. On September 30, 2016, the shareholders meeting of Guangdong Dachangqing passed the resolutions of the company. The resolution stipulated that all matters related to liquidation must be reported to the shareholders of both parties for joint decision. Therefore, CCCC-GDC cannot control Guangdong Dachangqing, so it is accounted for as a joint venture by the equity method.

Note 3: Tangshan Dredging Engineering Co., Ltd. (hereinafter referred to as ‘‘Tangshan Dredging’’) was originally controlled by CCCC-TDC, a subsidiary of the Company. This year, Tangshan Dredging revised the Articles of Association, stipulating that the shareholders meeting should respond to more than one-half of the voting rights of the representative. CCCC-TDC holds 50% of the voting rights of Tangshan Dredging. After the amendment of the Articles of Association, CCCC-TDC loses control over Tangshan Dredging. Therefore, it is accounted for as a joint venture unit by the equity method.

Note 4: The company's subsidiary, CCCC-TDC, holds 50% of the shares of Cangzhou bohai New Area Jinye Port Construction Engineering Co., Ltd. (hereinafter referred to as “Cangzhou Bohai”). The board of directors of Cangzhou Bohai consists of 5 directors and CCCC-TDC has appointed 2 of 5, resulting in inconsistent ratio of shareholding to voting rights. According to the Cangzhou Bohai's Articles of Association, the matters discussed must be approved by more than two-thirds of the directors. Therefore, it is accounted for as a joint venture by the equity method.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Long-term equity investments (Continued)

(b) Investments in associates

Investment in associates are as follows:

	Accounting method	Investment cost	Opening balance at 31 December 2015	Increase/(decrease) during the year: Increase/ (decrease) in investment	Cost method converted to equity method	Share of profits/ (losses)	Other changes in equity	Distribution of dividends	Closing balance at 31 December 2016	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group
Tianjin Port Aviation Engineering Co., Ltd.	Equity method	98,951,331	245,050,460	-	-	23,927,061	-	-	268,977,521	24%	24%
Shenhua Shanghai Dredging Co., Ltd. (Note 1)	Equity method	300,000,000	328,537,935	-	-	10,973,868	(252,737)	-	339,259,066	50%	28.57%
CCCC (Shantou) East Coast New City Investment and Construction Co., Ltd.	Equity method	681,000,000	823,020,773	-	-	63,962,550	-	-	886,983,323	15%	15%
Tianjin Lingang Industrial Investment Holdings Co., Ltd. (Note 2)	Equity method	300,000,000	300,000,000	-	-	-	-	-	300,000,000	10%	10%
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd. (Note 3)	Equity method	55,190,588	-	2,414,588	53,096,930	42,329	-	-	55,553,847	32%	32%
Others			509,119,710	72,158,657	-	(4,920,557)	180,201	(500,000)	576,038,011		
			2,205,728,878	74,573,245	53,096,930	93,985,251	(72,536)	(500,000)	2,426,811,768		

Note 1: CCCC-SDC, a subsidiary of the Company, holds 50% stake in Shenhua Shanghai Dredging Co., Ltd (hereinafter referred to as "Shenhua Dredging"). According to Shenhua Dredging's Articles of Association, CCCC-SDC only holds 28.75% of the voting rights in the board of directors of Shenhua Dredging, and exerts only significant influence on it. Therefore, it is accounted for as an associate by the equity method.

Note 2: CCCC-TDC, a subsidiary of the Company, holds a 10% stake in Tianjin Lingang Industrial Investment Holdings Co., Ltd. (hereinafter referred to as "Tianjin Lingang"). According to Tianjin Lingang's Articles of Association, the board of directors of Tianjin Lingang has 10 director seats. Since CCCC-TDC has one director in its board of directors, it has the right to participate in its business decisions and can exert significant influence on it. As an associate, it is accounted for using the equity method.

Note 3: In May 2016, the third party shareholders of CCCC (Maoming) Shuidongwan Investment and Construction Co., Ltd. (hereinafter referred to as "CCCC-Maoming") increased their capital investment, resulting in the Company's subsidiary CCCC-TDC diluted its shareholding ratio to 32%, losing its control in CC Maoming and cannot control its business decisions in substance, and only exerts significant influence on it, so it is accounted for as an associate.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Long-term equity investments (Continued)

(c) Provision for impairment

	31 December 2016	31 December 2015
Associates		
Zhongyang Asset Management Co., Ltd.	1,000,000	1,000,000

As at 31 December 2016 and 31 December 2015, there was no change in the Group's long-term equity investment impairment provision.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Investment properties

	31 December 2015	Increases	Decreases	31 December 2016
Cost	165,301,325	-	-	165,301,325
Buildings	127,585,305	-	-	127,585,305
Land use rights	37,716,020	-	-	37,716,020
Accumulated depreciation and amortisation	(67,209,806)	(5,492,555)	-	(72,702,361)
Buildings	(56,373,555)	(4,417,214)	-	(60,790,769)
Land use rights	(10,836,251)	(1,075,341)	-	(11,911,592)
Net book value	98,091,519	-	-	92,598,964
Buildings	71,211,750	-	-	66,794,536
Land use rights	26,879,769	-	-	25,804,428
Provision for impairment	-	-	-	-
Buildings	-	-	-	-
Land use rights	-	-	-	-
Carrying amount	98,091,519	-	-	92,598,964
Buildings	71,211,750	-	-	66,794,536
Land use rights	26,879,769	-	-	25,804,428

In 2016, the depreciation and amortization amount of investment properties was RMB 5,492,555 (2015: RMB 5,870,360), and no impairment provision was made during the year.

In 2016, the Group did not change the use of buildings (2015: the book value was RMB 2,440,769, and the cost of RMB 2,615,110 was changed to self-use, and it was converted to fixed assets from the date of change of use).

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Fixed assets

Items	Buildings	Vessels	Vehicles	Machinery	Office and electronic equipment	Temporary facilities	Total
Cost							
31 December 2015	1,143,080,772	23,023,804,978	184,407,329	649,927,885	248,527,437	81,675,231	25,331,423,632
Increases	67,833,086	1,488,471,834	19,087,516	50,514,883	23,500,109	174,331	1,649,581,759
Purchases	3,262,486	192,990	17,101,480	24,949,259	22,167,252	-	67,673,467
Transfer from construction in progress	64,567,400	1,483,218,607	916,462	22,488,211	998,254	174,331	1,572,363,265
Others	3,200	5,060,237	1,069,574	3,077,413	334,603	-	9,545,027
Internal reclassification	(6,925)	-	212,800	73,315,702	(73,521,577)	-	-
Decreases	(50,914,235)	(461,530,172)	(17,470,971)	(31,986,560)	(17,370,065)	(19,754,747)	(599,026,750)
Disposals or retirments	(2,550,330)	(101,801,667)	(13,744,112)	(25,594,814)	(13,424,041)	(18,204,028)	(175,318,992)
Disposal of subsidiary	(48,363,905)	(359,728,505)	(3,726,859)	(6,391,746)	(3,935,695)	-	(422,146,710)
Others	-	-	-	-	(10,329)	(1,550,719)	(1,561,048)
31 December 2016	1,159,992,698	24,050,746,640	186,236,674	741,771,910	181,135,904	62,094,815	26,381,978,641
Accumulated depreciation							
31 December 2015	(460,421,755)	(9,687,515,206)	(138,205,414)	(424,840,088)	(128,265,017)	(74,333,176)	(10,913,580,656)
Increases	(31,779,832)	(717,236,841)	(17,867,732)	(69,140,162)	(22,378,451)	(3,729,268)	(862,132,286)
Additions	(31,779,832)	(712,244,030)	(17,379,187)	(68,355,883)	(22,378,451)	(3,729,268)	(855,866,651)
Others	-	(4,992,811)	(488,545)	(784,279)	-	-	(6,265,635)
Internal reclassification	-	-	-	(500)	500	-	-
Decreases	6,651,760	242,447,817	15,443,583	23,086,863	14,583,292	19,708,226	321,921,541
Disposals or retirments	1,972,341	62,221,234	13,047,505	17,244,730	11,096,464	18,204,028	123,786,302
Disposal of subsidiary	4,679,419	180,226,583	2,396,078	5,842,133	3,482,505	-	196,626,718
Others	-	-	-	-	4,323	1,504,198	1,508,521
31 December 2016	(485,549,827)	(10,162,304,230)	(140,629,563)	(470,893,887)	(136,059,676)	(58,354,218)	(11,453,791,401)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Fixed assets (Continued)

Items	Buildings	Vessels	Vehicles	Machinery	Office and electronic equipment	Temporary facilities	Total
Provision for impairment	-	-	-	-	-	-	-
31 December 2015	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-
Provision	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Disposals or retirment	-	-	-	-	-	-	-
31 December 2016	-	-	-	-	-	-	-
Carrying amount							
31 December 2016	674,442,871	13,888,442,410	45,607,111	270,878,023	45,076,228	3,740,597	14,928,187,240
31 December 2015	682,659,017	13,336,289,772	46,201,915	225,087,797	120,262,420	7,342,055	14,417,842,976

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Fixed assets (Continued)

As at 31 December 2016, there were no buildings, ships and machinery (31 December 2015: book value: RMB 191,026,801, cost: RMB 312,920,983) as short-term loans (31 December 2015: RMB 30,000,000) (Note IV(17)(a)) and long-term borrowing (Note IV(17)(b)) collateral (31 December 2015: RMB 20,000,000).

The depreciation amount for fixed assets in 2016 was RMB 855,866,651 (2015: RMB 864,372,047), of which the depreciation expenses included in operating costs, sales expenses and management expenses were RMB 740,815,687, RMB 203,634 and RMB 114,847,330 respectively (2015: RMB 820,589,459, RMB 167 and RMB 43,782,421 respectively).

The cost of assets transferred from construction in progress to fixed assets for 2016 was RMB 1,572,363,265 (2015: RMB 889,920,890).

As at 31 December 2016, buildings, ships and other fixed assets with a book value of RMB 118,844,781 (31 December 2015: RMB 120,425,297) were fully depreciated but continue to be used.

(a) Fixed assets leased out under an operating lease are as follows:

As at 31 December 2016, the fixed assets with a book value of RMB 5,426,442 (cost: RMB 38,105,054) were leased out as operation lease (31 December 2015: book value: RMB 110,146,601, cost: RMB 245,487,133).

31 December 2016	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Ships and vehicles	38,015,054	(32,588,612)	-	5,426,442
Machinery	90,000	(90,000)	-	-
Total	38,105,054	(32,678,612)	-	5,426,442

31 December 2015	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Ships and vehicles	158,368,627	(84,233,474)	-	74,135,153
Machinery	37,091,926	(20,469,058)	-	16,622,868
Office and electronic equipment	226,580	(159,000)	-	67,580
Others	49,800,000	(30,479,000)	-	19,321,000
Total	245,487,133	(135,340,532)	-	110,146,601

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Fixed assets (Continued)

(b) Fixed assets held under a finance lease are as follows:

As at 31 December 2016, the fixed assets of the book value of RMB 2,435,829,536 (cost: RMB 3,349,267,579) were finance leases (31 December 2015: book value: RMB 3,110,212,078, cost: RMB 4,011,854,010).

31 December 2016	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Ships	3,164,702,824	(824,642,340)	-	2,340,060,484
Machinery	184,564,755	(88,795,703)	-	95,769,052
Total	3,349,267,579	(913,438,043)	-	2,435,829,536

31 December 2015	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Ships	3,898,332,020	(901,641,932)	-	2,996,690,088
Machinery	184,564,755	(71,042,765)	-	113,521,990
Total	4,082,896,775	(972,684,697)	-	3,110,212,078

(c) Fixed assets for which the property rights certificates have not been obtained were as follows:

On 31 December 2016, buildings with a book value of approximately RMB 1,172,908 (31 December 2015: book value of RMB 14,453,031) for which the property rights certificates were in the process of applying and have not been obtained.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Construction in progress

	Budgets (RMB'0000)	31 December 2015	Increases	Transfer to fixed assets	Decreases	31 December 2016	Project investment as a percentage of budget	Cumulative amount of capitalization of borrowing costs	Including: the capitalization amount of the borrowing costs for the current year	Percentage of project completion	Sources of funds
Southern China Headquarters Phase II Project	92,477	783,570,817	336,763,895	-	(672,332,700)	448,002,012	48%	117,564,334	35,759,372	48%	Self-financing
21,000 squirting boat	144,000	906,512,532	514,876,277	(1,421,388,809)	-	-	100%	30,257,590	10,319,097	100%	Self-financing
Research experimental platform and simulation platform construction project	12,000	79,321,827	30,569,746	(69,398)	-	109,822,175	92%	-	-	92%	Self-financing
Others		229,635,380	238,507,606	(150,905,058)	(69,684,114)	247,553,814		6,821,386	-		
Total		1,999,040,556	1,120,717,524	(1,572,363,265)	(742,016,814)	805,378,001		154,643,310	46,078,469		
Less: Provision for impairment		-	-	-	-	-					
Carrying amount		1,999,040,556	1,120,717,524	(1,572,363,265)	(742,016,814)	805,378,001					

In 2016, the source of self-financing includes bank loans, and the annual capitalization rate for determining the capitalization amount of borrowing costs is 4.22% (2015: 4.92%).

The percentage of project completion is estimated based on the budget and accumulated investment.

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Intangible assets

Items	Land use rights	Software	Others	Total
Cost				
31 December 2015	1,235,073,372	20,151,846	1,619,556	1,256,844,774
Increases	376,699,672	1,306,360	41,864,148	419,870,180
Purchases	74,683,325	1,306,360	41,864,148	117,853,833
Others	302,016,347	-	-	302,016,347
Decreases	(95,081,759)	-	-	(95,081,759)
Disposals or retirments	(659,600)	-	-	(659,600)
Disposal of subsidiaries	(94,422,159)	-	-	(94,422,159)
31 December 2016	1,516,691,285	21,458,206	43,483,704	1,581,633,195
Accumulated depreciation				
31 December 2015	(163,723,219)	(8,149,194)	(268,348)	(172,140,761)
Increases	(26,153,361)	(3,191,545)	(7,218,934)	(36,563,840)
Additions	(26,153,361)	(3,189,677)	(7,218,934)	(36,561,972)
Others	-	(1,868)	-	(1,868)
Decreases	3,614,567	-	-	3,614,567
Disposals or retirments	269,493	-	-	269,493
Disposal of subsidiaries	3,345,074	-	-	3,345,074
31 December 2016	(186,262,013)	(11,340,739)	(7,487,282)	(205,090,034)
Provision for impairment				
31 December 2015	-	-	-	-
31 December 2016	-	-	-	-
Carrying amount				
31 December 2015	1,330,429,272	10,117,467	35,996,422	1,376,543,161
31 December 2016	1,071,350,153	12,002,652	1,351,208	1,084,704,013

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Intangible assets (Continued)

In 2016, the amortization amount of intangible assets was RMB 36,561,972 (2015: RMB 25,187,127). The amortization expenses included in operating costs and management expenses were RMB 7,193,333 and RMB 29,368,639 respectively (2015: RMB 0 and RMB 25,187,127 respectively).

As at 31 December 2016, no land use rights (31 December 2015: book value: RMB 153,463,521, cost: RMB 174,142,985) was plegged as long-term loans (Note 4 (17) (b)) (31 December 2015: RMB 252,886,392) collateral.

In 2016, the Group's research and development expenditure totaled RMB 980,484,922 (2015: RMB 316,340,367), of which RMB 980,484,922 (2015: RMB 308,297,059) was included in the profit and loss in the current period, and no research and development expenditure (2015: RMB 8,043,308) was confirmed as intangible in the current period. There is no research and development expenditure balance (2015: Nil). As at December 31, 2016, the intangible assets formed through internal research and development of the Group accounted for 1% of the book value of intangible assets (31 December 2015: 1%).

On 31 December 2016, the land use right with a book value of RMB 1,076,040 (cost RMB 2,391,200) is in the process of applying for the relevant land use right ownership certificate (31 December 2015: book value: RMB 122,095,124, cost: RMB 125,191,200) .

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Deferred tax assets/liabilities

(a) Deferred tax assets which have not been net off:

	31 December 2016		31 December 2015	
	Deductible temporary differences and deductible loss	Deferred tax asests	Deductible temporary differences and deductible loss	Deferred tax assets
Provision for impairment of assets	2,568,989,229	546,537,851	2,187,369,295	514,356,971
Accrued expenses	311,250,744	53,283,849	234,450,507	55,004,452
Discounted accounts receivable	297,284,808	56,132,246	539,511,305	112,115,839
Provision for long-term post-leaving benefits	189,886,586	41,733,310	227,637,595	49,969,392
Changes in fair value	6,391,967	958,795	12,216,707	1,832,506
Accumulated unrecovered losses	2,549,270	637,318	10,232,835	2,558,209
Others	59,925,064	9,772,139	83,089,400	17,120,808
Total	3,436,277,668	709,055,508	3,294,507,644	752,958,177
Including:				
The amount expected to be transferred back within 1 year (including 1 year)		69,186,453		69,486,242
The amount expected to be transferred back after 1 year		639,869,055		683,471,935
		709,055,508		752,958,177

(b) Deferred tax liabilities which have not been net off:

	31 December 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value	(2,157,440,355)	(539,360,089)	(2,598,122,360)	(649,530,590)
Depreciation of fixed assets	(17,266,012)	(4,316,503)	(13,357,959)	(3,339,490)
Others	(415,450,274)	(97,262,882)	(411,885,574)	(99,454,460)
Total	(2,590,156,641)	(640,939,474)	(3,023,365,893)	(752,324,540)
Including:				
The amount expected to be transferred back within 1 year (including 1 year)		(28,057,095)		(10,199,876)
The amount expected to be transferred back after 1 year		(612,882,379)		(742,124,664)
		(640,939,474)		(752,324,540)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Deferred tax assets/liabilities (Continued)

(c) Unrecognised deferred tax assets are presented as follows:

	31 December 2016	31 December 2015
Deductible tax losses	1,174,084,336	600,335,691
Deductible temporary differences	48,572,848	124,302,786
Total	1,222,657,184	724,638,477

(d) Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2016	31 December 2015
Within 1 year	115,408,710	100,906,498
1 to 2 years	23,603,344	115,408,710
2 to 3 years	76,843,764	48,797,804
3 to 4 years	258,378,915	76,843,764
4 to 5 years	699,849,603	258,378,915
Total	1,174,084,336	600,335,691

(e) The deductible amount of deferred tax assets and deferred tax liabilities:

	31 December 2016	31 December 2015
Deferred income tax assets/liabilities	267,076,319	241,163,506

The deferred tax assets and net deferred tax liabilities after offset are shown as follows:

	31 December 2016		31 December 2015	
	Deferred tax assets or net liabilities	Deductible or taxable temporary difference after mutual	Deferred tax assets or net liabilities	Deductible or taxable temporary difference after mutual
Net deferred tax assets	441,979,189	2,344,995,566	511,794,671	2,315,785,889
Net deferred tax liabilities	(373,863,155)	(1,498,874,539)	(511,161,034)	(2,044,644,138)

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(16) Other non-current assets

	31 December 2016	31 December 2015
Prepayments for equipment	205,581,800	33,309,360
Prepayments for land and housing	88,786,719	351,653,421
Total	294,368,519	384,962,781

(17) Short-term borrowings and long-term borrowings

(a) Short-term borrowings

	31 December 2016	31 December 2015
Loans on credit	3,996,495,352	5,296,317,026
Mortgaged borrowings(i)	-	30,000,000
Guaranteed borrowings(ii)	-	204,620,000
Pledged borrowings(iii)	400,000,000	36,900,000
Total	4,396,495,352	5,567,837,026

(i) As at 31 December 2016, there was no bank mortgaged borrowing (31 December 2015: bank mortgaged borrowing of RMB 30,000,000 was book value: RMB 80,848,240, cost: RMB 109,858,230 for houses and buildings, ships and machinery (Note IV(12) obtained as collateral);

(ii) As at 31 December 2016, no bank guarantees were borrowed (31 December 2015: Bank guaranteed borrowings of RMB 204,620,000 were guaranteed by the subsidiaries of the Group, and other guaranteed borrowings were mutually guaranteed by the subsidiaries of the Group);

(iii) As at 31 December 2016, the bank pledged borrowings of RMB 400,000,000 (31 December 2015: RMB 36,900,000) (Note IV(4)) were obtained by using accounts receivable with book value of RMB 537,500,000 and long-term receivables with book value of RMB 185,234,836 as pledges.

