中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

H Share Stock Code: 1800

WE ARE BUILDING A CONNECTED WORLD

Annual Report 2016
(H Share)


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Contents

CORPORATE PROFILE

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

As a leading transportation infrastructure group in the PRC, the Group is the industry leader in each of its 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 Company currently has 37 principal wholly-owned or controlled subsidiaries. The Company operates its businesses throughout China, including Hong Kong and Macau Special Administrative Regions, and has established its global presence in over 140 countries and regions.

As an important holding subsidiary of CCCG, the Company played a decisive role in business performance of CCCG. CCCG was listed in the Fortune Global 500 for the ninth consecutive year in 2008-2016, and attributable to the continual increase of the Company's comprehensive strength, the Company's ranking soared up from the 426th place in 2008 to the 110th place in 2016, ranking among the first in Fortune Global 500. The Company responded actively the national strategic deployment of "Going Global", participated extensively in cooperation and competition for foreign economic aid programs and international contracting projects, and acted as a leader in implementing the "One Belt, One Road" strategy. CCCG has not only been included in the ENR's Top 250 International Contractors consecutively since 1992, but also remains ranking the first among the Chinese enterprises in ENR for ten consecutive years (in terms of revenue from overseas projects), and it is the only Chinese enterprise ranking the Top 10, jumping into the Top 3 in 2016. Together with CHEC, CRBC and ZPMC, CCCC now enjoys a high reputation around the world.

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

CORPORATE PROFILE

CCCC places great emphasis on scientific research and development which would improve the Company's competency in operation. Following the direction of "making innovations and leapfrog advances in key areas supporting development and thus creating a better future" and leveraging on the tertiary interaction between the management level, execution level and application level, the Company established and perfected a three-level system in technological innovation which has a sound structure and high operation efficiency. A cluster of Research and Development ("R&D") facilities, with "43 centres, 18 laboratories and 15 institutes" (12 national level science and research centres, 31 provincial level science and research centres, 1 national key laboratory, 9 provincial and ministerial level key laboratories, 8 key laboratories of the Group, 15 scientific research institutes specialising in technological R&D) at its core, holds a leading position in the relevant scientific R&D fronts. The Company attaches great importance to the cultivation of talents and has spent great effort in nurturing teams of talents and cadres continuously. The Company retains the members of the Chinese Academy of Engineering, National Reconnaissance Masters and other national experts and senior engineers. The Group also holds nine Post-Doctoral research centres.

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

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

PERFORMANCE HIGHLIGHTS

RMB million (except per share data)	For the year ended 31 December **2016**	2015	Change (%)
Revenue	**429,972**	403,616	6.5
Gross Profit	**57,899**	49,754	16.4
Operating Profit	**31,124**	25,798	20.6
Profit attributable to owners of the Company	**17,210**	15,828	8.7
Basic earnings per share (RMB) (Note)	**1.00**	0.96	4.2

RMB million	As at 31 December **2016**	2015	Change (%)
Total assets	**801,082**	731,313	9.5
Total liabilities	**614,512**	562,307	9.3
Total equity	**186,570**	169,006	10.4
Capital and reserves attributable to owners of the Company	**159,323**	146,724	8.6

	For the year ended 31 December			
Value of New Contracts	**2016**		2015	Change (%)
RMB million	**Number of projects**	**Value of Contracts**	Value of Contracts	
Infrastructure Construction Business	**1,719**	**612,415**	539,456	13.5
– Port Construction	**345**	**31,628**	53,064	(40.4)
– Road and Bridge Construction	**550**	**134,946**	151,794	(11.1)
– Railway Construction	**32**	**24,326**	27,063	(10.1)
– Investment Projects	**38**	**155,538**	85,900	81.1
– Municipal and Others	**521**	**60,118**	85,386	(29.6)
– Overseas Projects	**233**	**205,859**	136,249	51.1
Infrastructure Design Business	**5,444**	**38,565**	35,929	7.3
Dredging Business	**395**	**39,541**	41,194	(4.0)
Heavy Machinery Manufacturing Business	**N/A**	**32,064**	32,714	(2.0)
Other Businesses	**N/A**	**8,217**	5,331	54.1
Elimination	**–**	**–**	(4,309)	–
Total	**–**	**730,802**	650,315	12.4

	As at 31 December			
Backlog	**2016**		2015	Change (%)
RMB million	**Number of projects**	**Value of Contracts**	Value of Contracts	
Infrastructure Construction Business	**3,083**	**964,724**	757,842	27.3
Infrastructure Design Business	**7,626**	**56,785**	46,518	22.1
Dredging Business	**356**	**51,106**	43,341	17.9
Heavy Machinery Manufacturing Business	**N/A**	**23,096**	22,685	1.8
Other Businesses	**N/A**	**4,041**	1,721	134.8
Elimination	**–**	**–**	(4,809)	–
Total	**–**	**1,099,752**	867,298	26.8

Note: In calculating the amount of basic earnings per share for 2016, the interests/dividends with an aggregate amount of RMB1,017.5 million shall be excluded from profits.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

As guided by the strategy of "experts in five areas" in 2016, centring on quality and efficiency enhancement and focusing on the supply-side structural reform, the Company promoted various work systematically, continuously optimized its global market layout and resource allocation capability, achieved the new high in internationalized development, as well as improved its market influence and international reputation significantly!

In 2016, facing with the complicated industry development environment, the Company's main business indicators increased against the trend and hit a new record high. Revenue of the Group was RMB429,972 million, representing a year-on-year increase of 6.5%; profit attributable to owners of the parent was RMB17,210 million, representing a year-on-year increase of 8.7%; the Company recorded the operating cash inflow of RMB29,719 million with sound financial leverage and sufficient liquidity and earnings per share was RMB1.00. New contracts amounted to RMB730,802 million, representing a year-on-year increase of 12.4%. As at 31 December 2016, the backlog of the Group amounted to RMB1,099,752 million, representing an increase of 26.8% compared with that as at 31 December 2015.

With the constant and steady development, the Company has constantly improved its domestic and overseas comprehensive status. In 2016, the Company soared up 55 places from its ranking of last year and ranked the 110th in the Fortune Global 500. Meanwhile, the Company ranked the 3rd in ENR's Top 250 International Contractors, remained ranking the first among the enrolled Chinese enterprises for ten consecutive years, and was the only Chinese enterprise ranking the Top 10. The Company ranked the 5th in ENR's Top 150 Global Design Firms. In the Operating Results Assessment of State-owned Enterprises conducted by the SASAC, the Company has been rated as a Grade A enterprise for eleven consecutive years, ranking the first place among the state-owned construction enterprises, and has been awarded with Enterprise with Excellent Performance, Outstanding Enterprise in Science, Technology and Innovation and Outstanding Enterprise in Energy Conversation and Emission Reduction. The Company has also been highly affirmed by the state and market for its outstanding performance in implementing the strategy of "One Belt, One Road" and the national significant strategic engineering construction. In addition, the Company has been generally appreciated across the world for its harmonious and win-win development with stakeholders.