In 2016, interest rates for the above borrowings ranged from 0.64% to 6.44% per annum (2015: from 0.99% to 7.80%).

As at 31 December 2016, the weighted average annual interest rate for short-term borrowings was 3.04% (31 December 2015: 4.59%).

As at 31 December 2016, the above short-term borrowings were not overdue (31 December 2015: Nil).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(17) Short-term borrowings and long-term borrowings (Continued)

(b) Long-term borrowings

	31 December 2016	31 December 2015
Loans on credit	2,820,530,857	5,586,876,695
Mortgaged borrowings(i)	-	272,886,392
Guaranteed borrowings(ii)	440,099,991	1,309,019,160
Total	3,260,630,848	7,168,782,247
Less: Long-term borrowings due within one year (Note IV(25))		
Loans on credit	(40,946,321)	(2,267,844,770)
Mortgaged borrowings(i)	-	(20,000,000)
Guaranteed borrowings(ii)	(94,759,572)	(587,260,055)
Total	(135,705,893)	(2,875,104,825)
Net	3,124,924,955	4,293,677,422

(i) As at 31 December 2016, there was no bank mortgage borrowing (31 December 2015: bank mortgage borrowings: RMB 272,886,392, for which houses, buildings, ships and machinery (Notes IV(12)) with book value of RMB 110,178,561, and cost of RMB 203,062,753, and land use rights with book value of RMB153,463,521, and cost of RMB 74,142,985 (Note IV(14)) were as a mortgage).

(ii) As at 31 December 2016, the bank guaranteed borrowing is RMB 430,099,991 (31 December 2015: RMB 1,309,019,160), which was guaranteed by CCCC, and other banks guaranteed borrowing is RMB 10,000,000, which was guaranteed by CCCC's subsidiaries.

As at 31 December 2016, the weighted average annual interest rate for long-term borrowings is 2.69% (31 December 2015: 4.69%).

In 2016, interest rates for the above borrowings ranged from 0.30% to 6.90% per annum (2015: from 0.40% to 6.63%).

As at 31 December 2016, the above short-term borrowings are not overdue (31 December 2015: Nil).

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) Notes payable

	31 December 2016	31 December 2015
Bank acceptance bills	1,314,580,845	1,147,829,592
Commercial acceptance bills	72,600,000	1,052,425
Total	1,387,180,845	1,148,882,017

As at 31 December 2016 and 31 December 2015, notes payable are expected to expire within one year.

(19) Accounts payable

	31 December 2016	31 December 2015
Construction costs payable	14,006,091,596	11,747,005,064
Material procurement costs payable	1,481,861,200	1,234,239,006
Rental fees payable	290,507,747	228,959,335
Equipment purchase payable	184,008,158	210,352,228
Integrated logistics service payable	52,832,078	7,186,739
Others	386,390,535	421,473,143
Total	16,401,691,314	13,849,215,515

As at 31 December 2016, accounts payable due in more than one year accounted RMB 1,260,700,987 (31 December 2015: RMB 1,330,751,003), mainly for the payment of construction and equipment, in view of the fact that the creditor's rights and debts continued to do business. The amount has not been settled.

(20) Receipts in advance

	31 December 2016	31 December 2015
Advances for construction contracts	2,065,579,967	1,136,937,942
Settlement unfinished	1,439,740,995	1,378,381,678
Advances for the sale of goods	12,114,517	74,016,877
Total	3,517,435,479	2,589,336,497

As at 31 December 2016, the advance receipts aged over one year were RMB 273,230,684 (31 December 2015: RMB 35,035,413), mainly due to the fact that some of the projects were not finalized or completed with the owners.

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IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(20) Receipts in advance (Continued)

The settled unfinished analysis is as follows:

	31 December 2016	31 December 2015
Settlement unfinished		
- Cumulative incurred costs	50,352,211,906	45,687,136,659
- Cumulative gross profit	8,918,157,409	7,085,929,435
- Amount that has been settled	(60,710,110,310)	(54,151,447,772)
Total	(1,439,740,995)	(1,378,381,678)

(21) Employee benefits payable

	31 December 2016	31 December 2015
Short-term benefits(a)	5,356,077	10,129,943
Defined contribution plans(b)	24,224,310	24,906,441
	29,580,387	35,036,384

(a) Short-term benefits

	31 December 2015	Increase	Decrease	31 December 2016
Salaries, bonuses allowances and subsidies	-	1,772,894,070	(1,772,894,070)	-
Staff welfare	-	66,189,254	(66,189,254)	-
Social insurance	182,709	139,789,698	(139,810,772)	161,635
Including: Medical insurance	182,709	123,881,921	(123,903,126)	161,504
Work injury insurance	-	6,485,097	(6,485,053)	44
Maternity Insurance	-	9,422,680	(9,422,593)	87
Housing funds	62,140	174,875,212	(174,898,019)	39,333
Union fund and employee education fund	4,429,066	54,197,550	(53,709,749)	4,916,867
Short-term paid absence	-	63,767	(63,767)	-
Other	5,456,028	522,388,787	(527,606,573)	238,242
Total	10,129,943	2,730,398,338	(2,735,172,204)	5,356,077

As at 31 December 2016, there is no payable in the payroll payable, and the balance is expected to be fully released and used in the next year (31 December 2015: Nil).

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(21) Employee benefits payable (Continued)

(b) Defined contribution plans

	31 December 2015	Increase	Decrease	31 December 2016
Basic pension	886	230,977,740	(230,975,299)	3,327
Supplementary pension insurance	24,905,021	84,093,944	(84,777,431)	24,221,534
Unemployment insurance	534	13,578,311	(13,579,396)	(551)
	24,906,441	328,649,995	(329,332,126)	24,224,310

(22) Taxes and surcharges payable

	31 December 2016	31 December 2015
Corporate income tax payable	477,545,801	646,578,826
VAT	55,767,553	537,848
Personal income tax payable	53,302,012	48,444,078
Land value added tax	47,409,165	-
City construction tax payable	2,364,803	49,606,268
Education surcharge payable	1,153,272	23,041,440
Business tax payable	152,400	697,098,939
Others	26,923,936	7,239,724
Total	664,618,942	1,472,547,123

(23) Dividends payable

	31 December 2016	31 December 2015
Due to CCCC	4,505,939,698	4,717,119,188
Due to China Road & Bridge	705,336	705,336
Others	63,398,960	72,090,235
Total	4,570,043,994	4,789,914,759

As at 31 December 2016, due to shareholders' failure to receive dividends in a timely manner, the unpaid dividends paid for more than one year were RMB 4,570,043,994 (31 December 2015: RMB 4,083,947,347).

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Other payables

	31 December 2016	31 December 2015
Balance with CCCC and its fellow subsidiaries	679,896,539	642,321,018
Deposit payable, advance payment	329,500,661	183,130,057
Performance bond payable	193,164,162	134,200,772
Payable equity purchase	95,117,782	95,117,782
Bid payable	24,244,884	19,255,034
Equipment payable	16,960,892	186,568,910
Other	433,957,370	562,046,524
Total	1,772,842,290	1,822,640,097

As at 31 December 2016, other payables aged over one year were RMB 170,916,494 (31 December 2015: RMB 273,874,386), mainly for the deposits and deposits collected by the Group. In view of the fact that the parties to the transaction still have business dealings, the money has not been settled.

(25) Current portion of non-current liabilities

	31 December 2016	31 December 2015
Current portion of long-term payables (Note IV(28))	1,595,103,911	776,003,056
Current portion of bonds payable (Note IV(27))	1,299,388,273	-
Current portion of long-term borrowings (Note IV(17)(b))	135,705,893	2,875,104,825
Other non-current liabilities due within one year	1,001,989	-
Total	3,031,200,066	3,651,107,881

(26) Other current liabilities

	31 December 2016	31 December 2015
Output VAT to be transferred	826,210,683	-

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Bonds payable

	31 December 2016	Increase	Decrease	31 December 2015
Bonds payable	1,298,613,748	5,979,118,499	(1,299,388,273)	5,978,343,974

Bonds payable were as follows::

	Principal (CNY)	Issue date	Maturity	Interest rate per annum	Amount issued in the year RMB '0000	Interest payment method	Approved document
CCCC-TDC's 2014 non-public targeted debt financing tool	100	29 May 2014	3 years	6.35%	80,000	The bonds' interest is paid annually whereas the principal is paid one time at the maturity date.	Zhongshi Association Note (2014) PPN172 "Notice of Acceptance of Registration"
CCCC-GDC's 2014 non-public targeted debt financing tool	100	22 Sep 2014	3 years	6.15%	50,000		Zhongshi Association Note (2014) PPN172 "Notice of Acceptance of Registration"
CCCC Dredging 2016 Corporate Bonds (Phase I)	100	24 Feb 2016	3+2 years	2.99%	200,000		China Securities Regulatory Commission "CSRC License [2016] No. 162"
CCCC Dredging 2016 Corporate Bonds (Phase II)	100	5 Jul 2016	3+2 years	3.01%	300,000		China Securities Regulatory Commission "CSRC License [2016] No. 162"
CCCC Dredging 2016 Corporate Bonds (Phase II)	100	5 Jul 2016	5 years	3.35%	100,000		China Securities Regulatory Commission "CSRC License [2016] No. 162"

	31 December 2015	Amount issued in the year	Issue fee and amortization	Reclassified to due within one year	31 December 2016
CCCC-TDC's 2014 non-public targeted debt financing tool	800,000,000	-	-	(800,000,000)	-
CCCC-GDC's 2014 non-public targeted debt financing tool	498,613,748	-	774,525	(499,388,273)	-
CCCC Dredging 2016 Corporate Bonds	-	6,000,000,000	(21,656,026)	-	5,978,343,974
Total	1,298,613,748	6,000,000,000	(20,881,501)	(1,299,388,273)	5,978,343,974

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Long-term payables

	31 December 2016	31 December 2015
Finance lease payables	1,947,155,408	2,106,971,119
Others	3,348,979,521	2,584,905,373
Total	5,296,134,929	4,691,876,492
Less: Long-term payable due within 1 year (Note IV(25))		
Finance lease payables	(395,390,905)	(371,429,808)
Others	(1,199,713,006)	(404,573,248)
Sub-total	(1,595,103,911)	(776,003,056)
Net	3,701,031,018	3,915,873,436

The finance lease payable is the balance of the minimum lease payments of the Group's finance leased fixed assets after deducting the unrecognized financing expenses (Note VIII(1)).

(a) The top five long-term payables

	31 December 2016
First company	950,019,851
Second company	757,205,628
Third company	230,463,326
Fourth company	227,072,565
Fifth company	145,000,000
Total	2,309,761,370

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Deferred income

	31 December 2016	31 December 2015
Government grants	44,790,000	7,150,000
Total	44,790,000	7,150,000

Government grant items	31 December 2015	Increase	Included in non-operating income	Decrease	31 December 2016	Related to assets/income
Huangpu District Key Enterprise Industry Support Fund	-	15,313,020	(15,313,020)	-	-	Income
tax return	-	5,530,894	(5,530,894)	-	-	Income
Ministry of the Ministry of Industry, affiliated enterprises, incentive funds	-	3,206,000	(3,206,000)	-	-	Income
Infrastructure construction subsidy funds	-	38,990,000	-	-	38,990,000	Assets
Other government grants related to assets	7,150,000	1,000,000	(2,350,000)	-	5,800,000	Assets
Other government grants related to income	-	11,469,114	(11,469,114)	-	-	Income
Total	7,150,000	75,509,028	(37,869,028)	-	44,790,000	

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(30) Long-term employee benefits payable

	31 December 2016	31 December 2015
Supplementary retirement benefits	238,070,000	277,750,000

Supplementary retirement benefits are for employees who retire before December 31, 2005. The benefits that employees receive after retirement depend on the position, length of service, and salary at the time of retirement, and are appropriately adjusted according to factors such as inflation. The Group's supplementary retirement benefit obligations on the balance sheet date are calculated based on the expected cumulative welfare unit method and reviewed by the external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch.

(a) The Group’s supplements the retirement benefit liabilities:

	31 December 2016	31 December 2015
Defined benefit plan obligations	238,070,000	277,750,000

(b) Movements in the present value of the Group's supplementary retirement benefits defined benefit plan obligations are listed as follows:

	2016	2015
Opening balance	277,750,000	296,630,000
Defined benefit cost recognised in profit or loss	(5,290,000)	5,600,000
—Past service cost	(13,000,000)	1,620,000
—Net interest	7,930,000	10,030,000
—Profit from settlement	(220,000)	(6,050,000)
Remeasured amount		
—Actuarial (gains)/loss due to changes in financial assumptions	(4,830,000)	15,620,000
—Actuarial gains due to empirical differences	(4,660,000)	(12,400,000)
Benefit payments	(24,900,000)	(27,700,000)
Closing balance	238,070,000	277,750,000

(c) The supplementary retirement benefits included in the current profit and loss are:

	2016	2015
General and administrative expenses	(13,220,000)	(4,430,000)
Finance costs	7,930,000	10,030,000

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(30) Long-term employee benefits payable (Continued)

(d) The main actuarial assumptions used by the Group to set the present value of the beneficiary

	31 December 2016	31 December 2015
Discount Rate	3.25%	3.00%
Medical cost growth rate	4.00%-8.00%	4.00%-8.00%

(e) The sensitivity analysis of the main actuarial assumptions used by the Group to set the present

	Hypothetical change (%)	Impact on the present value of defined benefit obligations	
		Increase	Decrease
Discount Rate	0.25	(1.78%)	1.84%
Medical cost growth rate	1.00	1.73%	(1.53%)

The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant, but in fact the various assumptions are usually interrelated. The above sensitivity analysis also uses the expected cumulative welfare unit method when calculating the present value of the defined benefit obligation.

(f) The weighted average duration of the present value of the Group's supplementary retirement benefit obligations is 7 years.

(g) The supplementary retirement benefits expose the Group to various risks. The main risks are the risk of changes in the interest rate of government bonds and the risk of inflation. The decline in the interest rate of the national debt will lead to an increase in the set benefit liabilities; the supplementary retirement benefit obligation is linked to inflation, and the rise in inflation will lead to an increase in the set benefit liabilities.

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Paid-in capital

	The proportion	31 December 2015	Increase	Decrease	31 December 2016
CCCC	99.90%	11,763,672,516	-	-	11,763,672,516
China Road & Bridge	0.10%	11,775,448	-	-	11,775,448
Total	100.00%	11,775,447,964	-	-	11,775,447,964

(32) Capital reserves

	31 December 2015	Increase	Decrease	31 December 2016
Share premium				
-Restructuring and issuing new shares	6,730,330,088	-	-	6,730,330,088
- Equity premium (Note)	74,484,488	76,178	-	74,560,666
- Trading with minority shareholders	(16,775,087)	-	-	(16,775,087)
-Acquisition of CCCC International Shipping Corporation and Hongkong Marine Construction Limited	(79,698,563)	-	-	(79,698,563)
Other capital reserve				
- The impact of changes in other owners' equity of the investee under the equity method	2,133,737	-	(184,708)	1,949,029
-Others	21,011,550	-	-	21,011,550
Total	6,731,486,213	76,178	(184,708)	6,731,377,683

	31 December 2014	Increase	Decrease	31 December 2015
Share premium				
- Paid-up capital of subsidiaries before the establishment of the Company	18,382,327,156	-	(18,382,327,156)	-
- Reorganization of new shares	-	6,730,330,088		6,730,330,088
- Equity premium (Note)	74,484,488	-	-	74,484,488
- Trading with minority shareholders	4,759,105	-	(21,534,192)	(16,775,087)
-Acquisition of CCCC International Shipping Corporation and Hongkong Marine Construction Limited	-	-	(79,698,563)	(79,698,563)
Other capital reserve				
- The impact of changes in other owners' equity of the investee under the equity method	-	2,133,737	-	2,133,737
-Others	21,011,550	-	-	21,011,550
Total	18,482,582,299	6,732,463,825	(18,483,559,911)	6,731,486,213

Note: The government invests in independent innovation and high-tech industrialization funds in the Group in cash as investment subsidies, and the subsidies for the Group's invested capital are recognized in the capital reserve.The increase in the share premium of this year is due to the fact that the minority shareholder Chuwa Bussan Co., Ltd.'s capital injection amount in US dollars, received by newly established subsidiaries CCCC Marine Construction Development Co., Ltd. and CCCC Ecological Environmental Protection Investment Co., Ltd., after converted into RMB according to the exchange rate at the time of capital contribution, is more than the minority interest amount agreed in the investment agreement.

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Surplus reserves

	31 December 2015	Increase	Decrease	31 December 2016
Statutory surplus reserves	78,370,680	1,221,074	-	79,591,754

According to the provisions of the Company Law and the Company's Articles of Association, the Company appropriates 10% of the net profit to the statutory surplus reserves. Where the accumulated amount of the surplus reserves reaches 50% or more of the Company's registered capital, further appropriation is not required. When approved, the discretionary surplus reserves can be used to make up for accumulated losses or converted to the paid-in capital. The Company has drawn a statutory surplus reserve of RMB 1,221,074 based on 10% of net profit in 2016 (2015: RMB 78,370,680 based on 10% of the Company's net profit from 7 May 2015 (company establishment date) to 30 June 2015.).