CHAIRMAN'S STATEMENT

Over the past year, in the face of the complicated and harsh internal and external environment as well as the arduous and onerous reform and development stability tasks, the Company has always maintained firm determination and high-spirited attitude, worked hard together to overcome difficulties, and made remarkable achievements. The Company has created a new development phase in the critical period of starting, reforming and developing the "Thirteenth Five-Year Plan" and has mainly accomplished the following achievements:

Firstly, our business development strode into a new level. The Company's strategic transformation from industry to commerce was substantially achieved with continuous upgrade of business operating, therefore the quality and efficiency of the development was recognised and appreciated in the market.

Secondly, our supply-side reform stimulated new impetus. The Company proactively adapted to and coped with the new normal situation of economy, followed up the national strategy closely, aligned the corporate development with the movements of economic and social development closely, combined market layout with the state's regional economic development strategy closely, and enhanced the integrated industry competence integrally from front-office to back-office, hence the efficient supply ability of the Company was improved actually.

Thirdly, our quality and efficiency improvement made new progress. We actively marched into the overseas market, the urban area, the ocean and the comprehensive transportation industry, and had made substantive achievements by expanding the market for larger increment. We pushed forward the integration of industry and finance and revitalised stock assets by implementing various measures according to the requirements of "cutting overcapacity, reducing excess inventory, deleveraging, lowering costs, and strengthening areas of weakness". We lowered costs and increased efficiency through enhancing basic management and increasing internal strength.

Fourthly, our internationalized development set another new record. The Company continued to optimise global market layout and resource allocation capability, initiated a number of major overseas projects, significantly improved its influence in the market and international reputation took the lead in promoting "Chinese technology", "Chinese standards" and "Chinese management" to go global, and made the demonstration effect more prominent.

Opportunity and challenge will coexist, and opportunities will outweigh challenge in 2017. The Company will persist in the keynote of seeking progress while maintaining stability, advance all kinds of work in a steadfast, coordinated and innovative manner, and endeavour to create another new record and reach a higher level. Great importance shall be attached to properly fulfilling the work in the following eight aspects:

Firstly, the Company will deepen the enterprise reform comprehensively, actively promote regional development, accelerate professional integration, improve the construction of adaptive organisation, promote market-oriented reform in the system and mechanism, and intensify comprehensive strength and core competence.

Secondly, the Company will promote the steady increase in its business operation performance, endeavour to achieve good effect from market expansion, mechanism optimisation and coordinated development, guide the stable growth work with high targets throughout the year, take multiple measures to enhance quality and efficiency, and ensure to achieve the annual targets established by the Company.

Thirdly, the Company will focus on improving its financial indicators, implement strict control target for interest-bearing debts, ensure that the growth rate in account receivables and inventory will not exceed that in revenue, restrain strictly the management fee and labour cost from fast growth, take strict control over non-operating expenditure, implement the "streamlining" work, enhance capital utilisation efficiency, and increase the return on capital.

CHAIRMAN'S STATEMENT

Fourthly, the Company will deepen the implementation of innovation-driven development strategy, vigorously promote technological innovation, continuously deepen management innovation, speed up innovation in system and mechanism, and boost our business to develop towards a higher level, better quality and greater efficiency.

Fifthly, the Company will profoundly promote the international priority development strategy and carry out internationalised operation steadily and smoothly. The Company will bring into full play comparative advantages and leading edges, innovate the "Going Global" model, strengthen integration of internal resources, reinforce overseas risk prevention and control, and further enhance international competitiveness.

Sixthly, the Company will take investment into overall considerations, optimise capital investment orientation, prevent and control investment risks, enhance capital return rate, accelerate the optimisation and adjustment of investment system and the integration of investment portfolio, and guarantee the leading position in the industry.

Seventhly, the Company will take strict control over safe production situation, persist in the people-oriented development concept, comprehensively strengthen and improve safety production work, take strict control over responsibility realisation, deepen the construction of emergency management system, and optimise emergency mechanism.

Eighthly, the Company will upgrade the cultural soft power, strengthen value guidance and public opinion propaganda, identify the main theme and carry forward positive energy, gather more powerful efforts to promote reform and development, and provide cultural leadership and brand support for being the national team in the infrastructure sector.

The Company is experiencing a strategic transformation opportunity period, so we will seize the opportunities to develop, speed up to promote the reform and development of the Company with high-spirited attitude, greater enthusiasm and more effective measures, and make continuous efforts to build the Company into a world-class enterprise with international competence sooner. All shareholders, people from all walks of life and friends that have cared about our Company for a long time, we hope for your continual help and support!

Liu Qitao
Chairman

Beijing, the PRC
28 March 2017

The undersea tunnel of Hong Kong-Zhuhai-Macao Bridge is the world's longest highway immersed tunnel and the only deep immersed tunnel with a length of 5,664 meters, as well as China's first off-sea immersed tunnel. The picture features the completion of the installation of the last tube section.

BUSINESS OVERVIEW

As guided by the strategy of "experts in five areas" in 2016, the Company promoted various work systematically by focusing on quality and efficiency enhancement and by highlighting the supply – side structural reform, thus contributing to the continuous optimisation of global market layout and resource allocation capability, achieving the new record high in internationalised development, as well as improving its market influence and international reputation significantly.

In 2016, the value of new contracts entered into by the Group amounted to RMB730,802 million, representing a year-on-year increase of 12.4%. As at 31 December 2016, the backlog of the Group was RMB1,099,752 million, representing an increase of 26.8% as compared with the backlog as at the end of 2015.

In 2016, the value of new contracts from overseas markets amounted to RMB223,770 million (equivalent to approximately USD32,258 million), representing approximately 30.6% of the Group's new contract value. According to statistics, as of 31 December 2016, the Company conducts its business in over 140 countries and regions, of which a total of 1,282 foreign contracting engineering projects were under construction, with a total contract amount of approximately USD92,628 million.

In 2016, the value of new contracts (budget for investment, same as below) from investment projects of all business of the Group amounted to RMB174,171 million, accounting for approximately 23.8% of the value of new contracts of the Group. During the process of designing and implementing the foregoing projects, the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB150,778 million.

I. BUSINESS REVIEW AND MARKET STRATEGIES

In 2016, China's economy operated slowly but stably and tended to be positive in stability, with the GDP growth rate at 6.7% on a year-on-year basis. The government made comprehensive use of multiple monetary policy instruments to support the development of real economy. As supporting capacity for infrastructure investment improved continuously, investment in fixed assets increased by 17.4% on a year-on-year basis. Investment in railway and highway transportation industry maintained a high-level but slow-down momentum, investment in water transportation construction declined slightly, and urban infrastructure projects for urban rail transit, comprehensive underground pipe gallery, airport, municipal road and bridge increased rapidly by virtue of PPP mode. Plenty of market opportunities have been provided due to the acceleration of new urbanisation construction.

In 2016, the world economy and trade hit the lowest growth rate in the past seven years and continued to show a weak recovery trend. The international financial market fluctuated more sharply; the international oil price remained low, so countries with oil export as the main economic source suffered from depressive economy; default risk increased due to debt maturity of some African countries. Meanwhile, Chinese government positively advanced the construction of "One Belt, One Road", strengthened strategic cooperation with countries along the route, and further enhanced practical cooperation thereof. As a leader of Chinese enterprises for overseas development, the Company has captured the market opportunities tightly. In 2016, CCCG ranked the 3rd in ENR's Top 250 International Contractors, remained ranking the first among the enrolled Chinese enterprises for ten consecutive years, and was the only Chinese enterprise ranking the Top 10. The Company has become a compelling business card for Chinese enterprises "Going Global" in the international market.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business

The scope of infrastructure construction business mainly includes the construction of port, road, bridge, railway, tunnel, rail transit, airport, and other facilities, as well as construction services provided in multiple forms such as investment. Categorised by project type, it specifically covers port construction, road and bridge projects, railway construction, investment projects, municipal and other projects, overseas construction projects, etc.

In 2016, the value of new infrastructure construction contracts entered into by the Group amounted to RMB612,415 million, representing a year-on-year increase of 13.5%. Wherein, the value of new contracts in terms of port construction, road and bridge projects, railway construction, investment projects, municipal and other projects and overseas infrastructure construction amounted to RMB31,628 million, RMB134,946 million, RMB24,326 million, RMB155,538 million, RMB60,118 million and RMB205,859 million, respectively, representing 5%, 22%, 4%, 25%, 10% and 34% of the total value of new infrastructure construction contracts, respectively. As at 31 December 2016, the backlog was RMB964,724 million, representing an increase of 27.3% as compared with the backlog as at the end of 2015.

(1) Port Construction

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

In 2016, the value of new contracts of the Group for port construction projects in mainland China amounted RMB31,628 million, representing a year-on-year decrease of 40.4%, and accounting for 5% of that of the infrastructure construction business. The dramatic decrease in the value of new contracts was mainly attributable to the higher base arising from the key national engineering projects undertook by the Company in 2015, as well as the shrinkage of water transportation construction market in 2016.

In 2016, according to the data of fixed assets investment in coastal transportation construction announced by the Ministry of Transport, the investment completed throughout the year amounted to approximately RMB85,890 million, representing a year-on-year decrease of 5.7%. The water transportation construction market centered on coastal port construction shrank dramatically, and the investment scale of inland water transportation was insufficient.

In accordance with the *"Thirteenth Five-Year" Development Planning for Modern Comprehensive Transportation System*, China will further improve the waterway transportation network in the coming years, with the investment scale basically equivalent to that during the "Twelfth Five-Year Plan" period. China will optimise port layout, advance resource integration, and promote structural adjustment; intensify the function of shipping centers, develop container terminal projects steadily, control the construction rhythm of coal, ore and crude oil terminals reasonably, promote the construction of LNG and commercial automobile terminals orderly; upgrade the professional level of coastal and inland water transportation facilities, accelerate the construction of inland high-grade waterway, take both waterway regulation and river control into overall considerations, intensify the shipping capacity in trunk line of Yangtze River, and promote capacity expansion, upgrade and transformation of Xijiang Shipping Trunk Line and high-grade waterways of Beijing-Hangzhou Canal.

Therefore, based on the advantageous survey and design resources, the Company attaches great importance to development opportunities brought by the "One Belt, One Road" Maritime Silk Road for coastal construction in provinces like Fujian, Zhejiang, Hebei and Liaoning, capture the new development opportunities created in the process of water environment treatment and sponge city construction, reinforce traditional market share, and seek after market increment.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(2) Road and Bridge Construction

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

In 2016, the value of new contracts of the Group for road and bridge construction projects in mainland China reached RMB134,946 million, representing a year-on-year decrease of 11.1%, and accounting for 22% of that of the infrastructure construction business. In the meantime, according to the Company's statistics, the value of new contracts involving road and bridge construction in the infrastructure investment projects amounted to RMB101,130 million.

In 2016, according to the data of investment in transportation fixed assets of road construction published by the Ministry of Transport, the investment completed throughout the year amounted to approximately RMB1.78 trillion, accounting for a year-on-year increase of 7.7%. The scale of the investment was maintained at a high level while Beijing-Tianjin-Hebei Region, western and southwestern regions were welcoming the peak of construction.

In accordance with the *"Thirteenth Five-Year" Development Planning for Modern Comprehensive Transportation System*, to meet the requirements for building up the high-quality rapid transportation network, the government will speed up to promote the construction of national expressway network consisting of 7 capital radiation lines, 11 south-north vertical lines, 18 west-east horizontal lines, regional ring lines, parallel lines, interconnection lines, etc., get through the sections of national expressways main lines pending to be connected as soon as possible, and promote the expansion and transformation in the sections of national expressways constructed in earlier years with heavy traffic and the construction of traffic diversion lines. The government will develop local expressways in an orderly manner, and strengthen the linkage between expressways and ports. The government will continue promoting the upgrading and transformation of general national highways, and focus on strengthening the upgrading and transformation of low-grade general national highways and the construction of non-through sections in western regions, concentrated and contiguous poverty-stricken areas, as well as undeveloped and remote areas.

In 2017, the Company will continue attaching equal importance to overall planning and production operation, and insisting on both market development and project management subject to market changes, strengthen high-end linkage with the government and large-sized enterprises, increase information tracking of key projects, pay attention to and foster highway maintenance market, give prominence to increment development and safety control, and endeavor to achieve new breakthroughs in various indicators.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(3) Railway Construction

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

In 2016, the value of new contracts of the Group for railway construction projects in mainland China reached RMB24,326 million, representing a year-on-year decrease of 10.1%, and accounting for 4% of that of the infrastructure construction business.

According to the data issued by China Railway Corporation in 2016, the railway construction investment completed throughout the year amounted to approximately RMB801,500 million, maintaining the same investment scale as that in 2015. Pursuant to the spirit of the working meeting of China Railway Corporation, the investment scale of national railway industry will be maintained at approximately RMB800,000 million in 2017. Great efforts will be made to promote the construction of national trunk railway network, particularly the railway construction serving the development of central and western regions, poverty alleviation program, land development, national defense mobilisation, etc. The Company offers support to local governments and social investment institutions in intercity and branch railway construction, endeavors to achieve complementary advantages, cooperation and win-win with local governments and social investors, and forms into a new pattern subject to categorised and layered construction and sustainable development.

In 2017, the Company will give play to the comprehensive coordination advantages of its Business Department, do well in market follow-up of individual projects with large investment and long cycle, and strive for making the market share increasing stably. As for key projects under construction, the Company will further intensify the centralised management, standardise the subcontracting procurement process, control the budget cost effectively, and implement the economic benefit assessment strictly.