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the 2016 annual income statement				
	31 December 2015	Attributable to owners of the Company, net of tax	31 December 2016	Other comprehensive Income before tax	Less: Other comprehensive income included in the previous period transferred to profit or loss this year.	Less: income tax effect	Attributable to owners of the Company, net of tax	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss								
Re-measurement of defined benefit, net of tax	(24,398,599)	7,566,500	(16,832,099)	9,490,000	-	(1,923,500)	7,566,500	-
Other comprehensive income to be reclassified to profit or loss								
Share of other comprehensive income of the investee under the equity method	834,565	-	834,565	-	-	-	-	-
Gains and losses from changes in fair value of available-for-sale financial assets	1,892,129,244	(281,214,893)	1,610,914,351	(27,319,610)	(364,065,784)	110,170,501	(281,214,893)	-
Foreign operations	(781,161)	(17,993,423)	(18,774,584)	(18,319,105)	-	-	(17,993,423)	(325,682)
Total	1,867,784,049	(291,641,816)	1,576,142,233	(36,148,715)	(364,065,784)	108,247,001	(291,641,816)	(325,682)

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the 2016 annual income statement				
	31 December 2014	Attributable to owners of the Company, net of tax	31 December 2015	Other comprehensive income before tax	Less: Other comprehensive income included in the previous period transferred to profit or loss this year.	Less: income tax effect	Attributable to owners of the Company, net od tax	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss								
Re-measure changes in net liabilities or net assets of defined benefit plans	(21,187,500)	(3,211,099)	(24,398,599)	(3,220,000)	-	8,901	(3,211,099)	-
Other comprehensive income to be reclassified to profit or loss								
Shares of comprehensive income of the investee under the equity method	834,565	-	834,565	-	-	-	-	-
Gains and losses from changes in fair value of available-for-sale financial assets	1,827,823,426	64,305,818	1,892,129,244	310,215,343	(224,474,253)	(21,435,272)	64,305,818	-
Foreign operations	(758,061)	(23,100)	(781,161)	515,676	-	-	(23,100)	538,776
Total	1,806,712,430	61,071,619	1,867,784,049	307,511,019	(224,474,253)	(21,426,371)	61,071,619	538,776

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Specialized reserves

	31 December 2015	Increase	Decrease	31 December 2016
Safety production expenses	653,754,903	351,858,314	(272,659,787)	732,953,430

	31 December 2014	Increase	Decrease	31 December 2015
Safety production expenses	530,853,033	342,265,796	(219,363,926)	653,754,903

(36) Retained earnings

	2016	2015
Retained earnings at the end of last year	4,365,713,459	2,658,749,891
Add: Net profit attributable to the Shareholders of the parent for the year	1,731,442,130	2,490,670,371
Less: Appropriation to statutory surplus reserve	(1,221,074)	(78,370,680)
Less: Dividend declared for ordinary shares	-	(705,336,123)
Retained earnings at the end of the year	6,095,934,515	4,365,713,459

(37) Revenue and cost of sales

	2016	2015
Revenue from principal operations	30,273,009,645	33,541,559,185
Other operating revenue	1,112,675,864	162,133,948
Total	31,385,685,509	33,703,693,133

	2016	2015
Cost from principal operations	(25,201,911,532)	(27,090,645,292)
Other operating cost	(802,307,639)	(90,291,388)
Total	(26,004,219,171)	(27,180,936,680)

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) Revenue and cost of sales (Continued)

(a) Revenue from principal operations and cost from principal operations

	2016		2015	
	Revenue from principal operations	Cost from principal operations	Revenue from principal operations	Cost from principal operations
Dredging operations	11,373,110,857	(9,572,549,915)	12,096,474,666	(9,792,456,317)
Landfilling business	11,195,011,142	(8,561,240,157)	16,591,175,077	(12,927,579,162)
Pre and post dredging service	8,208,556,650	(7,551,665,949)	5,468,223,274	(5,034,022,607)
Landfill related hydraulic engineering	128,775,904	(148,900,419)	191,395,239	(142,296,277)
Offset	(632,444,908)	632,444,908	(805,709,071)	805,709,071
Total	30,273,009,645	(25,201,911,532)	33,541,559,185	(27,090,645,292)

(b) Other operating revenue and Other operating cost

	2016		2015	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Material sales	39,449,101	(37,062,172)	5,436,316	(4,799,377)
Asset leasing	25,664,499	(22,132,221)	24,016,029	(17,514,653)
Consultation service	7,553,547	(6,661,846)	6,531,069	(5,826,415)
Other	1,040,008,717	(736,451,400)	126,150,534	(62,150,943)
Total	1,112,675,864	(802,307,639)	162,133,948	(90,291,388)

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) Revenue and cost of sales (Continued)

(c) Construction contract

Contract item	Total contract revenue as at 31 December 2016	Cumulative incurred costs	Cumulative gross profit	The amount of the settlement price
Fixed cost contract	221,368,523,251	110,285,487,758	14,371,104,834	(117,505,115,375)

Contract item	Total contract revenue as at 31 December 2015	Cumulative incurred costs	Cumulative gross profit	The amount of the settlement price
Fixed cost contract	159,367,819,378	101,624,378,848	14,735,130,546	(109,894,338,314)

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IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) Revenue and cost of sales (Continued)

(d) The top 10 of the construction contract confirmed the largest amount of income this year:

	Total Contract Amount	Total cost of contract	Completion progress (%)	Cumulative contract revenue	Cumulatively recognized contract costs	Contract revenue recognized in the current year	Contract cost confirmed in the current year Total cost of contract
Total	20,394,980,182	16,936,060,651	-	10,532,766,814	8,725,082,741	8,123,506,684	6,527,331,521
Including:							
Land formation and foundation treatment of daxiaodeng land-making projects 1	1,905,202,427	1,309,175,226	96%	1,715,636,825	1,254,463,901	1,616,691,466	1,105,497,952
Land area formation project of the first-stage silt-coating project of Daxiaoyushan in Weishan County, Zhoushan City	2,304,636,833	2,230,830,716	63%	1,459,074,381	1,415,561,737	1,446,198,720	1,402,686,076
Hengsha Dongtan Circle (eight phases) project	7,189,234,894	6,310,078,640	15%	937,781,600	931,434,421	937,781,600	779,912,448
Phase II Project of Phoenix Island International Cruise Port, Sanya City, Hainan Province, China	1,609,510,967	1,395,687,208	95%	1,497,131,544	1,330,709,270	818,646,219	707,102,376
Hengsha Dongtan Circle (seventh phase) project	1,567,674,233	1,449,885,276	47%	791,029,804	684,890,513	727,577,897	641,912,233
Haikou Bay Nanhai Mingzhu Artificial Island Phase II Project	1,171,565,880	1,104,142,009	97%	1,133,676,834	1,069,021,644	650,835,601	617,903,080
Daxiaodeng land-making engineering land formation and ground treatment standard section 3	772,820,165	457,962,150	74%	575,431,994	337,208,272	575,431,994	337,240,682
Taizhou Eastern New Area Coating Finishing Project	1,129,961,358	856,857,261	88%	1,042,726,424	753,237,317	475,357,938	308,674,168
PPP project of the embracing harbor basin in Lusigang District, Qidong, Jiangsu	1,946,992,913	1,270,882,223	33%	641,800,046	415,767,769	439,776,050	289,612,444
Changxing Submerged Dike Rear Beach Reclamation Project	797,380,512	550,559,942	97%	738,477,362	532,787,897	435,209,199	336,790,062

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Taxes and surcharges

	Calculation benchmark	2016	2015
Business tax	3% or 5% of taxable income	198,432,739	832,162,392
City maintenance and construction tax	1% or 5% or 7% of the actual turnover tax	23,229,326	68,718,970
Education surcharge	3% of the actual turnover tax	12,705,053	30,731,307
Other (Note)		146,509,824	125,171,991
Total		380,876,942	1,056,784,660

Note: According to the “Notice of the Ministry of Finance on Printing and Distributing the Regulations on Value-Added Tax Processing” issued by the Ministry of Finance (Finance [2016] No. 22), the property tax and land calculated from the management fees will be issued from 1 May 2016. Use taxes, stamp duty, resource taxes, and water resources funds to reclassify to “taxes and surcharges”.

(39) General and administrative expenses

	2016	2015
Research and development costs	980,484,922	308,297,059
Staff costs	901,364,483	597,242,071
Depreciation and amortization of assets	161,486,255	71,932,553
Travel expenses	83,067,964	65,799,416
Office fee	59,863,121	44,659,804
Consulting fee	40,323,235	31,290,293
Professional agency service fee	13,554,353	8,555,977
Tax fee	11,655,092	31,398,495
Bidding fee	6,752,467	6,944,321
Other	190,234,034	112,016,898
Total	2,448,785,926	1,278,136,887

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) Finance expenses, net

	2016	2015
Interest expenses	701,885,639	914,215,667
Less: Interest capitalised	(131,322,430)	(287,512,773)
Subtotal	570,563,209	626,702,894
Less: Interest income	(66,512,602)	(72,970,631)
Exchange (gains)/losses	(164,122,005)	(87,465,534)
Discounted interest	(177,946,457)	208,073,431
Other	48,958,034	47,499,514
Total	210,940,179	721,839,674

The Group capitalizes the borrowing costs incurred for the acquisition, construction or production of assets eligible for capitalization. The amount of capitalization of borrowing costs for 2016 is RMB 131,322,430 (2015: RMB 287,512,773), RMB 85,078,659 (2015: RMB 246,139,143) is included in the inventory, RMB 46,078,469 (2015: RMB 41,373,630) is included in the construction in progress, RMB 165,302 (2015: Nil) is included in intangible assets.

(41) Expenses classified by nature

The operating costs, sales expenses and management expenses in the income statement are classified by nature and are listed as follows:

	2016	2015
Engineering subcontracting fees	13,867,468,349	9,510,962,206
Labor fees	2,830,104,447	2,710,332,706
Fuel fees	1,491,698,748	2,982,581,671
Material fees	1,274,292,436	3,208,310,767
Depreciation and amortization	1,006,464,202	918,094,786
Cost of goods	1,006,230,078	585,382,712
Research and development costs	980,484,922	308,297,059
Rental fees	938,481,950	2,021,091,893
Maintenance fees	642,619,899	2,519,320,298
Safety production fees	351,858,314	342,265,796
Insurance fees	168,234,446	229,059,807
Shipping fees	135,873,561	110,939,003
Others	3,815,093,231	3,052,704,821
Total	28,508,904,583	28,499,343,525

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(42) Impairment losses

	2016	2015
Provisions for bad debts	606,539,341	1,233,593,855
Return of losses from write-down of inventories(Note IV(7)(b))	259,330	(481,630)
Total	606,798,671	1,233,112,225

(43) Profit or loss arising from changes in fair value

	2016	2015
Derivative financial instruments	5,824,740	5,247,715

(44) Investment income

	2016	2015
Investment income from disposal of the available-for-sale financial assets	364,065,784	223,851,874
Investment income from holding the available-for-sale financial assets	165,585,545	154,068,756
Investment income from disposal of subsidiaries	47,063,088	265,635,574
Share of profits of long-term equity investments under the equity method (Note IV(10)(a)(b))	45,708,914	183,204,079
Investment income from disposal of long-term equity investments under the equity method	10,408,656	3,757,103
Investment loss from disposal of financial liabilities at fair value through profit or loss	(6,989,517)	(6,950,032)
Total	625,842,470	823,567,354

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(45) Non-operating income and non-operating expenses

(a) Non-operating income

	2016	2015
Gains on non-current assets disposal	5,023,572	12,607,802
Including: Gains on fixed assets disposal	5,017,835	12,607,802
Government grants	37,869,028	74,688,041
Insurance compensation income	32,420,840	1,148,500
Others	16,107,437	7,293,254
Total	91,420,877	95,737,597

(b) Non-operating expenses

	2016	2015
Losses on non-current assets disposal	34,339,407	3,258,267
Including: Losses on fixed assets disposal	34,339,407	2,125,071
Losses on intangible asset disposal	-	1,133,196
Loss on accident compensation	28,227,338	-
Others	11,197,781	7,835,698
Total	73,764,526	11,093,965

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(46) Income tax expenses

	2016	2015
Current tax expenses	627,873,112	963,101,659
Deferred tax expenses	40,484,622	(291,097,510)
Total	668,357,734	672,004,149

The reconciliation between income tax expenses and profit before income taxes is as follows:

	2016	2015
Profit before tax	2,327,488,695	3,106,071,750
Income tax at the statutory income tax rate	581,872,174	776,517,937
Income not subject to tax	(52,828,073)	(83,592,493)
Additional deduction of research and development expenses	(46,013,654)	(20,227,113)
Expenses not deductible for tax	130,471,946	117,463,311
Utilisation of tax losses previously not recognised as deferred tax assets	(6,298,615)	(2,487,645)
Utilisation of temporary differences previously not recognised as deferred tax assets	(20,834,919)	-
Deductible losses not recognised as deferred tax assets	174,962,401	64,594,729
Deductible temporary differences not recognised as deferred tax assets	1,902,434	2,072,888
Difference between the actual tax rate and the applicable tax rate	(94,875,960)	(182,337,465)
Income tax expenses	668,357,734	672,004,149

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Notes to items in the statement of cash flows

(a) Cash received relating to other operating activities:

	2016	2015
Restricted deposits	-	321,019,418
Guarantee and deposit	380,506,321	16,411,547
Other income	80,820,864	75,259,126
Total	461,327,185	412,690,091

(b) Cash paid relating to other operating activities

	2016	2015
Research and development Expenses	980,484,922	308,297,059
Guarantee and deposit	525,817,845	725,525,820
Restricted deposits	231,698,957	-
Traveling expenses	92,387,556	69,923,992
Office expenses	65,823,453	45,840,897
Professional agency service fees and consulting fees	53,877,588	39,846,270
Handling fee	51,355,170	22,118,400
Bidding fee	7,464,778	7,266,473
Other expenses	420,649,290	428,745,630
Total	2,429,559,559	1,647,564,541

(c) Cash received from other financing activities

	2016	2015
Rental expenses of financial lease	1,024,807,106	433,996,611

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(48) Supplementary information to the consolidated statement of cash flows

(a) Reconciliation of net profit to cash flows generated from operating activities:

	2016	2015
Net profit	1,659,130,961	2,434,067,601
Add: Impairment losses on assets	606,798,671	1,233,112,225
Depreciation of fixed assets	855,866,651	864,372,047
Depreciation and amortisation of investment properties	5,492,555	5,870,360
Amortisation of intangible assets	36,561,972	25,187,127
Long-term deferred expenses amortization	108,543,024	22,665,252
Losses/(Gains) from disposal of fixed assets, intangible assets and other long-term assets	29,315,835	(9,349,535)
Gains from changes in fair value	(5,824,740)	(5,247,715)
Finance costs	472,685,774	979,894,312
Investment income	(632,831,987)	(830,517,386)
Decrease/(Increase) in deferred tax assets	41,407,614	(250,195,716)
Decrease in deferred tax liabilities	(922,992)	(40,901,794)
Decrease/(Increase) in inventories	(1,152,832,637)	4,261,397,491
Increase in operating receivables	(3,265,301,178)	(6,631,146,331)
Increase in operating payables	5,092,032,769	425,258,760
Net Cash Flows Generated from Operating Activities	3,850,122,292	2,484,466,698

(b) Major financing activities that do not involve cash receipts and payments

	2016	2015
Deducting the dividends payable to CCCC through debts	-	1,120,000,000
Total	-	1,120,000,000

(Expressed in Renminbi Yuan unless otherwise stated)

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(48) Supplementary information to the consolidated statement of cash flows (Continued)

(c) Changes in cash and cash equivalents:

	2016	2015
Cash and cash equivalents at the end of the year	7,758,581,749	5,553,385,886
Less: opening balance of cash equivalents	(5,553,385,886)	(2,958,114,196)
Net increase in cash and cash equivalents	2,205,195,863	2,595,271,690

(d) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash (Note IV(1))	8,098,046,385	5,661,151,565
Including: Cash on hand	11,536,148	10,354,098
Bank deposit	7,655,260,191	5,434,972,456
Other cash and bank balance	431,250,046	215,825,011
Less: Cash and cash equivalents with restriction	(339,464,636)	(107,765,679)
Closing balance of cash and cash equivalents	7,758,581,749	5,553,385,886

(Expressed in Renminbi Yuan unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) Foreign currency monetary items

	31 December 2016			
	U.S.dollar item	Euro item	Others	total
Foreign currency financial assets–				
Cash	389,308,070	1,364,012	204,132,674	594,804,756
Accounts receivable	1,177,129,513	-	889,325,129	2,066,454,642
Other receivables	763,857,008	223,835	129,905,471	893,986,314
Long-term receivables	195,696,227	-	43,088,505	238,784,732
Foreign currency financial liabilities–				
Short-term borrowings	409,283,000	20,692,858	208,619,494	638,595,352
Long-term borrowings	-	1,554,177,427	-	1,554,177,427
Accounts payable	185,002,817	2,995,292	293,517,104	481,515,213
Other payables	146,479,038	-	29,708,762	176,187,800

	31 December 2015			
	U.S.dollar item	Euro item	Others	total
Foreign currency financial assets–				
Cash	246,690,788	5,949,024	140,439,687	393,079,499
Accounts receivable	598,640,575	-	798,033,950	1,396,674,525
Other receivables	204,615,656	15,396	133,966,877	338,597,929
Long-term receivables	49,863,840	-	78,385,090	128,248,930
Foreign currency financial liabilities–				
short-term borrowings	383,122,400	69,873,530	-	452,995,930
Long-term borrowings	-	1,227,379,379	-	1,227,379,379
Accounts payable	57,155,810	52,516,816	255,037,663	364,710,289
Other payables	188,095,353	-	21,354,887	209,450,240

V CHANGE OF SCOPE

(1) Changes in scope of consolidation for other reasons

(i) On 19 April 2016, the Company established CCCC Dredging (Wuhan) Environmental Protection Engineering Co., Ltd. with a registered capital of RMB 10 million. The company's shareholding ratio is 100%. As of the end of the year, it has not been funded by cash.

(ii) On 22 April 2016, the Company established CCCC Dredging (Kunming) Environmental Protection Engineering Co., Ltd. with a registered capital of RMB 10 million. The company's shareholding ratio is 100%. As of the end of the year, it has not been funded by cash.

(iii) On 6 June, 2016, the Company established CCCC Marine Construction Development Co., Ltd. with China Harbour Engineering Co., Ltd. (“CHEC”) and Chuwa Bussan Co., Ltd. with a registered capital of RMB 50,000, of which the Company holds a share for 50%, CHEC holds a share for 35%, and Chuwa Bussan Co., Ltd. Holds a share for 15%.