(4) Investment Projects

In 2016, the value of new contracts of the Group for investment projects in mainland China infrastructure construction business amounted to RMB155,538 million, representing a year-on-year increase of 81.1%, accounting for 25% of that of the infrastructure construction business. During the process of designing and implementing the foregoing projects, the value of construction and installation contracts to be undertaken by the Group was estimated to be RMB135,297 million.

In 2016, the Company unswervingly adhered to the investment projects with PPP mode as the main investment method. Among our infrastructure construction business, the value of new contracts in terms of BOT projects, government procurement projects and urban comprehensive development projects amounted to RMB102,172 million, RMB21,721 million and RMB31,645 million, respectively, representing 66%, 14% and 20% of the value of new contracts for infrastructure construction investment projects, respectively.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(4) Investment Projects (Continued)

Since 2007, the Group has dedicated to the development of investment projects aiming to obtain profits from investment activities other than from, among others, rational design and construction projects. As at 31 December 2016, according to statistics (the consolidated items contracted and financed by the Group, and the latest statistics shall prevail if there is any change), the total contracted investment volume of the Group's BOT projects was estimated to be RMB261,746 million, wherein, the accumulative completed investment amounted to RMB154,213 million, and uncompleted investment amounted to RMB107,533 million. The total contract value of government procurement projects entered into by the Group amounted to RMB253,814 million, wherein, the accumulative completed investment amounted to RMB87,812 million, with an investment amount of RMB67,134 million of projects having entered into the payback period and cumulatively RMB39,038 million having been recovered. The total contract value of the Group's urban comprehensive development projects was estimated to be RMB211,136 million, among which, RMB46,335 million having been completed cumulatively, RMB27,083 million sales amount having been realised and RMB21,339 million having been received by the Company.

Since its launch at the end of 2013, PPP mode has been implemented for over three years in China, where legal and policy environment has become increasingly matured. The new project landing speed began to increase in the second half of 2015. This mode has been gradually accepted in 2016. Under the background of the sharp local fiscal revenue and expenditure contradiction and increasing standardization of local debt management, the local government has showed great enthusiasm for promoting PPP projects, making the quantity and amount of landing projects hit another record high. In 2017, the implementation scale of PPP projects is estimated to reach RMB3.8 trillion, so the project implementation peak will be coming.

In 2016, by adhering to the general principles of "investing prudently, mitigating risk, controlling newly-initiated projects, assuring undergoing projects, prioritising efficiency and being stronger and better", the Company abided by the conditions of high integrity in investment regions as well as coincidence between the project and the Group's main business and development orientation, and controlled the scale of newly-initiated projects basically within the annual budget.

Meanwhile, the Company made the first breakthrough in asset securitisation of investment projects, and activated assets of four expressways including Chongqing Fengdu-Fuling, Fengdu-Shizhu, Tongliang-Hechuan and Foshan Guangming by means of CCCC Road & Bridge Fund. The Company succeeded in equity transaction in China Beijing Equity Exchange at the end of November 2016, which reduced the Group's interest-bearing liabilities by approximately RMB13,850 million. In 2017, the Company will conduct asset securitisation by optimising the asset model at the initial stage of CCCC Road & Bridge Fund, select matured and high-quality assets for securitisation (listing) properly, liquidise the value of remnant assets, and lower the corporate financing cost.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(4) Investment Projects (Continued)

In 2017, the Board approved the budget for investment projects (including infrastructure construction, infrastructure design, dredging and heavy machinery manufacturing) in mainland China with value of new project contracts amounting to RMB180,000 million (for details, please refer to the Overseas Regulatory Announcement of Annual Investment Project Budget in 2017 date 28 February 2017 issued by the Company). The Company will grasp the new opportunity from investment business, continue to fulfill the goals of being a partner to share the economic and social development responsibilities with the government, a participant to deeply involve in the regional economic development and a quality public service provider for government procurement, optimise investment layout, innovate the integration of industry and finance, deepen project management, control risks effectively, enhance the profitability level and assets quality remarkably, and continue unfolding a new pattern for transformation and upgrading of the Company's investment business.

(5) Overseas Construction Projects

The Group is the largest international engineering contractor in China. In 2016, CCCG ranked the 3rd in ENR's Top 250 International Contractors, remained ranking the first among the enrolled Chinese enterprises for ten consecutive years, and was the only Chinese enterprise ranking the Top 10. The Company has become a compelling business card for Chinese enterprises "Going Global" in the international market.

The scope of overseas construction projects includes all kinds of large-scale infrastructure projects such as road and bridge, port, railway, airport, subway, etc., subject to remarkable competitive edges on the market. Among the signed and performed railway "Going Global" projects, the Company has accounted for one third in overseas engineering projects of Chinese enterprises, and played a vital role in terms of market influence.

In 2016, the value of the new contracts for overseas construction projects of the infrastructure construction business entered into by the Group amounted to RMB205,859 million (equivalent to approximately USD29,676 million), representing a year-on-year increase of 51.1% and accounting for 34% of that of the infrastructure construction business. Among which, 18 new projects were signed with each contract value over USD300 million and a total contract value of USD17,520 million, accounting for 54% of total value of all overseas new contracts of the Group.

Categorised by project type, the value of overseas new infrastructure construction contracts for railway, roads and bridges, port, airports, housing, municipal and other projects accounted for 29%, 25%, 21%, 11%, 6% and 8% of the value of new contracts for overseas projects, respectively.

Categorised by project location, the value of new infrastructure construction contracts for Africa, Southeast Asia, Hong Kong/Macau/Taiwan, Oceania, Middle East, Europe and South America accounted for 48%, 18%, 16%, 11%, 2%, 2% and 3% of the value of new contracts for overseas projects, respectively.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(5) Overseas Construction Projects (Continued)

In 2016, the Company continued to act as a pioneer and leader in practicing the national initiative of "One Belt, One Road", carried out advanced deployment and high-end linkage, achieved multiple early harvests in key national "Going Global" fields like infrastructure interconnections, industry capacity cooperation, economic, trade and industrial cooperation zones, etc., and implemented a batch of demonstration projects. The Company has effectively promoted the resumption of Sri Lanka Harbour City (Financial City) Investment Project, and made the BOT Project of South-North Highway in Jamaica operate smoothly and enter the tolling phase; the Company won the bid for two sections of the Third Runway System of Hong Kong Airport, with the contract amount totaling to USD2,200 million, refreshing the Company's record of cash construction projects in Hong Kong and Macau; the Consortium under the Company's leadership won the bid for the Offshore Deepwater Port Phase I Design Project in Venice, Italy, which was not only the first time for the Company to win the bid for cash construction infrastructure project at the EU market, but also the first time for Chinese companies to win the bid for cash construction infrastructure project in the EU developed countries. The Company had fruitful achievements in development of the overseas market, and played a significant role in implementing key national strategies and developing national economy.

In 2016, the Company accelerated introduction of overseas priority strategy, improved the system and optimised layout of resources, and created a new world for overseas business development. The Company worked out the *Implementation Opinions for Specific Reform in Overseas Priority Development*, and adopted preferential policies and guarantee measures in six mechanisms and 23 items including responsibilities, overall planning, incentives and restraints, talents, etc. of overseas priority development, ushering in a new journey of overseas priority strategy. The Company further highlighted the leading role of overseas business as "One Body with Two Wings", intensified the contract performance capability as a specialised company, reinforced the dependency capability of overseas offices, optimised overseas regional layout, and enhanced the contribution capability of professional platform companies represented by John Holland, an Australian company.

In 2017, the Company will grasp the overall trend of national strategies, accommodate to the global development tendency, bring into full play the Company's overseas strengths, and utilise high-end marketing approaches to improve global market layout continuously, initiate overseas investment projects duly and appropriately, and reinforce the Company's leadership position among the "Going Global" enterprises.

(6) Municipal and Other Projects

The Group actively participated in urban infrastructure construction for rail transit, urban comprehensive pipe gallery, airport, etc. extensively, with considerable market influence.

In 2016, the value of new contracts for municipal and other projects in mainland China entered into by the Group reached RMB60,118 million, representing a year-on-year decrease of 29.6%, and accounting for 10% of that of the infrastructure construction business. In the meantime, according to the Company's statistics, the value of new contracts involving municipal and other projects in the infrastructure investment projects amounted to RMB54,408 million.

According to the data of the National Bureau of Statistics in 2016, the investment in water resources, environment and public facilities management business grew by 23.8%, which fell down slightly as compared to that in 2015. Among which, the new project opportunities for investment in public facilities such as municipal facilities and water supply facilities were mainly based on PPP mode.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

(6) Municipal and Other Projects (Continued)

According to market changes, the Company further strengthened market development in the fields of rail transit, municipal, comprehensive pipe gallery, airport, etc. On one hand, the Company entered into new markets through investment; on the other hand, the Company reinforced information tracking of the bidding, tendering and cash construction market. By utilising its investment business experience from long-term cooperation with local governments, the Company advanced the development of PPP project steadily as the social capital. Through investment, the Company has successfully involved in the comprehensive underground pipe gallery projects in Chifeng of Inner Mongolia, Siping of Jilin Province and Sanya of Hainan Province, entered the comprehensive urban development projects in Nansha New Area in Guangzhou of Guangdong Province, Zhenjiang of Jiangsu Province and Changzhou of Jiangsu Province, and won the bid for Phase I of Urumchi Rail Transit Line 4 Project.

2. Infrastructure Design Business

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

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

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

In 2016, the value of new infrastructure design contracts entered into by the Group reached RMB38,565 million, representing a year-on-year increase of 7.3%. Wherein, the value of new contracts from overseas markets amounted to RMB2,044 million (equivalent to approximately USD295 million), while the value of new investment contracts amounted to RMB4,809 million, with the value of construction and installation contracts to be undertaken by the Group being estimated to be RMB3,763 million. As at 31 December 2016, the backlog amounted to RMB56,785 million, representing an increase of 22.1% as compared with the backlog as at the end of 2015.

Categorised by project type, the value of new contracts for survey and design, project supervision, EPC contracts and other projects (including PPP projects) amounted to RMB10,194 million, RMB810 million, RMB13,250 million and RMB14,311 million, respectively, representing 27%, 2%, 34% and 37% of the total value of new infrastructure design contracts, respectively, as compared with 32%, 2%, 56% and 10%, respectively recorded for the corresponding period of 2015.

In 2016, China's port survey and design market developed slowly, and the traditional water transportation hub port projects decreased sharply, but regional markets in Hainan and Fujian showed a great uptrend. The road and bridge design business recovered slightly, while the total amount of survey and design business showed a moderate growth momentum.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

2. Infrastructure Design Business (Continued)

According to the market changes, the Company has followed up a number of major projects with high social attention and powerful influence, and won the bid to such projects as Shenzhen to Zhongshan cross-river channel, Linzhi to Lhasa reconstruction project of National Highway 318, Shaoxing to Jinhua section project of Hangzhou-Shaoxing-Taizhou Expressway. Each of these projects needs the design cost of more than RMB100 million, which are all the national major projects during the "Thirteenth Five-Year Plan" period. Meanwhile, the Company has strengthened the attention to EPC and PPP projects, and steadily implemented a series of projects, such as EPC Project for Phase I of Baiyun International Automotive Cultural & Digital High-tech Park in Guiyang, PPP Project for Comprehensive Development of Shahe Area in Yichang, Hubei, EPC Project for Preliminary Preparations for Land Formation of Xuwei Port Area in Lianyungang, Jiangsu. In addition, the Company has enhanced strategic guidance, gathered resources to give priority to the development of municipal business, underwater tunnels, bridge and tunnel monitoring and maintenance as well as other strategic emerging business. This strategy has achieved remarkable results as of this year. Furthermore, the overseas infrastructure design business entered the quick development period, traditional market regions were further reinforced, and the emerging markets made great breakthroughs as guided by the strategy of "One Body with Two Wings".

In the long run, the emerging business market will be subject to considerable scale, and create increasingly new development opportunities. China's rural-urban integration progress and urbanisation construction are well underway, and emerging business hotspots such as sponge city, underground pipe gallery, etc. are emerging unceasingly. As China accelerates to promote the regional coordinated development strategy and urban agglomeration development strategy, there will be enormous demands for urban infrastructure construction, while substantial market potentials still exist in municipal, railway and rail traffic projects. The overseas market enjoys broad prospects, as the government continues to implement the "Going Global" strategy, and carries out multi-lateral and bilateral cooperation, interconnection and interworking, and "One Belt, One Road" construction, which will create tremendous market opportunities for the Company's development.

3. Dredging Business

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

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

In 2016, the value of new dredging contracts entered into by the Group reached RMB39,541 million, representing a year-on-year decrease of 4.0%. Wherein, the value of new contracts from overseas markets amounted to RMB2,456 million (equivalent to approximately USD354 million), while the value of new investment contracts amounted to RMB3,969 million, with the value of construction and installation contracts to be undertaken by the Group being estimated to be RMB3,588 million. As at 31 December 2016, the backlog amounted to RMB51,106 million, representing an increase of 17.9% as compared with that as at the end of 2015.

In 2016, according to the vessel purchase plan, there was one large vessel constructed with special purpose to serve in the Group's dredger fleets. As at 31 December 2016, the Group's dredging capacity amounted to approximately 800 million cubic meters under standard operating conditions.

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

3. Dredging Business (Continued)

As driven by regional market in mainland China, the dredging and filling market bottomed out and recovered slightly in 2016, but it still performed weakly as compared to the peak season of market. Attributable to the support of domestic growth stabilising policy, some large-scale marine reclamation projects are expected to rise gradually, and there is certain market space in terms of artificial island construction, airport, coastal development and port relocation, and the market demands will be somewhat improved.