(iv) On 18 July 2016, the Company established CCCC Eco-Environmental Investment Co., Ltd. with CCCC Electrical and Mechanical Engineering Co., Ltd. and Chuwa Bussan Co., Ltd. with a registered capital of RMB 100 million, of which the Company’s sharholding ratio is 63.4%, China Communications Electrical and Mechanical Engineering Co., Ltd.’s sharholding ratio is 30%, and Chuwa Bussan Co., Ltd.’s shareholding ratio is 6.6%.

(v) On 26 August 2016, the Company established Zhoushan Qiandao Central Business District Development Co., Ltd. with Zhoushan Xiaogandao Business District Construction Holdings Co., Ltd., with a registered capital of RMB 200 million, of which the Company’s shareholding ratio is 70%, and Zhoushan Xiaogandao Business District Construction Holdings Co., Ltd.’s shareholding ratio is 30%.

(vi) CCCC (Maoming) Shuidongwan Investment, which was a subsidiary of CCCC-TDC, Construction Co., Ltd., Tangshan Dredging Engineering Co., Ltd., and Guangdong Dachangqing Engineering Construction Co., Ltd., which was a subsidiary of CCCC-GDC, are not included in the scope of consolidation. For inclusion in the scope of consolidation, please refer to Note IV(10).

(Expressed in Renminbi Yuan unless otherwise stated)

VI. EQUITY IN OTHER ENTITIES

(1) Subsidiaries

(a) Composition of a corporate group

The subsidiaries listed here are the second-level subsidiaries and the main third-tier subsidiaries of the Company. Becasuse the subsidiaries of the Company's subsidiaries and the following subsidiaries are too large, they are not listed here.

(i) Subsidiaries acquired through business combinations under common control

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
CCCC-SDC	China	RMB	760,606	Dredging and filling enterprise	100%	-	100%
CCCC-TDC	China	RMB	580,747	Dredging and filling enterprise	100%	-	100%
CCCC-GDC	China	RMB	493,374	Dredging and filling enterprise	100%	-	100%
CCCC International Shipping Co.,LTD (Note (a))	Panama	USD	990	Logistic company	51%	44%	80%
Hong Kong Marine Construction Limited	Hong Kong	HKD	100	Dredging and filling enterprise	100%	-	100%
CHEC Dredging Co.Ltd	China	RMB	100,000	Dredging and filling enterprise	-	100%	100%
SDC Waterway Construction Co.Ltd	China	RMB	88,000	Dredging and filling enterprise	-	100%	100%
Shanghai Communications Construction Co.Ltd	China	RMB	80,000	Dredging and filling enterprise	-	100%	100%
CCCC-TDC Binhai Environmental Protection Navigation Engineering Co.,Ltd.	China	RMB	53,543	Dredging and filling enterprise	-	100%	100%
CCCC-TDC Yantai Environmental Protection Dredging Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC-TDC Tianjin Dredging Harbour Construction Engineering Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC-TDC Southern Communications Construction Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC-SDC Fujian Communications Construction Co.,Ltd.	China	RMB	50,000	Dredging and filling enterprise	-	100%	100%
CCCC Dredging Technology Equipment National Engineering Research Center Co., Ltd.	China	RMB	20,000	Dredging and filling enterprise	-	94%	94%

(Expressed in Renminbi Yuan unless otherwise stated)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

(1) Subsidiaries (Continued)

(a) Composition of a corporate group (Continued)

(i) Subsidiaries acquired through business combinations under common control(Continued)

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
Taizhou SDC Engineering Construction Co., Ltd.	China	RMB	20,000	Dredging and filling enterprise	-	100%	100%
CCCC Yunze Navigation Co., Ltd.	China	RMB	18,000	Dredging and filling enterprise	-	55%	55%
Shanghai Waterway Engineering Design and Consulting Co.,Ltd.	China	RMB	17,126	Survey and design	-	100%	100%
Shanghai Hangdao Logistics Co.,Ltd.	China	RMB	10,000	Logistic company	-	100%	100%
Yingkou Economic and Technological Development Zone Investment Development Co., Ltd. (Note (b))	China	RMB	10,000	Dredging and filling enterprise	-	55%	60%
Shanghai Dahua Surveying and Mapping Co., Ltd.	China	RMB	8,000	Survey and design	-	100%	100%

Note (a): The Company and its subsidiary CCCC-TDC hold a total of 95% shares of CCCC International Shipping Co.,LTD. The board of directors consists of 5 directors, 4 of which are recommended by the Company and CCCC-TDC, 1 is recommended by Chuwa Bussan Co., Ltd., so the Company has 80% of the voting rights.

Note (b): The Company's subsidiary CCCC-GDC holds 55% shares in Yingkou Economic and Technological Development Zone Investment Development Co., Ltd. The board of directors consists of 5 directors, 3 of which are recommended by CCCC-GDC, 1 is recommended by Zhongji Yintai Capital Investment Co., Ltd, and 1 is recommended by Yingkou Economic and Technological Development Zone Marine Fisheries Industrial Park Development Co., Ltd. CCCC-GDC has 60% of the voting rights and substantially control its business decisions, so it is included in the scope of consolidation.

(Expressed in Renminbi Yuan unless otherwise stated)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

(1) Subsidiaries (Continued)

(a) Composition of a corporate group (Continued)

(ii) Subsidiaries acquired through establishment or investment

Company name	Place of registration and Principal place of business	Registered capital (amounts in '0000)		Business nature	Percentage of equity interest		Total voting rights
					Direct	Indirect	
CCCC Quanhui Park Construction Development Co., Ltd. (Note (a))	China	RMB	20,000	Dredging and filling enterprise	-	76%	80%
Liaoning Guanghang Real Estate Co., Ltd.	China	RMB	17,450	Real estate	-	100%	100%
CCCC Dredging (Wuhan) Environmental Protection Engineering Co., Ltd.	China	RMB	-	Environmental protection company	100%	-	100%
CCCC Dredging (Kunming) Environmental Protection Engineering Co., Ltd.	China	RMB	-	Environmental protection company	100%	-	100%
CCCC Marine Construction& Development Co.,LtD (Note (b))	China	RMB	50,000	Marine construction and development enterprise	50%	-	60%
CCCC Ecological Environmental Protection Investments Co.,LtD (Note (c))	China	RMB	100,000	Investment holding	63.4%	-	57%
CCCC Zhoushan Qiandao Central Business District Development Co., Ltd. (Note (d))	China	RMB	200,000	Real estate development	70%	-	60%

Note (a): The Company's subsidiary CCCC-SDC holds 76% shares of CCCC Quanhui Park Construction Development Co., Ltd.,The board of directors consists of 5 directors, 3 of which are recommended by CCCC-SDC, and 1 is recommended by CCCC Third Harbor Consultants Co., Ltd., which signed a concerted action agreement with CCCC-SDC. Therefore CCCC-SDC has 80% of voting rights, which can substantially control its business decisions, so it is included in the scope of consolidation.

Note (b): The Company holds 50% shares in CCCC Marine Construction& Development Co.,LTD. The board of directors consists of 5 directors, 3 of which are recommended by the company, 1 is recommended by China Harbour Engineering Co., Ltd., 1 is recommended by by Chuwa Bussan Co., Ltd. Therefore the Company has 60% of the voting rights. It can control its business decisions in substance and so incorporates CCCC Marine Construction& Development Co.,LTD., into the scope of consolidation.

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

(1) Subsidiaries (Continued)

(a) Composition of a corporate group (Continued)

(ii) Subsidiaries acquired through establishment or investment (Continued)

Note (c): The Company holds 63.4% shares in CCCC Ecological Environmental Protection Investments Co.,LtD. The board of directors consists of 7 directors, 4 of which are recommended by the company, 2 by CCCC Electrical and Mechanical Engineering Co.,Ltd., 1 by Chuwa Bussan Co., Ltd, Therefore the Company has 57% of the voting rights, which can substantially control its business decisions and so incorporates it into the scope of consolidation.

Note (d): The Company holds 70% shares in CCCC Zhoushan Qiandao Central Business District Development Co., Ltd., The board of directors consists of 5 directors, 3 of which are recommended by the Company, 1 by Zhoushan Xiaogandao Business District Construction Holdings Co., Ltd and 1 by employee representative. The Company has a voting right ratio of 60%, which can substantially control its business decisions, so it is included in the scope of consolidation.

(Expressed in Renminbi Yuan unless otherwise stated)

VI. EQUITY IN OTHER ENTITIES (CONTINUED)

(2) Equity in joint ventures and associates

(a) The aggregate financial information of the insignificant joint ventures and associates

	2016	2015
Joint ventures		
The carrying value of investments on 31 December	396,849,253	268,192,452
The total of the following items calculated according to the shareholding ratio		
Net (loss)/profit(i)	(48,276,337)	9,275,240
Other comprehensive (loss)/income (i)	-	-
Total comprehensive (loss)/income	(48,276,337)	9,275,240

	2016	2015
Associates:		
The carrying value of investments on 31 December	2,426,811,768	2,204,728,878
The total of the following items calculated according to the shareholding ratio		
Net (loss)/profit(i)	93,985,251	173,928,839
Other comprehensive (loss)/income (i)	-	-
Total comprehensive (loss)/income	93,985,251	173,928,839

(i) Both net profit and other comprehensive income have been considered about the fair value of identifiable assets and liabilities at the time of investment and the adjustment effect of the unified accounting policies.

VII. SEGMENT INFORMATION

The reporting segments of the Group are business units that offer different products or services or operate in different regions. Since various businesses or regions require different technologies and market strategies, the Group independently manages the production and operation activities of each reporting segment and evaluates its operating results separately to determine the allocation of resources and evaluate its performance.

The Group has four reportable reporting segments:

- Dredging business, such as dredging and maintenance dredging of the waterway infrastructure of ports, rivers and lakes (“dredging business”);
- Landfilling business ("landfilling and reclamation business");
- Pre and after services, such as dredging and landfill related hydraulic engineering, foundation treatment, dredging and landfill related survey and design, dredging and landfill related equipment design, construction and maintenance, mapping and providing fuel ("pre and after dredging service");
- Environmental and marine engineering, including marine and port services, environmental engineering and offshore engineering business ("environmental and offshore business").

The intersegment transactions are transacted with reference to the prices used for transactions made to third parties at then prevailing market prices.

(Expressed in Renminbi Yuan unless otherwise stated)

VII SEGMENT INFORMATION (CONTINUED)

(1) Segment information in 2016

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental and offshore business	Inter-segment offset	Total
Operating income	11,373,110,857	11,195,011,142	9,321,232,514	128,775,904	(632,444,908)	31,385,685,509
Of which: external transaction income	11,287,169,195	11,195,011,142	8,793,693,152	109,812,020	-	31,385,685,509
Inter-segment transaction income	85,941,662	-	527,539,362	18,963,884	(632,444,908)	-
Operating cost	(9,572,549,915)	(8,561,240,157)	(8,353,973,588)	(148,900,419)	632,444,908	(26,004,219,171)
Of which: external transaction cost	(9,491,949,889)	(8,559,609,968)	(7,803,758,895)	(148,900,419)	-	(26,004,219,171)
Inter-segment transaction cost	(80,600,026)	(1,630,189)	(550,214,693)	-	632,444,908	-
Total profit						2,327,488,695
Income tax expense						(668,357,734)
Net profit						1,659,130,961

(Expressed in Renminbi Yuan unless otherwise stated)

VII SEGMENT INFORMATION (CONTINUED)

(2) Segment information in 2015

	Dredging business	Landfilling land reclamation business	Pre and after dredging service	Environmental and offshore business	Inter-segment offset	Total
Operating income	12,096,474,666	16,591,175,077	5,630,357,222	191,395,239	(805,709,071)	33,703,693,133
Of which:						
external transaction income	11,976,056,208	16,591,175,077	4,991,504,681	144,957,167	-	33,703,693,133
Inter-segment transaction income	120,418,458	-	638,852,541	46,438,072	(805,709,071)	-
Operating cost	(9,792,456,317)	(12,927,579,162)	(5,124,313,995)	(142,296,277)	805,709,071	(27,180,936,680)
Of which:						
external transaction cost	(9,655,031,110)	(12,380,824,255)	(5,002,785,038)	(142,296,277)	-	(27,180,936,680)
Inter-segment transaction cost	(137,425,207)	(546,754,907)	(121,528,957)	-	805,709,071	-
Total profit						3,106,071,750
Income tax expense						(672,004,149)
Net profit						2,434,067,601

(Expressed in Renminbi Yuan unless otherwise stated)

VII SEGMENT INFORMATION (CONTINUED)

(3) The total external transaction income of the Group in China and other countries and regions, and the total non-current income of the Group other than financial assets, long-term equity investments and deferred income tax assets in the domestic and other countries and regions are as follows:

External transaction income	2016	2015
China (except Hong Kong, Macao and Taiwan)	27,937,919,872	30,805,024,900
Other countries and regions	3,447,765,637	2,898,668,233
Total	31,385,685,509	33,703,693,133

Total non-current assets	31 December 2016	31 December 2015
China (except Hong Kong, Macao and Taiwan)	16,885,287,179	17,440,069,087
Other countries and regions	706,096,743	629,358,063
Total	17,591,383,922	18,069,427,150

In 2016, the Group has no operating income from a single external customer exceeded 10% of the Group's operating income (in 2015: RMB 14,803,481,454, which exceeded 10% of the Group's operating income. The operating income was mainly from dredging business and landfilling business).

VIII. LEASES

(1) Financing leased fixed assets

The Group leases fixed assets and these leases are classified as finance leases (Note IV (12)(b)), the total future lease payments were as follows:

	2016	2015
Within 1 year, inclusive	477,857,436	468,336,012
1 to 2 years, inclusive	477,857,436	488,135,332
2 to 3 years, inclusive	458,722,651	486,243,299
Over 3 years	780,373,667	992,127,751
Total	2,194,811,190	2,434,842,394

At 31 December 2016, the balance of unrecognised financing charges was RMB 247,655,782 (31 December 2015: RMB 327,871,275).

(Expressed in Renminbi Yuan unless otherwise stated)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Parent

(a) Basic information of the parent company

	Place of registration	Business Scope
CCCC	Beijing	As a leading transportation infrastructure group in the PRC, CCCC is the industry leader in each of its four core businesses, namely infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing. Leveraging on its extensive operating experience, expertise and know-how accumulated from projects undertaken across a wide range of areas over the past six decades, the Company is capable of providing integrated solutions throughout each stage of infrastructure projects for its customers. The Company is the world's largest port design and construction company, the world's largest road and bridge design and construction company, the world's largest dredging company, the world's largest container crane manufacturer, and the world's largest offshore oil drilling platform design company; it is also the largest international contractor, designer and highway investor in China; and the Company also owns the largest civilian fleet in China.

The ultimate holding company of the Company is CCCG.

(b) Parent company registered capital and its changes

	31 Decmenber 2015	Increase	Decrease	31 Decmenber 2016
CCCC	16,174,740,000	-	-	1,6,174,740,000

	31 Decmenber 2014	Increase	Decrease	31 Decmenber 2015
CCCC	16,174,740,000	-	-	16,174,740,000

(c) Parent company's shareholding ratio and voting rights ratio to the Company

	31 Decmenber 2016		31 Decmenber 2015	
	Shareholding ratio	Proportion of voting rights	Shareholding ratio	Proportion of voting rights
CCCC	100%	100%	100%	100%

(2) Subsidiaries

Refer to Note VI for information about subsidiaries.

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Joint ventures and associates

The information of joint ventures and associates with related transactions to the Group is as follows:

	Place of registration	Business nature	Strategic or not for group activities	Shareholding ratio Direct	Shareholding ratio Indirect
Joint ventures-					
Tangshan Caofeidian Dredging Co., Ltd.	Tangshan	Port dredging and constr	NO	-	45%
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	Tianjin	Oil storage and transportation	NO	-	50%
Zhangzhou Ouhai New Area Jinyu Port Construction Engineering Co., Ltd.	Cangzhou	Channel dredging, water conservar municipal engineeri	NO	-	50%
Guangdong Dachangqing Engineering Construction Co., Ltd.	Shantou	Dredging	NO	-	60%
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	Fuzhou	Infrastructure project investment construction and operation	NO	-	60%
Associated companies –					
Tianjin Port Aviation Engineering Co., Ltd.	Tianjin	Machine made	NO	-	24%
Shenhua Shanghai Dredging Co., Ltd.	Cangzhou	Port and shipping facilities engineering construction	NO	-	50%
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	Maoming	Investment holding	NO	-	32%

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(4) Other related parties

Name of related parties	Relationship with the Group
CHEC	Controlled by the parent company with the Company
Shanghai Zhenhua Heavy Industries Co., Ltd.("ZPMC")	Controlled by the parent company with the Company
CCCC Investment Co., Ltd. ("CCCC Investment")	Controlled by the parent company with the Company
CCCC First Harbour Engineering Co., Ltd. ("CFHCC")	Controlled by the parent company with the Company
CCCC Second Harbour Engineering Co., Ltd.	Controlled by the parent company with the Company
CCCC Third Harbour Engineering Co., Ltd.	Controlled by the parent company with the Company
CCCC Fourth Harbour Engineering Co., Ltd.	Controlled by the parent company with the Company
CCCC First Harbour Consultants Co., Ltd.	Controlled by the parent company with the Company
CCCC Second Harbour Consultants Co., Ltd.	Controlled by the parent company with the Company
CCCC Fourth Harbour Consultants Co., Ltd.	Controlled by the parent company with the Company
Chuwa Bussan Co., Ltd.	Controlled by the parent company with the Company
CCCC Finance Company Limited ("CCCC Finance")	Controlled by the parent company with the Company
CCCC Financial Leasing Co., Ltd. ("CCCC Financial Leasing")	Controlled by the parent company with the Company
PetroChina CCCC Oil Products Sales Co., Ltd.	Controlled by the parent company with the Company
CCCC Tianhe Machinery Manufacturing Co., Ltd.	Controlled by the parent company with the Company
CCCC Urban Investment Co., Ltd.	Controlled by the parent company with the Company
Road & Bridge Technology Co., Ltd.	Controlled by the parent company with the Company
CCCC Construction (Indonesia) Co., Ltd.	Controlled by the parent company with the Company
CCCC International Holding Limited ("CCCI")	Controlled by the parent company with the Company
CCCC (Malaysia) SDN BHD	Controlled by the parent company with the Company
CCCC (Lianyungang) Construction and Development Co., Ltd.	Controlled by the parent company with the Company
CCCC Highway Consultants Co., Ltd.	Controlled by the parent company with the Company
Tianjin Harbour Real Estate Co., Ltd.	Controlled by the ultimate controlling parent company with the Company
CCCG Real Estate (Tianjin) Co., Ltd. ("CCCG Real Estate(Tianjin)")	Controlled by the ultimate controlling parent company with the Company
CCCG Real Estate (Yixing) Co., Ltd. ("CCCG Real Estate(Yixing)")	Controlled by the ultimate controlling parent company with the Company
CCCG Real Estate (Wenchang) Co., Ltd. ("CCCG Real Estate(Wenchang)")	Controlled by the ultimate controlling parent company with the Company
CCCC Urban Investment Construction (Liyang) Co., Ltd.	Controlled by the ultimate controlling parent company with the Company

(Expressed in Renminbi Yuan unless otherwise stated)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Related party transactions

(a) Pricing policy

The Group sells products to related parties, provides labor services or construction services to related parties, purchases raw materials from related parties, accepts related party labor services, and the price of subcontracted works from related parties is paid to related parties on the basis of general commercial terms. The rental and asset transfer reference market prices are determined after consultation between the two parties.