Meanwhile, we also notice that firstly, as the inland water transportation development becomes the national strategy, and the construction of Yangtze River Economic Zone and Zhujiang River-Xijiang River Economic Zone is implemented, the inland water transportation ushers in a golden development period, where the infrastructure construction will be further accelerated; secondly, emerging fields such as water resources and water power market, sponge city construction, comprehensive environmental treatment of regional drainage basins, sewage and solid waste disposal, particularly the eco-friendly treatment of river bank, lakeshore and coast, as well as professional services related to marine energy development will enjoy considerable market development potential.

According to the market changes, the Company will fully utilise the overall planning advantages and intensive management effect arising from restructuring and integration of the dredging module, accelerate the expansion of overseas business, positively develop emerging business such as environmental protection projects of water environment treatment and solid waste treatment, provide comprehensive solutions for reclamation, marine engineering, environmental protection engineering, etc., and endeavor to be a pacesetter of key national strategy of "building up a maritime power, safeguarding maritime rights and interests, and developing maritime resources".

4. Heavy Machinery Manufacturing Business

The scope of heavy machinery manufacturing business mainly includes research and development and manufacture of products such as container cranes, loading/unloading machinery, marine engineering equipment, heavy-duty steel structure, road construction machinery, and etc.

The Group's heavy machinery manufacturing business is represented by ZPMC. As the world's largest container crane manufacturer, the Group accounted for over 82% worldwide in 2016, with the products exported to 95 countries and regions. Meanwhile, the Group is the world's leading enterprise in marine engineering auxiliary shipbuilding and has represented the world's first level in fully slewing floating cranes and heavy-duty pipe-laying ships. Besides, the Group is a top-class enterprise in the world's marine engineering equipment design field, and over one-third semi-submersible drilling platforms and self-elevating drilling platforms worldwide have adopted the Company's design.

In 2016, the value of new heavy machinery manufacturing contracts entered into by the Group reached RMB32,064 million, representing a slight year-on-year decrease of 2.0%. Wherein, the value of new contracts from overseas markets amounted to RMB11,955 million (equivalent to approximately USD1,723 million), while the value of new investment contracts amounted to RMB9,855 million with the value of construction and installation contracts to be undertaken by the Group being estimated to be RMB8,130 million. As at 31 December 2016, the backlog was RMB23,096 million, representing an increase of 1.8% as compared with that as at the end of 2015.

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

4. Heavy Machinery Manufacturing Business (Continued)

The global heavy machinery manufacturing industry still maintained weak growth momentum in 2016, where the container crane and loading/unloading machinery market was subject to limited market increment. The global oil price still experienced downturn, and the marine engineering equipment market continued to fluctuate at low levels, with higher performance risks available on the market. For a very long period in the future, the Group's development theme will be transforming the growth mode of heavy machinery manufacturing business and realising inclusive growth and sustainable development.

Facing the unfavorable market situations, the Company strengthened the expansion of the container crane market and further increased the market share of ZPMC worldwide. By promoting the automated terminal system project, the Company continued to lead the industry development, and take positive measures to transform from equipment provider to general contractor of integrated system. The Company intensified risk control over the marine engineering equipment market to prevent contract risk, performance risk and fund risk. The Company will insist on two-wheel driving mechanism at home and abroad in the heavy-duty steel structure market, bring into full play the brand effect of major projects such as the New Bay Bridge in the USA, and continue increasing its influence on international steel structure market. In addition, the Company will pay close attention to the subsequent implementation policy of "Made in China 2025", endeavor to develop the new energy equipment of offshore wind power and the new business of smart urban management equipment system, complete the merger and acquisition of Beijing North Huade Neoplan Bus Co., Ltd. (Beifang), and try to play a "leading" role when China implements the strong manufacturing power strategy and promotes the industrial transformation and upgrade.

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

1. Infrastructure Construction Business

No.	Port Construction Contract Name	Contract Value
1	Tidfore Port Machinery and Marine Engineering High-end Equipment Manufacturing Base Project in Tianjin Lingang Industrial Area	1,300
2	Shiplock for Comprehensive Junction of Xiangjiang River Changsha Section and Zuocha Bridge Project in Hunan	798
3	Lot I of Civil Works for Main Project of Minjiang River Qianwei Section Navigation-power Junction in Sichuan	724
4	Lot II of Demonstration Fast Reactor Offshore Project in Fujian	699
5	Second-line Shiplock and Fishway project of Dayuandu Navigation-Power Junction on Xiangjiang River Secondary Waterways Project in Hunan (Lot XJEQ-TJ04)	698

BUSINESS OVERVIEW

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

1. Infrastructure Construction Business (Continued)

No.	Road and Bridge Construction Contract Name	Contract Value
1	Reconstruction and Expansion Project of Zibo West – Laiwu Section of Binzhou-Laiwu Highway in Shandong	3,642
2	Lot 4 of Reconstruction and Expansion Project of Jinan-Qingdao Highway in Shandong	2,916
3	Lot ZY1 of "Construction and Maintenance Integration" Services for Rural Highways During the "Thirteenth Five-year Plan" Period in Zunyi, Guizhou	2,798
4	Lot QDNZJYYT1 of "Construction and Maintenance Integration" Services for General National and Provincial Trunk Highways During the "Thirteenth Five-year Plan" Period in Qiandongnan Prefecture, Guizhou	2,129
5	Dawulan -Lengkou Highway Construction Project in Hebei	2,087

No.	Railway Construction Contract Name	Contract Value
1	Station Project of Shanxi Section of Taiyuan – Jiaozuo Railway	2,414
2	Station Project of Xinmin North Station of Tongliao-Beijing- Shenyang High-speed Railway	2,343
3	General Price Contracting Project for Construction of Beijing-Bazhou Railway	2,278
4	Coal Transportation Railway Line from Western Inner Mongolia to central China	2,277
5	Station Project of Henan Section of Zhengzhou -Wanzhou Railway	1,993

No.	Investment Projects Contract Name	Contract Value
1	Lianzhou-Fogang Highway Project in Guangdong	23,800
2	Taihangshan Highway Project in Hebei (Share participation)	14,570
3	G569 Beishan–Xianmisi First-class Highway Project in Gansu (Share participation)	18,700
4	Libo-Rongjiang Highway Project in Guizhou	10,560
5	Hengli Island Urban Complex Project in Nansha New Area, Guangzhou, Guangdong	10,241

Note: For all the new contracts of investment projects entered into in 2016, please refer to the "VI. MAJOR PRODUCTION AND OPERATIONAL DATA" in this section.