(b) Purchase of goods

Related party	2016	2015
PetroChina CCCC Oil Products Sales Co., Ltd.	59,416,363	9,233,638

(c) Provide labor/construction services

Related party	2016	2015
CCCC	1,422,346,930	14,803,481,854
CHEC	1,302,249,487	1,362,844,186
CCCC Investment	498,606,858	364,708,687
CCCC Fourth Harbour Engineering Co., Ltd.	255,649,270	73,801,166
CCCC (Indonesia) Co., Ltd.	228,386,549	-
CCCC Second Harbour Engineering Co., Ltd.	136,793,116	-
CCCC (Malaysia) SDN BHD	131,115,885	-
CFHCC	109,063,184	47,813,761
Shenhua Shanghai Dredging Co., Ltd.	102,452,821	-
CCCC City Investment Holding Ltd.	59,054,654	532,887,001
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	43,045,252	-
CCCC Third Harbour Engineering Co., Ltd.	35,153,123	134,647,048
CCCC Second Harbour Consultants Co., Ltd.	34,757,282	-
CCCC Urban Investment Construction (Liyang) Co., Ltd.	20,389,623	-
Zhangzhou Ouhai New Area Jinyu Port Construction Engineering Co., Ltd.	19,939,606	-
ZPMC	-	202,023,996
Others	13,613,520	117,014,618
Total	4,412,617,160	17,639,222,317

(Expressed in Renminbi Yuan unless otherwise stated)

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Related party transactions

(d) Sale of property

Related party	2016	2015
CCCC Fourth Harbour Consultants Co., Ltd	973,045,238	-
Total	973,045,238	-

(e) Accept labor/engineering subcontracting

Related party	2016	2015
CFHCC	645,762,511	341,224,072
CCCC Third Harbour Engineering Co., Ltd.	270,373,157	-
Tangshan Caofeidian Dredging Co., Ltd.	130,922,422	-
CCCC Fourth Harbour Engineering Co., Ltd.	106,892,745	-
ZPMC	51,037,106	-
Tianjin Port Aviation Engineering Co., Ltd.	44,170,918	62,622,814
Zhangzhou Ouhai New Area Jinyu Port Construction Engineering Co., Ltd.	31,181,587	28,122,964
CCCC Highway Consultants Institute Co., Ltd.	14,114,127	-
Others	13,270,490	14,170,296
Total	1,307,725,063	446,140,146

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(f) Receive/apply funding

Related Party	Related Transaction Type	2016	2015
CCCC Settlement Center	Obtain loans	32,306,000	1,981,000,000
CCCC Settlement Center	Refund loans	32,306,000	2,820,262,000
CCCC Settlement Center	Obtain deposit interest	944,553	17,053,143
CCCC Settlement Center	Pay loans interest	164,231	36,525,489
CCCC Settlement Center	Deposit	1,092,159,091	3,845,097,254
CCCC Settlement Center	Decrease deposit	613,148,938	6,554,448,931
CCCC Finance	Obtain loans	2,840,000,000	2,450,000,000
CCCC Finance	Refund loans	2,440,000,000	1,300,000,000
CCCC Finance	Obtain deposit interest	12,651,256	5,884,587
CCCC Finance	Pay loans interest	95,180,838	53,639,913
CCCC Finance	Deposit	64,234,871,863	24,199,156,318
CCCC Finance	Decrease deposit	62,783,498,840	20,956,980,754

Interests of cash and deposits in CCCC Finance and CCCC Settlement Center are at current market rate. Interest of loans from CCCC Finance and CCCC Settlement Center are at current market rate.

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(g) Operating lease

Related Party	2016	2015
CCCG	839,526	839,526

(h) Finance lease

Related Party	2016	2015
CCCC Financial Leasing	784,904,760	100,748,186

(i) Increase/(Decrease) Investment

Related Party	2016	2015
CCCG Real Estate (Wenchang)	-	(2,500,000)

(j) Commissioned construction of fixed assets

Related Party	2016	2015
CCCC Tianhe Machinery Manufacturing Co., Ltd.	172,921,000	-

(k) Loans

Related Party	2016	2015
CCCC Financial Leasing	300,000,000	-
CCCC Fourth Harbour Engineering Co., Ltd.	65,000,000	-
Total	365,000,000	-

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(l) Provide guarantee

Sponsored party	31 December 2016	31 December 2015	Guarantee start date	Guarantee due date	Whether the guarantee has been fulfilled
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	46,855,600	82,840,000	2009-08-07	2018-08-06	No
CCCC Tianhe Machinery Manufacturing Co., Ltd.	-	60,000,000	2011-08-23	2016-08-22	Yes
Total	46,855,600	142,840,000			

(m) Acceptance of guarantee

Guarantor	31 December 2016	31 December 2015
CCCC	430,099,991	1,309,019,160

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(n) Key management staff compensation

	2016	2015
Key management staff compensation	6,233,600	6,131,355

After the establishment of the Company, in May and June 2015, key management personnel such as directors, supervisors and senior executives of the Company were appointed. The key management personnel received compensation from the Group in 2016 of RMB 6,233,600 (2015: RMB 6,131,355), the salaries of other key management personnel were collected from CCCC.

(6) Amounts due from/ to related parties

(a) Cash

Related party	31 December 2016	31 December 2015
CCCC Finance	4,700,025,059	3,248,652,036

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Amounts due from/ to related parties (Continued)

(b) Receivables

Related Party Name	31 December 2016		31 December 2015	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
CCCC	3,439,789,198	-	3,173,258,521	-
CHEC	1,278,597,875	-	1,114,297,973	-
CCCC Fourth Harbour Consultants Co., Ltd.	510,869,750	-	-	-
CCCC Investment	221,095,196	-	239,577,430	-
CCCC (Indonesia) Co., Ltd.	196,972,068	-	-	-
Tangshan Caofeidian Dredging Co., Ltd	100,864,209	(39,623,374)	100,564,209	(11,870,802)
CCCC First Harbour Consultants Co., Ltd.	147,061,076	-	54,437,992	-
CCCC Fourth Harbour Engineering Co., Ltd.	168,491,558	-	23,569,220	-
CCCC Urban Investment Co., Ltd.	166,289,818	-	201,152,644	-
China CCCC (Malaysia) SDH BHD	72,905,546	-	-	-
CCCC Third Harbour Engineering Co., Ltd.	32,346,645	-	-	-
CCCC Second Harbour Engineering Co., Ltd.	30,759,535	-	-	-
Tianjin Port Aviation Engineering Co., Ltd.	20,508,372	(6,036,397)	27,087,139	(4,320,033)
Others	35,737,427	(781,592)	236,849,311	-
Total:	6,422,288,273	(46,441,363)	5,170,794,439	(16,190,835)

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Amounts due from/ to related parties (Continued)

(c) Prepayments

Related Party Name	31 December 2016		31 December 2015	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
CCCC Financial Leasing	25,000,000	-	25,000,000	-
CCCC Highway Consultants Co., Ltd.	3,659,185	-	85,000	-
CCCC Second Harbour Engineering Co., Ltd	785,245	-	1,373,997	-
Others	144,000	-	5,514,181	-
Total	29,588,430	-	31,973,178	-

(d) Dividends receivable

Related Party Name	31 December 2016		31 December 2015	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
CHEC	71,726,234	-	33,464,365	-
CCCC Tianhe Machinery Manufacturing Co., Ltd.	25,079,494	-	25,079,494	-
Guangdong Dachangqing Engineering Co., Ltd	13,036,914	-	-	-
Shenhua SDC	-	-	11,860,004	-
Tianjin North Port Aviation Petrochemical Terminal Co., Ltd.	-	-	8,200,291	-
Total	109,842,642	-	78,604,154	-

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Amounts due from/ to related parties (Continued)

(e) Other receivables

Related party name	31 December 2016		31 December 2015	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
CCCC Settlement Center	682,759,705	-	203,749,552	-
CCCC Financial Leasing	317,727,000	-	-	-
CHEC	84,048,094	-	35,056,887	-
CCCC Fourth Harbour Engineering Co., Ltd.	73,000,000	-	-	-
CCCC	60,639,711	-	41,295,751	-
CCCC (Maoming) Shuidongwan Investment Construction Co., Ltd.	37,330,766	-	-	-
CCCC Investment Co., Ltd.	23,590,000	-	21,590,000	-
CCCC First Harbour Consultants Co., Ltd.	7,238,727	-	-	-
CFHCC	5,401,000	-	50,400,000	-
CCCC Second Harbour Engineering Co., Ltd.	35,686	-	50,000,000	-
Chuwa Bussan Co., Ltd.	-	-	97,000,000	-
Other	19,748,660	-	25,960,941	-
Total	1,311,519,349	-	525,053,131	-

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Amounts due from/ to related parties (Continued)

(f) Available for sale financial assets

Related party name	31 December 2016	31 December 2015
CHEC	349,520,634	349,520,634
CCCG Real Estate(Yixing)	180,000,000	180,000,000
CCCG Real Estate(Tianjin)	95,000,000	95,000,000
Tianjin Harbour Real Estate Co., Ltd.	50,000,000	50,000,000
CCCC Urban Investment Construction (Liyang)Co., Ltd.	-	76,250,000
Others	17,570,097	17,570,097
Total	692,090,731	768,340,731

(g) Long-term receivables

Related party name	31 December 2016	31 December 2015
CHEC	242,915,353	118,170,328
CCCC Investment Co., Ltd.	190,473,375	104,512,109
CCCC	78,487,360	86,846,109
CCCC Urban Investment Co., Ltd.	70,661,889	62,783,230
CCCC (Malaysia) SDN BHD	13,962,655	-
Others	16,895,529	18,426,972
Total	613,396,161	390,738,748

(h) Short-term borrowings

Related party name	31 December 2016	31 December 2015
CCCC Finance	2,650,000,000	2,250,000,000
CCCC Financial Leasing	330,000,000	-
Total	2,980,000,000	2,250,000,000

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Amountg due from/ to related parties (Continued)

(i) Payables

Related Party Name	31 December 2016	31 December 2015
CCCC Third Harbour Engineering Co., Ltd.	155,582,408	-
CCCC Fourth Harbour Engineering Co., Ltd.	50,981,560	606,830
CFHCC	40,134,623	59,678,871
Tangshan Caofeidian Dredging CO., Ltd	36,308,904	18,148,562
Cangzhou bohai New Area Jinhua Port Construction Engineering Co., Ltd.	13,671,008	122,653,192
PetroChina CCCC Oil Products Sales Co., Ltd.	11,339,076	5,861,784
CCCC Highway Consultants Co., Ltd.	7,057,551	-
Guangdong Dachangqing Engineering Co., Ltd	5,917,302	-
Shenhua Shanghai Dredging Co., Ltd.	1,949,025	22,338,020
Others	10,972,791	1,139,415
Total	333,914,248	230,426,674

(j) Receipts in advance

Related Party Name	31 December 2016	31 December 2015
CHEC	285,673,756	115,202,623
CCCC (Indonesia) Co., Ltd.	139,432,659	-
CCCC	82,560,701	104,216,666
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	56,714,755	-
CCCC Investment	50,000,000	29,653,776
CCCC Second Harbour Engineering Co., Ltd.	32,586,325	-
CCCC First Harbour Consultants Co., Ltd.	27,574,575	-
CCCC Urban Investment Co., Ltd.	18,112,731	-
CCCC Fourth Harbour Engineering Co., Ltd.	8,500,000	4,569,671
Others	1,987,797	2,740,935
Total	703,143,299	256,383,671

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Amounts due from/ to related parties (CONTINUED)

(k) Other payables

Related Party Name	31 December 2016	31 December 2015
CCCC	352,112,402	344,694,773
CHEC	211,272,709	205,127,713
CFHCC	179,315,062	159,387,367
CCCC Investment	16,025,204	16,025,204
CCCC International (Hong Kong) Holdings Limited	9,897,642	-
Others	9,391,302	12,002,956
Total:	778,014,321	737,238,013

(l) Long-term payables

Related Party Name	31 December 2016	31 December 2015
CCCC Financial Leasing	950,019,851	341,679,920
CFHCC	230,463,326	-
CCCC Fourth Harbour Engineering Co., Ltd.	105,579,851	123,329,189
China Road & Bridge	7,945,105	7,584,826
Total	1,294,008,133	472,593,935

(m) Dividend payable

Related Party Name	31 December 2016	31 December 2015
CCCC	4,505,939,698	4,717,119,188
China Road & Bridge	705,336	705,336
Total	4,506,645,034	4,717,824,524

(Expressed in Renminbi Yuan unless otherwise stated)

IX RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(7) Commitments between the Group and related parties

(a) Provide construction services

Related Party Name	31 December 2016	31 December 2015
CCCC Investment	1,888,430,704	196,712,806
CHEC	1,745,495,129	1,586,236,472
CCCC Second Harbour Engineering Co., Ltd.	1,563,878,021	1,491,043,666
CCCC	1,379,610,033	2,650,421,705
Fuzhou Taiwanese Investment Zone CCCC Investment Co., Ltd.	1,182,231,276	-
CCCC Fourth Harbour Engineering Co., Ltd.	941,308,143	70,886,591
CCCC (Indonesia) Co., Ltd.	683,175,185	-
CCCC Urban Investment Co., Ltd.	425,120,590	541,214,981
CCCC (Lianyungang) Construction Development Co., Ltd.	154,118,850	-
CCCC Third Harbour Engineering Co., Ltd.	104,889,890	140,155,926
CCCC Urban Investment Construction (Liyang)Co., Ltd.	76,697,756	-
Shenhua Shanghai Dredging Co., Ltd.	-	21,226,415
Others	16,906,231	84,048,023
Total	10,161,861,808	6,781,946,585

(b) Accepting labor services

Related Party Name	31 December 2016	31 December 2015
CCCC Third Harbour Engineering Co., Ltd.	173,466,640	-
CFHCC	114,069,877	487,712,147
China Road & Bridge	-	18,954,547
Total	287,536,517	506,666,694

(Expressed in Renminbi Yuan unless otherwise stated)

X COMMITMENTS

(1) Capital expenditure commitment

The followings are the capital expenditure commitments that the Group has signed on the balance sheet date and are not required to be listed on the balance sheet:

	31 December 2016	31 December 2015
Houses and buildings, machinery and equipment, ships	1,947,155,408	2,106,971,119

(2) Operating leases commitments

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2016	31 December 2015
Within 1 year	315,759,272	387,681,511
1 to 2 years	187,211,715	191,870,872
2 to 3 years	140,351,993	181,264,523
Over 3 years	103,574,943	190,987,718
Total	746,897,923	951,804,624

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2016	31 December 2015
Land use rights & houses and buildings	81,109,766	105,358,120
Ships & machinery and equipment	7,392,733	7,333,333
Total	88,502,499	112,691,453

(Expressed in Renminbi Yuan unless otherwise stated)

XI CONTINGENCY

The followings are the contingent events that occurred on the balance sheet date but did not meet the conditions for recognition of liabilities and were not reflected in the financial statements:

(1) Pending lawsuits

	31 December 2016	31 December 2015
Pending lawsuits	215,429,898	206,663,514

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

(2) External guarantee

	31 December 2016	31 December 2015
External guarantee	46,855,600	142,840,000

As at 31 December 2016，the external guarantees provided by the Group are as follows:

Guarantor	Guarantee	Bank borrowing	Borrowing Period
CCCC-TDC	Tianjin North Port Aviation Petrochemical Terminal Co.,Ltd.	46,855,600	2009-2018

XII FINANCIAL RISKS

The Group's activities are facing all kinds of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management measures focus on the unpredictability of financial markets and seek to reduce the potential adverse impact on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risks.

(1) Market risk

(a) Foreign currency risk

The functional currency of most subsidiaries of the Group is RMB, and most transactions are settled in RMB. However, the Group's overseas business income, purchases of machinery and equipment from overseas suppliers and certain expenses are settled in foreign currencies. RMB is not freely convertible into other foreign currency and the conversion of RMB into foreign currency is also subject to the foreign exchange control rules and regulations promulgated by the Chinese government.

On December 31, 2016 and December 31, 2015, the group's monetary funds, accounts receivable, other receivables, borrowings, accounts payable and other payables (mainly in US dollars and euros) denominated in foreign currencies are shown in Note IV(49). In order to mitigate the impact of exchange rate fluctuations, the Group continuously assessed currency risks and used derivative financial instruments to hedge certain risks. In 2016 and 2015, certain subsidiaries of the Group used forward foreign exchange contracts to conduct transactions with domestic and overseas banks to hedge their foreign currency risk in relation to the US dollar and the euro in individual transactions.

As at December 31, 2016, for all types of US dollar financial assets and US dollar financial liabilities of the Group, if the RMB appreciates or depreciates by 5% against the US dollar and other factors remain unchanged, the Group will reduce or increase the net profit attributable to shareholders of the parent company for RMB 89,261,298 for the current year (December 31, 2015: RMB 23,571,865); for all types of Euro financial assets and Euro financial liabilities of the Group, if the RMB appreciates or depreciates by 5% against the Euro and other factors remain unchanged, the Group will increase or decrease the net profit attributable to shareholders of the parent company for RMB 78,813,887 for the current year (December 31, 2015: RMB 67,190,265). The effect on the net profit attributable to shareholders of the parent company is mainly derived from foreign exchange gains/losses arising from foreign currency-denominated accounts receivable, other receivables, monetary funds, borrowings, accounts payable and other payables.

(b) Interest rate risk

As the Group does not hold significant interest-bearing assets, the Group's income and operating cash flows are largely unrelated to changes in market interest rates.

The Group's exposure to interest rate changes mainly comes from interest-bearing liabilities such as borrowings and bonds payable. The borrowings with floating interest rates expose the Group to cash flow interest rate risk. Fixed-rate borrowings expose the Group to fair value interest rate risk. The Group determines the relative proportion of fixed rate and floating rate contracts based on the prevailing market environment. As at December 31, 2016, the Group's floating rate borrowings were approximately RMB 3,678,533,343 (December 31, 2015: RMB 8,324,005,083) (Note IV(17)).