No.	Overseas Construction Projects Contract Name	Contract Value (US$ million)
1	Congo (Brazzaville) Pointe-Noire New Port Project	2,300
2	Third Runway System of Hong Kong International Airport – Land Reclamation Project	1,968
3	Pakistan KKH Phase II (Havelian-Thakot) Project	1,315
4	Senegal MBOUR-KAOLACK EPC Project	1,071
5	Southern Section of Electrified North-south Railway (Gemas-Johore Bahru) in Malaysia	634

I. BUSINESS REVIEW AND MARKET STRATEGIES (Continued)

2. Infrastructure Design Business

No.	Contract Name	Contract Value
1	PPP Project for Phase II of Terminal of Xiaomangniu Work Zone in Xiangshui Port, Yancheng, Jiangsu	2,713
2	EPC Project for Phase I Baiyun International Automotive Cultural & Digital High-tech Park in Guiyang	2,000
3	PPP Project for Comprehensive Development of Shahe Area in Yichang, Hubei	1,138
4	EPC Project for Preliminary Preparations for Land Formation of Xuwei Part Area of Lianyungang Port in Jiangsu	884
5	PPP Project for Reconstruction and Connection Service of Jiuyuan Road in Baodi, Tianjin	711

3. Dredging Business

No.	Contract Name	Contract Value
1	Section 1 of Land Formation and Foundation Treatment Project in Dadeng Island and Xiaodeng Island in Fujian	4,181
2	Reclamation Project of Hengsha East Shore of the Yangtze River Estuary (Phase VIII)	3,419
3	Infrastructure PPP Project of Taiwanese Investment Zone Songshan Area in Fuzhou, Fujian	2,660
4	Phase 1 of Land Reclamation Project of Sedimentation Promotion Project for Dayushan and Xiaoyushan in Daishan, Zhoushan, Zhejiang	2,370
5	Lot I of Reclamation Project in Gulei Petrochemical Industry Park (North Zone), Zhangzhou, Fujian	2,148

4. Heavy Machinery Manufacturing Business

No.	Contract Name	Contract Value
1	Comprehensive Investment and Construction Project of Urban Living Facilities and Infrastructure construction on University Campus in Zhenjiang, Jiangsu	7,000
2	Transportation Infrastructure PPP Project in Chengdong Work Zone, Huaiyin Port Area, Huai'an, Jiangsu	2,855
3	Heavy Oil Processing and Oil Quality Upgrading Construction EPC Project in Shandong	2,000
4	Quayside Container Cranes Project in Singapore	1,141
5	Quayside Container Cranes Project in Morocco	1,110

BUSINESS OVERVIEW

II. BUSINESS OUTLOOK

In accordance with the *"Thirteenth Five-Year" Development Planning for Modern Comprehensive Transportation System*, China's transportation development will give prominence to the three strategies of Construction of "One Belt, One Road", Beijing-Tianjin-Hebei Collaborative Development, and development of Yangtze River Economic Zone as well as supporting guarantee for new urbanisation and poverty alleviation collaboration and equalization level of transportation services. During the construction of railway, expressway and civil aviation transportation airport, the network coverage will be intensively expanded, while all kinds of transport modes will be linked more closely. As of 2020, China will basically establish a safe, convenient, efficient and green modern comprehensive transportation system, and transport modernization will be achieved in some regions and fields.

2017 is an important year for China to implement the "Thirteenth Five-Year Plan", and the infrastructure investment scale is estimated to maintain at a higher growth rate. According to the data released by the Ministry of Transport, the fixed assets investment in water transportation might decline slightly, but the fixed assets investment in highway and railway will continue maintaining at a high level. PPP model will be utilised and advanced continuously in the infrastructure, and research in industrial development fund and special government debt will be further intensified. In the meantime, the fixed assets investment in infrastructure facilities such as rail transit, municipal, comprehensive pipe gallery, airport, etc., will still maintain a rapid growth momentum, and PPP model will be promoted extensively and be applied to more and more fields. PPP model will bring more market opportunities, but more social capital will be attracted to participate in market competition. Market competitiveness will concentrate on integration advantages of core resources characterised by full industry chain integrated services for investment, financing, construction and operation. Therein, capital advantages represented by investment and financing will probably become the main subject of market competitiveness.

In terms of international business, the global economy will still keep moderate growth, with the growth rate slightly increase to 2.8%, but it is still lower than the potential level. The global infrastructure construction investment will be further enlarged to bring numerous opportunities, and the infrastructure of developed economies will enter into the upgraded recovery. The construction of "One Belt, One Road" has contributed to tremendous market space for Asian-Pacific region, Central and Eastern Europe, and North Africa, while the Going Global of Chinese capital also created more cooperation opportunities.

In light of the opportunities and challenges, the Company, as an extra-large scale construction enterprise with international competitiveness, will make in-depth research and judgment on the circumstances, with outstanding overseas priority development strategy, accurately grasp the right opportunities of investment business, enhance the awareness of unexpected unfavorable development, utilise favorable conditions to overcome the unfavorable factors and expedite the reform and innovation, in order to seek with great efforts to achieve excellent operation and continue to push forward with the healthy development of the enterprise.

III. BUSINESS PLAN

In 2016, according to statistics, the value of new contracts entered into by the Group amounted to RMB730,802 million, accomplishing 102.6% of our goal, which was in line with the Group's forecast. The audited revenue amounted to RMB429,972 million, accomplishing 100.5% of our goal, which was in line with the Group's forecast.

The goal of the value of new contracts to be entered into by the Group for 2017 is RMB900,000 million, and the goal of revenue is RMB450,000 million.

IV. TECHNOLOGY INNOVATION

In 2016, CCCC was awarded 1 National Technology Advancement Award, 3 National Patent Awards and 8 Zhan Tianyou Awards, issued 8 enterprise technical standards, and strengthened summary of business management practices, which involved more than 70 systems. CCCG was granted the honorary titles of "Excellent Enterprise for Technological Innovation" and "Excellent Enterprise for Energy Conservation and Emission Reduction" by SASAC.

In terms of technological research and development and application, the Company's technological achievements such as compass technology, BIM technology and critical technology of marine reef have broken the barriers of western countries, filled in the national gaps, and increased core competence of the Company.

In terms of "Internet+" application, the Company has comprehensively initiated the construction and in-depth application of upgraded version digital CCCC "I4C-2.0" project, launched the integrated systems of project management, e-commerce, human resource, command and dispatching, and accelerated the combination of innovation achievements based on Internet of Things, mobile Internet and intelligent construction field with production and operation.

In terms of project research and development, the Company undertook and completed the research into four of the ten major technical directions and technical policies for transportation during the "Thirteenth Five-Year Plan" as issued by the Ministry of Transport. Therein, the research work of "Technical Countermeasures for Building Information Modeling (BIM)" undertaken by the Company has been successfully completed, and passed the review and acceptance by experts organized by the Ministry of Transport.