The financial department of the Group's headquarters continuously monitors the interest rate of the Group. The increase in interest rates will increase the cost of the new interest-bearing debts and the interest expenses of interest-bearing debts that have not been paid by the Group at floating interest rates, and will have a significant adverse impact on the Group's financial results. The management will rely on the latest market. The situation is adjusted in a timely manner. These adjustments may be arranged for interest rate swaps to reduce interest rate risk. The Group did not have interest rate swap arrangements in 2016 and 2015.

As at December 31, 2016, if the borrowing rate calculated by floating rate increases or decreases by 100 basis points while other factors remain unchanged, the Group's net profit attributable to the parent company will decrease or increase by approximately RMB 36,785,333 (December 31, 2015: Up or down 100 basis points, RMB 83,240,051).

XII FINANCIAL RISKS (CONTINUED)

(1) Market risk (Continued)

(c) Price risk

The Group's equity instrument investments are available-for-sale financial assets. As these financial assets are presented at fair value, the Group is exposed to the risk of price fluctuations in the securities market.

The sensitivity of the Group's available-for-sale financial assets to equity price risk at each balance sheet date is as follows, with all other factors remaining the same:

	2016	2015
Equity price movements	10%	10%
Impact on shareholders' equity attributable to the parent company		
Increase or decrease of shareholders' equity attributable to the parent company in the current year - As the price of equity rises or falls	293,631,244	320,866,692

(2) Credit risk

Monetary funds, accounts receivable, other receivables, investments, other current assets other than prepayments, the carrying amount of derivative financial instruments and the external guarantees provided by the Group as disclosed in Note XI are the Group's financial assets' biggest credit risk. The majority of the Group's monetary funds are held by major Chinese financial institutions and overseas banks with good credit ratings that the management considers to be of high credit quality. The Group adopts a cap policy to limit the credit risk to any financial institution.

The Group's major customers are Chinese national, provincial and local government agencies, as well as other state-owned enterprises. This portion of the revenue is an important part of the Group's operating income for the year. The Group has policies in place to ensure that customers with qualified credit history are provided with services, and the Group also regularly evaluates the credit status of customers. For overseas companies with insufficient creditworthiness, the Group generally requires a letter of guarantee or letter of credit.

In addition, the Group also recognizes impairment of credit risk included in accounts receivable from domestic and overseas operations. The maximum loss that can be generated from accounts receivable is equivalent to the original book value, and its impairment analysis is shown in Note IV(4).

The Group hedges foreign exchange risk by trading derivative financial instruments with counterparties with higher credit ratings. Except for risk management purposes, the Group does not use derivative financial instruments. At the balance sheet date, the maximum credit risk is equivalent to the carrying amount of the derivative financial instruments classified as financial assets. Given its high credit rating, management does not expect any counterparty to be able to repay its debt.

(Expressed in Renminbi Yuan unless otherwise stated)

XII FINANCIAL RISKS (CONTINUED)

(3) Liquidity risk

The liquidity risk is the risk that the Group cannot fully perform its debts

Management is cautious about liquidity risk management, including maintaining ample cash levels and funding with ample committed credit lines. The Group aims to maintain the flexibility of funds by maintaining a committed credit line. As at December 31, 2016, the Group's unused credit line was RMB 56.7 billion (December 31, 2015: RMB 87.2 billion).

As the Group's business is capital intensive, the Group ensures that sufficient cash and credit facilities are maintained to meet the demand for liquidity. The Group responds to the demand for working capital by funds generated from operating activities, banks and other borrowings.

On the balance sheet date, the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net basis are stated at the expiration date on undiscounted contractual cash flows as follows:

	31 December 2016				
The Group	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	4,652,862,334	449,501,409	2,771,235,971	25,446,934	7,899,046,648
Bonds payable	1,539,078,354	183,600,000	6,117,210,640	-	7,839,888,994
Derivative financial instruments	6,383,324	-	-	-	6,383,324
Notes payable	1,387,180,845	-	-	-	1,387,180,845
Accounts payable	16,401,691,314	-	-	-	16,401,691,314
Interests payable	393,407,198	-	-	-	393,407,198
Dividends payable	4,570,043,994	-	-	-	4,570,043,994
Other payables	1,772,842,290	-	-	-	1,772,842,290
Special Payables	-	1,241,720	69,111,993	-	70,353,713
Long-term payables	1,199,713,006	2,363,373,269	-	-	3,563,086,275
Financing lease payables	477,857,436	477,857,436	1,037,770,967	201,325,351	2,194,811,190
External guarantee	46,855,600	-	-	-	46,855,600
Total	32,447,915,695	3,475,573,834	9,995,329,571	226,772,285	46,145,591,385

	31 December 2015				
The Group	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Borrowings	8,845,929,596	3,245,352,883	907,950,261	465,699,082	13,464,931,822
Bonds payable	81,550,000	1,351,913,304	-	-	1,433,463,304
Derivative financialI nstruments	7,796,857	6,703,623	-	-	14,500,480
Notes payable	1,148,882,017	-	-	-	1,148,882,017
Accounts payable	13,849,215,515	-	-	-	13,849,215,515
Interests payable	216,298,719	-	-	-	216,298,719
Dividends payable	4,789,914,759	-	-	-	4,789,914,759
Other payables	1,792,733,951	-	-	-	1,792,733,951
Special Payables	68,677,637	-	-	-	68,677,637
Long-term payables	404,573,248	2,362,325,787	-	-	2,766,899,035
Financing lease payables	468,336,012	488,135,332	1,076,026,572	402,344,478	2,434,842,394
External guarantee	142,840,000	-	-	-	142,840,000
Total	31,816,748,311	7,454,430,929	1,983,976,833	868,043,560	42,123,199,633

(Expressed in Renminbi Yuan unless otherwise stated)

XIII FAIR VALUE ESTIMATE

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value is significant to the fair value measurement as a whole:

Level 1: Quoted prices in active markets

Level 2: Significant observable inputs

Level 3: Significant unobservable inputs

(1) Assets and libilities measured at fair value

As at 31 December 2016, assets and libilities measured at fair value, divided into three levels, are as follows:

	Level 1	Level 2	Level 3	Total
Asset-				
Available-for-sale financial assets				
Available-for-sale equity instruments	2,936,312,441	-	-	2,936,312,441
Total Assets	2,936,312,441	-	-	2,936,312,441
Liability-				
Equity investments at fair value through profit or loss				
Derivative financial instruments	-	(6,391,967)	-	(6,391,967)
Total Liabilities	-	(6,391,967)	-	(6,391,967)

As at 31 December 2015, assets and libilities measured at fair value, divided into three levels, are as follows:

	Level 1	Level 2	Level 3	Total
Asset-				
Available-for-sale financial assets	-	-	-	-
Available-for-sale equity instruments	3,208,666,919	-	-	3,208,666,919
Total Assets	3,208,666,919	-	-	3,208,666,919
Liability-				
Equity investments at fair value through profit or loss	-	-	-	-
Derivative financial instruments	-	(12,216,707)	-	(12,216,707)
Total Liabilities	-	(12,216,707)	-	(12,216,707)

The Group determines the timing of the transition between the levels based on the date of the event that caused the transition between the levels. There were no transfers of fair value measurements between Level 1 and Level 2 and no Level 3 for both financial assets in 2016 (2015: Nil).

The fair value of financial instruments traded in active markets is based on quoted markets prices at the end of the reporting period. The fair value of financial instruments which are not traded in active markets is based on valuation prices with Discounted Cash Flow model and Comparable Firms model. The input of valuation techniques include risk-free rate, base rate, exchange rate, liquidity premium, EBITDA, lack-liquidity discount, etc.

XIII FAIR VALUE ESTIMATE (CONTINUED)

(2) The fair value for financial assets and liabilities which are not measured at fair value

The Group's financial assets and financial liabilities include: receivables, short-term borrowings, payables, long-term borrowings, bonds payable, long-term payables, etc.

Except for the following financial liabilities, the book value of other financial assets and liabilities not measured at fair value is substantially different from the fair value.

	31 December 2016		31 December 2016	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Financial liabilities-				
Long-term borrowings	3,124,924,955	3,041,293,408	4,293,677,422	4,183,527,074

The fair value of long-term borrowings is determined by the present value of the future cash flows specified in the contract, which is determined by discounting the interest rate on the market with comparable credit ratings and providing almost the same cash flow under the same conditions. Long-term borrowing belongs to Level 2.

(Expressed in Renminbi Yuan unless otherwise stated)

XIV CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to owners, return capital to owners, issue new shares or sell assets to reduce debt.

Like other companies in the industry, the Group monitors its capital using its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is total borrowings (including short-term borrowings, long-term borrowings, bonds payable and long-term payables, etc.) minus cash and cash equivalents. The total capital is the sum of the shareholders' equity and the net debt listed in the consolidated balance sheet.

The Group's gearing ratio as at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Total borrowings		
Short-term borrowings	4,396,495,352	5,567,837,026
Long-term borrowings	3,260,630,848	7,168,782,247
Bonds payable and interest	7,415,373,105	1,335,313,693
Financing lease payments	1,947,155,408	2,106,971,119
Less: Cash and cash equivalents (Note IV(48) (c))	(7,758,581,749)	(5,553,385,886)
Net debt (A)	9,261,072,964	10,625,518,199
Shareholders' equity	28,210,790,241	26,056,856,577
Total capital (B)	37,471,863,205	36,682,374,776
Gearing ratio (A/B)	25%	29%

(Expressed in Renminbi Yuan unless otherwise stated)

XV NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS

(1) Cash and bank balance

	31 December 2016	31 December 2015
Cash at banks	3,938,078,044	104,718,492

There was no foreign cash and bank balance at 31 December 2016 (31 December 2015: Nil).

(2) Dividends receivable

	31 December 2016	31 December 2015
Receivable dividends from subsidiaries	1,130,595,965	793,152,639

(3) Other receivables

	31 December 2016	31 December 2015
Amount due from subsidiaries	4,991,403,171	-
Amount due from CCCC's subsidiaries	176,921,000	-
Deposit receivables	1,869,124	1,687,375
Others	215,670	166,171
Total	5,170,408,965	1,853,546
Less: Bad debt provision	-	-
Net	5,170,408,965	1,853,546

(a) The risk of recycling of other receivables of CCCC's subsidiaries and the Group's subsidiaries is extremely low, so no provision for bad debts has been made.

(b) Other receivables from third parties are aged within one year.

(4) Long-term equity investments

	31 December 2015	Increase	Decrease	31 December 2016
Subsidiary(a)	23,492,606,375	1,713,400,000	-	25,206,006,375

(Expressed in Renminbi Yuan unless otherwise stated)

XV NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

(4) Long-term equity investment (Continued)

(a) Subsidiary

	Accounting Method	Investment cost	31 December 2015	Increase	31 December 2016	Percentage of equity	Percentage of voting rights	Cash dividends declared this year
CCCC-SDC	Cost method	9,398,543,780	9,398,543,780	-	9,398,543,780	100%	100%	337,443,326
CCCC-TDC	Cost method	7,071,626,738	7,071,626,738	-	7,071,626,738	100%	100%	-
CCCC-GDC	Cost method	6,957,274,514	6,957,274,514	-	6,957,274,514	100%	100%	-
CCCC International Shipping Co.,LTD	Cost method	65,161,343	65,161,343	-	65,161,343	51%	80%	-
Hong Kong Marine Construction Limited	Cost method	-	-	-	-	100%	100%	-
CCCC Dredging (Wuhan) Environmental Protection Engineering Co., Ltd	Cost method	-	-	-	-	100%	100%	-
CCCC Dredging (Kunming) Environmental Protection Engineering Co., Ltd.	Cost method	-	-	-	-	100%	100%	-
CCCC Marine Construction Development Co., Ltd.	Cost method	250,000,000	-	250,000,000	250,000,000	50%	60%	-
CCCC Ecological Environmental Protection Investment Co., Ltd.	Cost method	63,400,000	-	63,400,000	63,400,000	63.4%	57%	-
CCCC Zhoushan Qiandao Central Business District Development Co., Ltd.	Cost method	1,400,000,000	-	1,400,000,000	1,400,000,000	70%	60%	-
Total		25,206,006,375	23,492,606,375	1,713,400,000	25,206,006,375			337,443,326

Note: The reasons for the inconsistency between the shareholding ratio and the voting rights are detailed in Note VI.

(Expressed in Renminbi Yuan unless otherwise stated)

XV NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

(5) Dividends payable

	31 December 2016	31 December 2015
Due to CCCC	704,630,787	704,630,787
Due to China Road & Bridge	705,336	705,336
Total	705,336,123	705,336,123

The company's unpaid dividends of more than one year were RMB 705,336,123 at 31 December 2016 (31 December 2015: Nil).

(6) Other payables

	31 December 2016	31 December 2015
Due to subsidiaries	6,110,481,076	509,761
Due to CCCC's fellow subsidiaries	14,269,452	7,947,080
Payable of Equity purchase	95,117,782	95,117,782
Others	47,719,958	4,375,434
Total	6,267,588,268	107,950,057

The Company's other payables aged over one year were RMB 1,976,827 on 31 December 2016 (31 December 2015: Nil).

(7) Finance expenses

	2016	From Company establishment date to 31 December 2015
Interest expense	33,754,278	-
Less: Capitalized amount of interest	-	-
Sub-total	33,754,278	-
Less: Interest income	(8,894,729)	(531,189)
Foreign exchange differneces	(602,247)	59,951
Discounted interest	9,648,424	-
Other	104,251	4,849
Total	34,009,977	(466,389)

(Expressed in Renminbi Yuan unless otherwise stated)

XV NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

(8) Administrative expenses

	2016	From Company establishment date to 31 December 2015
Staff costs	36,926,944	10,123,240
Travel expenses	11,381,295	3,093,348
Administrative expenses	10,599,472	2,026,750
Professional agency service fee	4,128,774	5,289,950
Tax	2,538,256	58,367
Consulting fee	1,637,598	1,217,992
Depreciation and amortization of assets	231,167	18,174
Other	40,496,143	8,207,022
Total	107,939,649	30,034,843

(9) Impairment losses

	2016	From Company establishment date to 31 December 2015
Loss from bad debt	175,442,887	-

(10) Investment income

	2016	From Company establishment date to 31 December 2015
Subsidiaries' long-term equity investment income	337,443,326	793,152,639

(Expressed in Renminbi Yuan unless otherwise stated)

XV NOTES TO KEY ITEMS OF THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

(11) Supplementary information to the statement of cash flows

(a) Reconciliation of net profit to cash flows from operating activities

	2016	From Company establishment date to 31 December 2015
Net profit	12,210,738	763,584,185
Plus:Impairment of assets	175,442,887	-
Depreciation of fixed assets	10,321,027	18,174
Finance costs	33,905,726	(466,389)
Amortisation of intangible assets	120,642	-
Investment income	(337,443,326)	(793,152,639)
Increase in operating receivables	(5,092,865,789)	(1,853,546)
Decrease in operating payables	4,770,321,685	13,552,737
Net cash flows from operating activities	(427,986,410)	(18,317,478)

(b) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash (Note XV(1))		
Including: Cash at banks	3,938,078,044	104,718,492
Less: Restricted bank balance	-	-
Closing balance of cash and cash equivalents	3,938,078,044	104,718,492

II. EXPLANATION OF MATERIAL DIFFERENCES UNDER CASBE AND HKFRS

The following is an explanation of the audited consolidated financial statements of CCCC Dredging for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the unaudited consolidated financial statements of CCCC Dredging for the six months ended 30 June 2019 (the "**Financial Statements of CCCC Dredging**") to address the differences in the financial information of CCCC Dredging had it been prepared in accordance with the Company's accounting policies under HKFRS ("**GAAP Difference Explanation**").

GAAP Difference Explanation

The Financial Statements of CCCC Dredging are prepared in accordance with CASBE, which differ in certain respects from HKFRS. The effects of material differences between the financial information of CCCC Dredging prepared under CASBE and the Company's accounting policies under HKFRS are as follows:

(i) Safety production reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, CCCC Dredging is required to book an amount through profit before tax to a safety production reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year/period. The reserve can be utilised for improvements of safety on the construction work, and for the portion booked and already utilised during the year/period, there is no difference in accounting treatment between CASBE and HKFRS. For the portion booked but not yet utilised, the accounting treatment under CASBE is to debit cost of sales and credit safety production reserve, while under HKFRS the amounts should be set aside from profit after tax and will be charged to the consolidated income statement as incurred.

Due to the different accounting treatments mentioned above under CASBE and HKFRS, had the financial information of CCCC Dredging been prepared in accordance with HKFRS, the consolidated net profit of CCCC Dredging should be increased by RMB79 million, RMB125 million and RMB9 million for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively, and there would be no financial impact on the consolidated net profit of CCCC Dredging for the six months ended 30 June 2019, and there would be no difference in respect of consolidated net assets.

(ii) Preferential taxation

Pursuant to certain preferential tax policy in the PRC, 40% of purchase cost of certain machinery and equipment manufactured in the PRC could be deducted from the taxable profit for the year/period. Under CASBE, the corresponding tax credit due to the preferential tax policy has been deducted from the income tax expense for the year/period directly whereas under HKFRS, such tax credit is considered as government grants related to assets and required to be recognised in profit over the useful life of the assets.

Due to the different accounting treatments mentioned above under CASBE and HKFRS, had the financial information of CCCC Dredging been prepared in accordance with HKFRS, the consolidated net profit of CCCC Dredging should be increased by RMB4 million and RMB2 million for the two years ended 31 December 2016 and 31 December 2017 respectively. Had the financial information of CCCC Dredging been prepared in accordance with HKFRS, the consolidated net assets of CCCC Dredging as at 1 January 2016 should be RMB6 million lower than that under CASBE. Since RMB4 million was recognised in the consolidated income statement in 2016 as mentioned above, the consolidated net assets of CCCC Dredging under HKFRS as at 31 December 2016 should be decreased by RMB2 million. As such government grants had been fully recognised in the consolidated income statement during the year ended 31 December 2017, there would be no financial impact on the consolidated net profit of CCCC Dredging for the year ended 31 December 2018 and the six months ended 30 June 2019 and no financial impact on the consolidated net assets as at 31 December 2017, 31 December 2018 and 30 June 2019.

(iii) Investment Property

In accordance with CASBE, CCCC Dredging adopts the cost model for the subsequent measurement of the investment properties, and under cost model, subsequent to initial recognition at cost, investment properties are stated at historical cost less accumulated depreciation and amortisation, which are calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over the estimated useful life. Such depreciation and amortisation have been charged to the consolidated income statement of CCCC Dredging. However, in accordance with the Company's accounting policies under HKFRS, after initial recognition at cost, the investment properties are carried at fair value representing open market value determined at each reporting date by external valuers. Any difference resulting between the carrying amount and the fair value of the items at the date of transfer from property, plant and equipment and prepaid land lease payments is recognised in other comprehensive income as revaluation reserve and changes in fair value at each reporting date is recognised in the consolidated income statement of the Company subsequently.

Due to the different accounting treatments mentioned above adopted by CCCC Dredging under CASBE and by the Company under HKFRS, had the financial information of CCCC Dredging been prepared in accordance with the Company's accounting policies under HKFRS, the consolidated net profit of CCCC Dredging should be increased by RMB36 million, RMB20 million, RMB6 million and RMB36 million for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 and for the six months ended 30 June 2019 respectively, and the consolidated net assets of CCCC Dredging should be increased by RMB319 million, RMB346 million, RMB553 million and RMB589 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 respectively.

Basis of Preparation

The GAAP Difference Explanation was prepared based on adjustments of financial information of CCCC Dredging had they instead been prepared in accordance with the Company's accounting policies under HKFRS. The process applied in the preparation of such GAAP Difference Explanation is also set out below.

Explanation Process

The GAAP Difference Explanation has been prepared by the directors of CCCC Dredging by assessing the HKFRS adjustments of the Financial Statements of CCCC Dredging had they been prepared applying the Company's accounting policies under HKFRS, as appropriate, and quantifying the relevant financial effects of such differences, if any. Attention is drawn to the fact that as the GAAP Difference Explanation has not been subject to an independent audit and accordingly, no opinion is expressed by an auditor on whether the financial information in the GAAP Difference Explanation presents a true and fair view or not.

Assurance engagement and results

Ernst & Young was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") on the GAAP Difference Explanation. The work consisted primarily of:

Considering the HKFRS adjustments made and evidence supporting the HKFRS adjustments made of the Financial Statements of CCCC Dredging had they been prepared applying HKFRS as disclosed in the above GAAP Difference Explanation.

Ernst & Young's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Ernst & Young did not express an audit opinion nor a review conclusion on the above GAAP Difference Explanation. Ernst & Young's engagement was intended solely for the use of the Directors in connection with the above purpose for this circular and may not be suitable for another purpose. Based on the work performed, Ernst & Young has concluded that nothing has come to their attention that causes them to believe:

The HKFRS adjustments as disclosed in the above GAAP Difference Explanation are not prepared, in all material respects, in accordance with the basis of preparation and explanation process as set out above.

*Set out below is the management discussion and analysis on CCCC Dredging and its subsidiaries for the three years ended 31 December 2018 and the six months ended 30 June 2019 (the "**Reporting Period**").*

OPERATIONAL AND FINANCIAL REVIEW

CCCC Dredging Group is primarily engaged in dredging business, land reclamation business, pre-dredging and post-dredging services, environmental and marine engineering business. During the Reporting Period, income of CCCC Dredging Group was mainly derived from dredging, land reclamation, pre-dredging and post-dredging services, environmental and marine engineering, as well as trading.

OPERATING INCOME

For the years ended 31 December 2016, 2017 and 2018, total income recorded from relevant businesses, including, among others, dredging, land reclamation, pre-dredging and post-dredging services, environmental and marine engineering as well as trading, was RMB31,549.2192 million (restated), RMB34,581.7213 million and RMB34,228.3622 million respectively, with growth rate reaching 9.61% and -1.02% respectively for the last two years. The marginal decrease in operating income in 2018 was primarily attributable to upgraded requirements of environmental policies. Domestic industry of conventional dredging and land reclamation businesses shrank as state authorities imposed stringent control on land reclamation, which severely affected the businesses of dredging and land reclamation.

For the six months ended 30 June 2019, total income recorded from relevant businesses, including, among others, dredging, land reclamation, pre-dredging and post-dredging services, environmental and marine engineering as well as trading, was RMB16,744.6945 million.

CCCC Dredging Group has been embarking on expansion into overseas markets since the date of its establishment, expanding its business from conventional markets to emerging markets. With the strategy of maintaining its profitability through the business segment of pre-dredging and post-dredging services, CCCC Dredging's business segment of environmental and marine engineering recorded a significant growth from previous years.

GROSS PROFIT AND GROSS MARGIN

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, CCCC Dredging Group recorded gross profit of approximately RMB5,545 million (restated), RMB4,912.6931 million, RMB4,950.01 million and RMB1,868.2598 million respectively, while gross margin remained relatively stable at 17.58%, 14.21%, 14.46% and 11.16% respectively.

COST OF SALES

For the years ended 31 December 2016, 2017 and 2018, CCCC Dredging Group incurred cost of sales of RMB55.8995 million (restated), RMB89.0457 million and RMB128.0104 million respectively, with growth rate reaching 59.30% and 43.76% respectively for the last two years. The surge was mainly attributable to increases in remuneration for sales personnel, travelling expenses and sales service cost. For the six months ended 30 June 2019, CCCC Dredging Group incurred cost of sales of RMB64.5907 million.

MANAGEMENT COSTS

For the years ended 31 December 2016, 2017 and 2018, CCCC Dredging Group incurred management costs of RMB2,481.6506 million (restated), RMB2,316.4181 million and RMB2,248.7729 million respectively, with growth rate reaching -6.66% and -2.92% respectively for the last two years. For the six months ended 30 June 2019, CCCC Dredging Group incurred management costs of RMB872.1326 million.

FINANCE COSTS

For the years ended 31 December 2016, 2017 and 2018, CCCC Dredging Group incurred finance costs of RMB260.1072 million (restated), RMB812.2291 million and RMB326.2636 million respectively, with growth rate reaching 212.27% and -59.83% respectively for the last two years. While it incurred exchange losses in 2017, CCCC Dredging Group recorded exchange gains in 2016 and 2018, primarily attributable to fluctuations in exchange rates of Euro and US dollar against RMB in 2017. CCCC Dredging held Euro-denominated liabilities and US dollar-denominated assets. In 2017, while Euro appreciated against RMB, US dollar depreciated. As a result, CCCC Dredging recorded exchange losses of RMB285.44 million for 2017. For the six months ended 30 June 2019, CCCC Dredging Group incurred finance costs of RMB272.1582 million.

INCOME TAX EXPENSES

For the years ended 31 December 2016, 2017 and 2018, CCCC Dredging Group incurred income tax expenses of RMB688.8594 million (restated), RMB563.6577 million and RMB285.6645 million respectively, with growth rate reaching -18.18% and -49.32% respectively for the last two years. For the six months ended 30 June 2019, CCCC Dredging Group incurred income tax expenses of RMB77.0764 million.

NET PROFIT

For the years ended 31 December 2016, 2017 and 2018, CCCC Dredging Group generated net profit of RMB1,712.8754 million (restated), RMB1,955.0358 million and RMB1,266.9187 million respectively, with growth rate reaching 14.14% and -35.20% respectively for the last two years. Net profit for 2018 decreased by RMB688.1171 million or 35.20% from 2017, primarily due to higher investment gains resulted from disposal of certain financial assets by CCCC Dredging in 2017. For the six months ended 30 June 2019, CCCC Dredging Group generated net profit of RMB493.0936 million.

FIXED ASSETS

In 2018, CCCC Dredging Group invested in the development of "Tiankun (天鯤號)" (a self-propelled cutter-suction dredger), self-propelled suction hopper dredgers with a storage capacity of 6,500 cubic metres, self-propelled vessels with a storage capacity of 3,000 cubic metres and 5,000-ton oil tankers. For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, CCCC Dredging Group had a book balance of RMB805.3780 million (restated), RMB1,373.4815 million, RMB597.9496 million and RMB220.4845 million respectively for construction in progress.

For the years ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2019, CCCC Dredging Group had a book balance of RMB14,928.8670 million (restated), RMB14,701.1555 million, RMB15,396.0718 million and RMB13,560.3762 million respectively for fixed assets.

CAPITAL STRUCTURE

CCCC Dredging was incorporated on 7 May 2015. It has not issued shares publicly on any stock exchange to date. As at the Latest Practicable Date, CCCC Dredging was a subsidiary of CCCC, its shareholders were CCCC and CRBC, its de facto controller was the State-owned Assets Supervision and Administration Commission of the State Council, and its controlling shareholder was China Communications Construction Group (Limited).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, 2017 and 2018, CCCC Dredging Group had total assets of RMB80,948.9236 million (restated), RMB86,056.6656 million and RMB95,039.2137 million respectively, with growth rate reaching 6.31% and 10.44% respectively for the last two years. As at 30 June 2019, CCCC Dredging Group had total assets of RMB97,667.0330 million.

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group had current assets of RMB45,806.8457 million (restated), RMB48,384.6609 million, RMB52,624.00 million and RMB52,852.6894 million respectively, and its non-current assets amounted to RMB35,142.0779 million (restated), RMB37,672.0048 million, RMB42,415.2137 million and RMB44,814.3436 million respectively.

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group had receivables of RMB16,301.8681 million (restated), RMB13,184.6345 million, RMB16,835.8280 million and RMB16,380.5922 million respectively. Receivables as at 31 December 2018 increased by 27.69% as compared to the same period of 2017, primarily attributable to: (1) increase in receivables due to new projects in 2018 and (2) increase in bills receivable collected from landlords as CCCC Dredging made deposits for its "two reserves". As at 31 December 2016, 2017, 2018 and 30 June 2019, payables of CCCC Dredging Group amounted to RMB17,989.7355 million (restated), RMB22,171.1487 million, RMB25,963.2490 million and RMB24,884.7792 million respectively.

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group kept its gearing ratio at a modest level of 64.65% (restated), 64.99%,65.50% and 69.57% respectively. CCCC Dredging Group used its bank borrowings as liquidity and general working capital.

In addition to bonds, liabilities of CCCC Dredging Group were mainly bank loans. As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group's short-term borrowings amounted to RMB4,726.4954 million (restated), RMB6,253.5004 million, RMB4,451.0105 million and RMB7,173.6404 million respectively, and its long-term borrowings amounted to RMB3,304.9250 million (restated), RMB3,377.4538 million, RMB2,931.2370 million and RMB3,131.5837 million respectively. As at 30 June 2019, CCCC Dredging Group had credit facilities within validity period of RMB132 billion, and its unutilised facilities amounted to RMB108.1 billion.

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group had cash and cash equivalents of RMB8,088.8564 million (restated), RMB8,157.1001 million, RMB7,787.3838 million and RMB6,579.5336 million respectively, maintaining an overall stable position.

BORROWINGS AND FINANCING

CCCC Dredging Group's source of funds mainly comprises shareholders' equity and bank borrowings (external borrowings), with bank borrowings being used as its liquidity and general working capital. The capital management policy of CCCC Dredging Group aims at ensuring the Group's ability to continue as a going concern, thereby delivering returns for shareholders, benefiting other stakeholders, while optimising its capital structure to reduce capital cost at the same time. CCCC Dredging Group manages its capital structure, which is adjusted in line with changes in economic conditions and risk characteristics of relevant assets. CCCC Dredging Group may maintain or adjust its capital structure by altering its profit distribution for shareholders, returning capital to shareholders or issuing new shares. CCCC Dredging Group is not subject to external mandatory capital requirements. As at 31 December 2016, 2017 and 2018 and 30 June 2019, there was no change in its capital management objective, policy or process.

As at 31 December 2016, CCCC Dredging Group had net current assets (i.e. its current assets net of current liabilities) of RMB7,312.07 million (restated), with its current assets amounting to RMB45,806.85 million (restated) and its current liabilities amounting to RMB38,494.77 million (restated).

As at 31 December 2017, CCCC Dredging Group had net current assets (i.e. its current assets net of current liabilities) of RMB5,398.89 million, with its current assets amounting to RMB48,384.66 million and its current liabilities amounting to RMB42,985.77 million.

As at 31 December 2018, CCCC Dredging Group had net current assets (i.e. its current assets net of current liabilities) of RMB7,258.78 million, with its current assets amounting to RMB52,624.00 million and its current liabilities amounting to RMB45,365.22 million.

As at 30 June 2019, CCCC Dredging Group had net current assets (i.e. its current assets net of current liabilities) of RMB2,180.23 million, with its current assets amounting to RMB52,852.69 million and its current liabilities amounting to RMB50,672.46 million.

As at 30 June 2019, CCCC Dredging Group had a total of 4 existing bonds. All of which were corporate bonds listed on the Shanghai Stock Exchange, with an aggregate outstanding principal amounting to RMB10 billion. Among these bonds, 18 Dredging 01 issued on 24 October 2018, with a coupon rate of 4.25% and an issue size of RMB4 billion, will mature on 25 October 2023; 16 Dredging 02 issued on 4 July 2016, with a coupon rate of 3.80% and an issue size of RMB3 billion, will mature on 5 July 2021; 16 Dredging 03 issued on 4 July 2016, with a coupon rate of 3.35% and an issue size of RMB1 billion, will mature on 5 July 2021; and 16 Dredging 01 issued on 23 February 2016, with a coupon rate of 3.70% and an issue size of RMB2 billion, will mature on 24 February 2021.

As at 30 June 2019, CCCC Dredging Group had an existing asset-backed security, which was issued on 8 November 2017 and listed on the Shanghai Stock Exchange, and will mature on 9 November 2020. The senior notes, with a coupon rate of 4.88%, raised RMB1.04 billion and the subordinated notes raised RMB0.11 billion.

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group had variable-rate borrowings of RMB3,858.5333 million (restated), RMB4,675.0457 million, RMB4,414.5988 million and RMB4,619.8578 million respectively. As at 30 June 2019, the short-term variable-rate borrowings amounted to RMB1,237.5123 million was based on LIBOR as the benchmark and premium interest rate ranging from 130bp to 170bp, and the long-term variable-rate borrowings amounted to RMB3,382.3455 million, among which (i) RMB1,965.2937 million with an interest rate being 100% to 150% of the interest rate of the People's Bank of China for loans over 5 years; (ii) RMB295.6771 million was based on 6-month EURIBOR as the benchmark and premium interest rate ranging from 54bp to 130bp; (iii) RMB89.9793 million was based on the commercial loans interest rate offered by comparable financial institutions with a discount of up to 10%; (iv) RMB41.2482 million was based on 6-month LIBOR with a premium of up to 280bp; and (v) RMB990.1471 million was based on other benchmark with interest rates ranging from 0.30% to 0.74%.

As at 31 December 2017, the forward exchange contract between CCCC Tianjin Dredging Co., Ltd.* 中交天津航道局有限公司 (a subsidiary of CCCC Dredging) and a bank had expired. As the forward exchange contract served as a derivative financial instrument, it was assessed to have incurred a fair value loss of RMB6.3920 million as at 31 December 2016. Save as disclosed above, no derivative financial instrument was used for hedging purposes during the Reporting Period.

BUSINESS PROSPECTS

CCCC Dredging Group has been accelerating its deployment across emerging industries, such as ecological and environmental protection, as well as water environment management, with a view to creating new growth drivers. As at 31 December 2018, the proportion of revenue from marine environmental protection business to total revenue has increased from 0.42% in 2016 to 15.08%.

As at 31 December 2018, according to statistics from National Bureau of Statistics of China, investment in sectors of water conservancy, environmental and public facilities management increased by 3.3%. In particular, investment in fixed assets for sectors of ecological protection and environmental management increased by 43.0%. Political support for under-developed areas, such as ecological restoration and coastal zone protection, injected new momentum for the industry. As at 30 June 2019, according to statistics from the National Bureau of Statistics, investment in sectors of water conservancy, environmental and public facilities management increased by 2.5% year-on-year. In particular, investment in fixed assets for sectors of ecological protection and environmental management increased by 41.0% year-on-year.

SEGMENTAL INFORMATION

As at 31 December 2016, 2017, 2018 and 30 June 2019, income from CCCC Dredging Group's dredging business amounted to RMB11,373.1109 million (restated), RMB14,353.2518 million, RMB11,152.0933 million and RMB5,668.1114 million respectively; income from its land reclamation business amounted to RMB11,195.0111 million (restated), RMB12,153.1011 million, RMB11,174.9176 million and RMB3,843.6000 million respectively; income from its business of pre-dredging and post-dredging services amounted to RMB8,372.0903 million (restated), RMB6,294.6044 million, RMB7,000.9561 million and RMB4,906.6596 million respectively, and income from its business of environmental and marine engineering as well as trading amounted to RMB128.7759 million (restated), RMB2,254.4369 million, RMB5,117.6376 million and RMB2,314.3057 million respectively. The fluctuations in dredging-related business were primarily attributable to upgraded requirements of environmental policies as state authorities imposed stringent control on land reclamation; while those in the performance of environmental and marine engineering as well as trading were mainly due to accelerated deployment across emerging industries, such as ecological and environmental protection, as well as water environment management by CCCC Dredging Group.

SIGNIFICANT INVESTMENTS

CCCC Dredging Group had no significant investments during the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS

CCCC Dredging Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

CCCC Dredging Group currently has no future plan for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016 and 2017, CCCC Dredging Group employed a total of 9,171 and 10,152 employees respectively.

As at 31 December 2018, CCCC Dredging Group employed a total of 10,857 employees, including 2,493 management staff of various levels at headquarters, 4,525 engineering and technical staff, 3,043 shipping specialists and 796 technical staff in other disciplines.

As at 30 June 2019, CCCC Dredging Group employed a total of 10,464 employees, including 2,524 management staff of various levels at headquarters, 4,379 engineering and technical staff, 2,762 shipping specialists and 799 technical staff in other disciplines.

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group paid remuneration and benefits of RMB2,741.1079 million (restated), RMB2,982.0721 million, RMB2,851.3873 million and RMB1,354.2959 million respectively to all its staff, which included the remuneration of RMB6.2336 million, RMB8.7286 million, RMB7.5179 million and RMB2.1940 million respectively for key management personnel.

The remuneration system of CCCC Dredging was established under that of CCCC. CCCC Dredging Group implemented the "position and performance-based salary system" in which the salary of the employees comprised position salary, auxiliary salary, performance salary, special awards, allowance and welfare, but no share option scheme had been adopted for the time being.

PLEDGE OF ASSETS

As at 31 December 2016, CCCC Dredging Group had short-term secured borrowings of RMB400 million (restated), which were secured by receivables and long-term receivables with a carrying value of RMB537.5 million and RMB185.2348 million respectively, and CCCC Dredging Group had long-term secured borrowings of RMB180 million (restated), which were secured by the book balance of RMB180 million.

As at 31 December 2017, CCCC Dredging Group had short-term secured borrowings of RMB511.6446 million, which were secured by receivables, long-term receivables and fixed bank deposit with a book balance of RMB488.6787 million, RMB27.0832 million and RMB104.3500 million respectively, and CCCC Dredging Group had long-term secured borrowings of RMB540.3156 million, which were secured by receivables and long-term receivables with a book balance of RMB249.9800 million and RMB 414.7651 million respectively.

As at 31 December 2018, CCCC Dredging Group had short-term secured borrowings of RMB628.3461 million, which were secured by receivables and long-term receivables with a carrying value of RMB190 million and RMB438.3461 million respectively, and CCCC Dredging Group had long-term secured borrowings of RMB1,440.0774 million, which were secured by receivables and long-term receivables with a book balance of RMB2,658.96 million and RMB1,348.3078 million respectively.

As at 30 June 2019, CCCC Dredging Group had short-term secured borrowings of RMB920.00 million, which were secured by long-term receivables with a carrying value of RMB1,115.9685 million, and CCCC Dredging Group had long-term secured borrowings of RMB1,885.3074 million, which were secured by receivables, long-term receivables and intangible assets with a book balance of RMB2,658.96 million, RMB1,895.4194 million and RMB47.109 million respectively.

GEARING RATIO AND CURRENT RATIO

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group's gearing ratio was 64.65% (restated), 64.99%, 65.50% and 69.57% respectively; CCCC Dredging Group's current ratio was 1.19 (restated), 1.13, 1.16 and 1.04 respectively; and CCCC Dredging Group's quick ratio was 0.92 (restated), 0.82, 1.11 and 1.00 respectively.

FOREIGN EXCHANGE RISK

As CCCC Dredging Group operates a significant proportion of its overseas business in Southeast Asia and South America, any major change in exchange rates will affect its profitability. For 2016, 2017, 2018 and the six months ended 30 June 2019, CCCC Dredging Group recorded net foreign exchange gains of RMB164.1220 million, RMB-285.4381 million, RMB140.7788 million and RMB1.4251 million respectively. The negative net foreign exchange gains recorded in 2017 were mainly due to depreciation of US dollar-denominated deposits as a result of lower exchange rates of US dollar.

CONTINGENT LIABILITIES

As at 31 December 2016, 2017, 2018 and 30 June 2019, CCCC Dredging Group had external guarantees of RMB46.8556 million, RMB46.8556 million, RMB1.5901 million and RMB0.00 million respectively, and the amount of outstanding litigations amounted to RMB215.4299 million, RMB129.6549 million, RMB157.5741 million and RMB280.9894 million respectively.

The outstanding litigations as at 30 June 2019 involved claims against CCCC Dredging Group relating to construction contract, infringement and subrogation, among which (i) cases with an aggregate amount of RMB123.1689 million were expected to be dismissed due to expiry of litigation time limits or payment conditions not being satisfied or other reason; and (ii) cases with an aggregate amount of RMB72.2772 million had previous rulings favourable to CCCC Dredging Group and were under second instance or retrial stage. Accordingly, and as the amount of outstanding litigations was relatively small, the Company believes that they would not have any substantial impact on the sustainability of CCCC Dredging Group's operations.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**") which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the ST Acquisition as if they had taken place on 30 June 2019 for the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2019.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the ST Acquisition been completed as at 30 June 2019 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2*	*Note 3*	
Assets				
Non-current assets				
Property, plant and equipment	3,230,830	–	–	3,230,830
Right-of-use assets	934,532	–	–	934,532
Investment properties	17,847	–	–	17,847
Intangible assets	473,977	–	–	473,977
Joint ventures and associates	3,828,238	496,810	–	4,325,048
Loans to joint ventures and associates	173,232	–	–	173,232
Financial asset at fair value through profit or loss	92,875	–	–	92,875
Financial assets at fair value through other comprehensive income	188,677	–	–	188,677
Deferred income tax assets	102,149	–	–	102,149
Other non-current assets	16,421	–	–	16,421
	9,058,778	496,810	–	9,555,588
Current assets				
Inventories	14,994	–	–	14,994
Trade and other receivables	323,929	–	–	323,929
Current income tax recoverable	1,469	–	–	1,469
Restricted bank deposits	72,640	–	–	72,640
Cash and cash equivalents	557,870	(496,810)	297,486	358,546
	970,902	(496,810)	297,486	771,578
Total assets	10,029,680	–	297,486	10,327,166

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2019	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2*	*Note 3*	
Liabilities				
Non-current liabilities				
Deferred income tax liabilities	157,133	–	–	157,133
Lease liabilities	678,809	–	–	678,809
Long term borrowings	2,326,131	–	297,486	2,623,617
Loan from non-controlling shareholder of a subsidiary	681	–	–	681
Derivative financial instruments	10,758	–	–	10,758
Put option liability	213,833	–	–	213,833
Other long term liabilities	36,069	–	–	36,069
	3,423,414	–	297,486	3,720,900
Current liabilities				
Trade and other payables and contract liabilities	641,972	–	–	641,972
Current income tax liabilities	30,010	–	–	30,010
Current portion of lease liabilities	20,820	–	–	20,820
Current portion of long term borrowings	85,598	–	–	85,598
Short term borrowings	98,186	–	–	98,186
Derivative financial instruments	3,128	–	–	3,128
	879,714	–	–	879,714
Total liabilities	4,303,128	–	297,486	4,600,614
Net assets	5,726,552	–	–	5,726,552

Notes to the Unaudited Pro Forma Financial Information

(1) The unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2019 is extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2019 as set out in the interim report of the Company for the six months ended 30 June 2019.

(2) The ST Acquisition

The ST Acquisition involves the purchase of a maximum of 1,379,973,946 CCCC Dredging Shares by the Group at a total consideration of not more than approximately RMB3,409 million (equivalent to approximately US$495,809,000) which will be settled in cash.

Upon completion of the ST Acquisition, the Company is expected to have a significant influence over CCCC Dredging which will become an associate of the Company. In accordance with Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures" ("**HKAS 28**"), the interests in an associate will be accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, any difference between the cost of investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill or negative goodwill which will be included in the investor's share of the associate's profit or loss for the period.

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Group will acquire 1,379,973,946 CCCC Dredging Shares for a cash consideration of approximately US$495,809,000 which is accounted for as the cost of investment. The adjustment also includes the estimated transaction costs of approximately US$1,001,000 which are mainly professional fees payable by the Group in connection with the ST Acquisition.

About 40% of the proposed consideration (approximately RMB3,409 million) is expected to be paid by internal resources, with the remaining being funded by long-term bank borrowings.

(3) The pro forma adjustment represents the drawdown of banking facilities. The Company would drawdown long-term bank borrowings of approximately US$297,486,000, for the purpose of settlement of 60% of the consideration in relation to the ST Acquisition.

(4) For the purpose of the Unaudited Pro Forma Financial Information, the translation of RMB into US$ was made at the exchange rate of US$1.00 to RMB6.8747.

(5) Apart from the ST Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2019. In particular, the Unaudited Pro Forma Financial Information has not taken into account (a) the proposed payment of an interim dividend of HK$14.8 cents per share for the six months ended 30 June 2019 by the Company as announced on 29 August 2019, with an option to receive new fully paid shares in lieu of cash; and (b) the merger of Tianjin container terminals, where Tianjin Port Container Terminal Co., Ltd 天津港集裝箱碼頭有限公司 as the surviving party absorbed Tianjin Orient Container Terminals Co., Ltd. 天津東方海陸集裝箱碼頭有限公司 and Tianjin Five Continents International Container Terminal Co., Ltd. 天津五洲國際集裝箱碼頭有限公司 as disclosed in the announcement of the Company dated 28 August 2019.

3. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers Certified Public Accountants, Hong Kong, for the purpose of incorporation into this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of COSCO SHIPPING Ports Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of COSCO SHIPPING Ports Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2019, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-4 of the Company's circular dated 18 September 2019, in connection with the proposed participation in a consortium in acquisition of not more than 10% equity interests in CCCC Dredging (Group) Co., Ltd. by Shanghai China Shipping Terminal Development Co., Ltd., a subsidiary of the Company (the "**Transaction**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2019 as if the Transaction had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated interim financial information for the period ended 30 June 2019, on which a review report has been published.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 18 September 2019

The details of Mr. ZHANG Dayu, the retiring Director proposed to be re-elected at the SGM, are set out as follow:

Mr. ZHANG Dayu, aged 47, has been an executive director and the managing director of the Company since September 2019. He is the Chairman of the Risk Management Committee and a member of the Executive Committee and the Investment and Strategic Planning Committee of the Company. Mr. ZHANG has been a Deputy Managing Director of the Company, the General Manager of Overseas Business Department and Assistant General Manager of China Shipping Ports Development Co., Ltd. (now known as COSCO SHIPPING Ports Development Co., Ltd.), the Deputy General Manager of Container Control Division of COSCO SHIPPING Development Co., Ltd., the Managing Director of China Shipping Egypt Co., Ltd. and the Managing Director of China Shipping Malta Agency Co., Ltd. Mr. ZHANG graduated from Shanghai Maritime University with Marine Navigation major.

Mr. ZHANG did not hold any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. Save as disclosed above, Mr. ZHANG does not hold any other positions with the Company or other members of the Group, nor does he have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

Pursuant to the service agreement entered into between the Company and Mr. ZHANG, Mr. ZHANG was appointed as executive director and the managing director of the Company for a term of three years commencing on 13 September 2019. The service agreement is subject to termination by either party giving not less than three month's notice in writing to the other party pursuant to the terms of the agreement. The term of appointment of Mr. ZHANG is subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. According to the service agreement, the remuneration of Mr. ZHANG comprises an annual salary of HK$5,233,939 and an annual bonus to be determined by the Board. The remuneration of Mr. ZHANG has been recommended by the Remuneration Committee and determined by the Board according to the terms of the service agreement and by reference to the importance of his management position in the Company, his level of responsibilities and the remuneration policy of the Group.

As at the Latest Practicable Date, Mr. ZHANG was interested in 120,000 Shares and 1,200,000 share options of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. ZHANG has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

In the opinion of the Directors, there are no other matters that need to be brought to the attention of the Shareholders in relation to the re-election of Mr. ZHANG.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of Shares held as at the Latest Practicable Date	Percentage of total number of issued Shares as at the Latest Practicable Date
Mr. ZHANG Dayu	Beneficial owner	Personal	120,000	0.004%
Mr. DENG Huangjun	Beneficial owner	Personal	51,059	0.002%
Mr. ZHANG Wei	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	592,459	0.019%

(ii) Long positions in underlying shares of equity derivatives of the Company

Options granted under the share option scheme approved by the Shareholders on 8 June 2018 (the "**Share Option Scheme**"):

Name of Director	Exercise price *(HK$)*	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of issued Shares as at the Latest Practicable Date	Exercisable period	*Notes*
Mr. ZHANG Dayu	7.27	1,200,000	0.04%	19.06.2020 -18.06.2023	(1), (2)
Mr. DENG Huangjun	7.27	1,200,000	0.04%	19.06.2020 -18.06.2023	(1), (2)
Dr. WONG Tin Yau, Kelvin	7.27	1,200,000	0.04%	19.06.2020 -18.06.2023	(1), (2)

Notes:

(1) The share options were granted on 19 June 2018 under the Share Option Scheme at an exercise price of HK$7.27 per Share. According to the provisions of the Share Option Scheme, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "**Restriction Period**"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the respective share options will be vested on 19 June 2020; (b) 33.3% of the respective share options will be vested on 19 June 2021; and (c) 33.4% of the respective share options will be vested on 19 June 2022. The vesting conditions for the share options are more particularly set out in the section headed "*11 -Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options*" of the circular of the Company dated 18 May 2018.

(2) These share options represent personal interest held by the relevant Director as beneficial owner.

(iii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of shares held as at the Latest Practicable Date	Percentage of total number of issued shares of the relevant class of the relevant associated corporation as at the Latest Practicable Date
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial Owner	Personal	508,000 H shares	0.04%
COSCO SHIPPING Development Co., Ltd.	Mr. FENG Boming	Beneficial Owner	Personal	29,100 A shares	0.0004%
	Mr. DENG Huangjun	Interest of Spouse	Family	38,000 A shares	0.0005%

(iv) Long positions in underlying shares of equity derivatives of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Exercise price *(RMB)*	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of issued shares of the relevant class of the relevant associated corporation as at the Latest Practicable Date
COSCO SHIPPING Holdings	Mr. FENG Boming	Interest of spouse	Family	4.10	530,000 A shares	0.01%

Note:

The share options were granted by COSCO SHIPPING Holdings on 3 June 2019 (the "**Grant Date**") pursuant to the A-shares share option incentive scheme of COSCO SHIPPING Holdings adopted on 30 May 2019. Each share option entitles the person being granted the share option to acquire one A share of COSCO SHIPPING Holdings at an exercise price of RMB4.10. Subject to the vesting period provision and satisfaction of the conditions of exercise, (a) 33% of the share options can be exercised during the first trading day after 24 months from the Grant Date to the last trading day of the 36-month period from the Grant Date; (b) 33% of the share options can be exercised from the first trading day after 36 months from the Grant Date to the last trading day of the 48-month period from the Grant Date; and (c) 34% of the share options can be exercised from the first trading day after 48 months from the Grant Date to the last trading day of the 84-month period from the Grant Date. For details, please refer to the circular dated 18 March 2019 and the announcements dated 22 April 2019, 7 May 2019 and 3 June 2019 of COSCO SHIPPING Holdings.

(b) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

COSCO SHIPPING

Name of Director	**Position**
Mr. ZHANG Wei	General manager of the operation and management department
Mr. CHEN Dong	General manager of the financial management department
Mr. WANG Haimin	Executive vice president and party community member

COSCO SHIPPING Holdings

Name of Director	**Position**
Mr. DENG Huangjun	Employee supervisor
Mr. WANG Haimin	Vice chairman and executive director

(c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and (ii) none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors namely Mr. FENG Boming, Mr. ZHANG Dayu, Mr. DENG Huangjun, Mr. ZHANG Wei, Mr. CHEN Dong and Mr. WANG Haimin held directorships and/or senior management positions in COSCO SHIPPING and its associates and/or other companies which have interests in terminals operation and management business (the "**Terminal Interests**").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Terminals Interests. When making decisions on the terminals business of the Group, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group. Other than as disclosed above, none of the Directors and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERTS AND CONSENTS

(a) The following is the qualification of the experts who have been named in this circular and whose opinion or advice is contained in this circular:

Name	Qualification
Commerce & Finance Law Offices	Qualified PRC lawyers
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Ernst & Young	Certified Public Accountants, Hong Kong
PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountants, PRC
Ernst & Young Hua Ming LLP	Certified Public Accountants, PRC
China Tonghai Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

(b) As at the Latest Practicable Date, none of Commerce & Finance Law Offices, PricewaterhouseCoopers, Ernst & Young, PricewaterhouseCoopers Zhong Tian LLP, Ernst & Young Hua Ming LLP and Tonghai Capital was beneficially interested in the share capital of any member of the Group, or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, none of Commerce & Finance Law Offices, PricewaterhouseCoopers, Ernst & Young, PricewaterhouseCoopers Zhong Tian LLP, Ernst & Young Hua Ming LLP and Tonghai Capital had any direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

(d) Each of Commerce & Finance Law Offices, PricewaterhouseCoopers, Ernst & Young, PricewaterhouseCoopers Zhong Tian LLP, Ernst & Young Hua Ming LLP and Tonghai Capital has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its letter, report or opinion and references to its name in the form and context in which they respectively appear.

8. LITIGATION

There was no litigation or claim of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this circular:

An agreement dated 23 January 2019 entered into amongst the Company, COSCO SHIPPING Ports (Chancay) Limited (a wholly-owned subsidiary of the Company, the "**SPV**"), Volcan Compañía Minera S.A.A. and Terminales Portuarios Chancay S.A. ("**TPCH**") pursuant to which TPCH had conditionally agreed to issue, and the SPV had conditionally agreed to subscribe for, 60% of the shares in TPCH at a subscription price of US$225 million, and a shareholders' agreement in respect of TPCH dated 23 January 2019 entered into amongst the same parties, details of both of which are set out in the announcement of the Company dated 23 January 2019.

10. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 25 of this circular;

(c) the letter from Tonghai Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 58 of this circular;

(d) the annual reports of the Company for each of the two financial years ended 31 December 2017 and 2018;

(e) the PRC legal opinion issued by Commerce & Finance Law Offices as referred to in the sub-section headed "Liabilities for breach" under the section headed "2. The Consortium Agreement" in the Letter from the Board of this circular;

(f) the audited consolidated financial statements of CCCC Dredging for each of the three financial years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial statements of CCCC Dredging for the six months ended 30 June 2019, prepared in accordance with CASBE, as set out in Section I of Appendix II of this circular;

(g) the report from Ernst & Young on the explanation of the effects of material differences between the financial information of CCCC Dredging prepared under CASBE and the Company's accounting policies under HKFRS, as referred to in Section II of Appendix II of this circular;

(h) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group, as set out in Appendix IV of this circular;

(i) the written consents referred to in the section headed "Experts and Consents" in this Appendix;

(j) the material contracts referred to in the section headed "Material Contracts" in this Appendix; and

(k) this circular.

12. GENERAL

(a) The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO SHIPPING Ports Limited (the "**Company**") will be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Tuesday, 8 October 2019 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) the entering into of an agreement (the "**Consortium Agreement**") by Shanghai China Shipping Terminal Development Co., Ltd.* 上海中海碼頭發展有限公司 (a wholly-owned subsidiary of the Company, "**Shanghai Terminal**") with, among others, COSCO SHIPPING (Tianjin) Company Limited* 中遠海運(天津)有限公司 in relation to, amongst other matters, the proposed acquisition by Shanghai Terminal of not more than 1,379,973,946 shares in CCCC Dredging (Group) Co., Ltd.* 中交疏浚(集團)股份有限公司 ("**CCCC Dredging**") at a consideration not exceeding RMB2.47 per share (the "**ST Acquisition**") as described in the circular of the Company dated 18 September 2019 (a copy of the circular has been produced to the meeting marked "A" and initialled by the chairman of the meeting for identification purpose) and the transactions thereunder (including but not limited to the ST Acquisition) be and are hereby approved and confirmed; and

(b) the director(s) of the Company be and are hereby authorised for and on behalf of the Company, amongst other matters, to sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the Consortium Agreement and to be in the interests of the Company."

(2) "**THAT**:

Mr. ZHANG Dayu (張達宇) be re-elected as a director of the Company."

By Order of the Board
COSCO SHIPPING Ports Limited
HUNG Man, Michelle
General Counsel & Company Secretary

Hong Kong, 18 September 2019

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Notes:

1. Shareholders of the Company who are entitled to vote at the meeting are those whose names appear as shareholders on the register of members of the Company as at the close of business on Friday, 4 October 2019. In order to be entitled to vote at the meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 4 October 2019.

2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.

3. To be valid, the form of proxy together with power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be deposited at the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so wish, and in such event, the form of proxy will be deemed to be revoked.

5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. For the purposes of this notice, any English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.