The Company has proactively pushed forward with the strategy of "Going Global" for Chinese standards and basically constructed "three levels and three categories" technological innovation platform, including the key laboratories, the research and development centers and the enterprise technological centers of the state grade as well as provincial and ministerial grade. This platform has become the innovation platform system integrating the application fundamental research, the application research and the engineering and industrial research and development into one unity, to provide the Group with the solid foundation for technological development with various projects of technological research having attained the international leading level.

V. FINANCIAL INNOVATION

Under the PPP development mode, the construction market is undergoing an earthshaking reform. The construction enterprises will provide the clients with upgraded services for the whole industry chain such as the preliminary investment and financing, planning, design, construction, operation and maintenance instead of the traditional business mode of cash settlement. For the sake of enhancing the market competitiveness and obtaining more potential income, the construction enterprises should be equipped with the capability of integrating resources of the whole industry chain, particularly the capital operational capability of the preliminary period and the operation period of the project.

V. FINANCIAL INNOVATION (Continued)

The Company has proactively been adapted to the environmental changes and pushed forward with the financial innovation. In 2015, the Company set up the financial management department with clear financial business development positioning and targets, issued the *CCCC "Thirteenth Five-Year" Financial Development Planning* in 2016, completed the construction of the major financial platform, set up in succession the financial company, the leasing company, the funds company, the asset company, combined various types of financial tools, and tapped the investment potentials of the principal business. The Company further expanded the investment and financing channels, innovated the business mode of the industrial funds, introduced the external funds including China Merchants Bank, the National Social Security Fund, Ping An Bank and China Life Investment, and set up, in succession, the Phase I Investment Fund of CCCC (Beijing) and China Merchants for the urban rail transit project (with committed capital contribution of RMB15,000 million), the Phase I Equity Investment Fund of CCCC (Beijing) (with committed capital contribution of RMB15,000 million), and the CCCC Guangzhou Nansha Equity Investment Fund (with committed capital contribution of RMB10,000 million) to provide powerful support for the development of the Company's investment business.

In 2016, the Company made the first breakthrough in asset securitisation of investment projects, and activated assets of four expressways including Chongqing Fengdu-Fuling, Fengdu-Shizhu, Tongliang-Hechuan and Foshan Guangming by means of CCCC Road & Bridge Fund. The Company succeeded in equity transaction in China Beijing Equity Exchange at the end of November 2016, which reduced the Group's interest-bearing liabilities by approximately RMB13,850 million.

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

1. Completed and Accepted Projects During the Reporting Period

Total quantity of projects	N/A
Total contract value	206,561

		Quantity (Project)	Contract Value
Categorised by region	Domestic	N/A	170,355
	Overseas	N/A	36,206
Categorised by business type	Infrastructure construction	807	156,463
	Infrastructure design	2,473	5,864
	Dredging	300	25,902
	Heavy machinery manufacturing	N/A	13,337
	Others	N/A	4,995

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

2. Projects Under Construction During the Reporting Period

Total quantity of projects	N/A
Total contract value	2,736,519

		Quantity (Project)	Contract Value
Categorised by region	Domestic	N/A	2,104,264
	Overseas	N/A	632,255
Categorised by business type	Infrastructure construction	6,028	2,386,409
	Infrastructure design	13,552	130,647
	Dredging	868	135,221
	Heavy machinery manufacturing	N/A	81,609
	Others	N/A	2,633

3. Investment Projects

(1) Investment Projects Newly Entered into in 2016

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period (Year)	Operating project or not	Consolidated or not	Operation/ Procurement Period (Year)
1	Lianzhou-Fogang Highway Project in Guangdong	BOT	23,800	16,744	4	Yes	Yes	25
2	G569 Beishan–Xianmisi First-Class Highway Project in Gansu	BOT	18,700	14,200	2	Yes	No	8
3	Taihangshan Highway Project in Hebei	BOT	14,570	8,100	3	Yes	No	25
4	Libo-Rongjiang Highway Project in Guizhou	BOT	10,560	7,720	4	Yes	No	30
5	Hengli Island Urban Complex Project in Nansha New Area, Guangzhou, Guangdong	Comprehensive urban development	10,241	14,630	–	No	Yes	10
6	Comprehensive Investment and Construction Project of Urban Living Facilities and Infrastructure construction on University Campus in Zhenjiang, Jiangsu	Comprehensive urban development	7,000	6,000	2	No	Yes	3

BUSINESS OVERVIEW

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

3. Investment Projects (Continued)

(1) Investment Projects Newly Entered into in 2016 (Continued)

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period (Year)	Operating project or not	Consolidated or not	Operation/ Procurement Period (Year)
7	Comprehensive Urban Development Project in Eastern New City of Shunde, Guangdong	Comprehensive urban development	6,948	4,600	8	No	Yes	8
8	Yulin-Zhanjiang Highway (Guangxi Section) Project in Guangxi	BOT	6,300	4,302	3	Yes	Yes	30
9	Eastward Expansion Comprehensive Development PPP Project of Tianning Development Zone in Changzhou, Jiangsu	Comprehensive urban development	6,000	4,200	3	No	Yes	15
10	G575 Highway Project in Xinjiang	BOT	5,752	4,568	4	Yes	Yes	30
11	Huanggang Industrial Park PPP Project in Wuhan Economic and Technological Development Zone, Hubei	Comprehensive urban development	5,560	7,500	3	No	Yes	8
12	Quanzhou–Xiamen–Zhangzhou City Alliance Quanzhou Section Project of Haixi Highway Network in Fujian	BOT	4,708	3,247	3	Yes	Yes	24
13	Comprehensive Rehabilitation Project of Hexi Xiangjiang River Scenic Belt and First Bridge in Hunan	PPP	4,100	2,500	2	No	No	10
14	Tongren-Huaihua Highway Project (Tongren Section)	BOT	4,022	3,136	3	Yes	No	30
15	Jiayu North Section of Wuhan Shenzhen Highway Project	BOT	3,802	2,692	3	Yes	Yes	30
16	One bridge, One Tunnel & Two Highways and Supporting Municipal Engineering Project in Xiangtan, Hunan	PPP	2,900	1,630	3	No	Yes	7

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

3. Investment Projects (Continued)

(1) Investment Projects Newly Entered into in 2016 (Continued)

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period (Year)	Operating project or not	Consolidated or not	Operation/ Procurement Period (Year)
17	Transportation Infrastructure Project in Chengdong work zone, Huaiyin Port Area, Huai'an, Jiangsu	PPP	2,855	2,130	2	No	Yes	6
18	Phase II Terminal Project of Xiaomangniu Work Zone in Xiangshui Port, Yancheng, Jiangsu	PPP	2,713	1,761	8	No	Yes	13
19	Infrastructure Project of Taiwanese Investment Zone Songshan Area in Fuzhou, Fujian	PPP	2,660	2,500	3	No	Yes	7
20	Comprehensive Pipe Gallery Project in Urban Center of Chifeng, Inner Mongolia	BOT	2,330	1,995	3	Yes	Yes	25
21	Malong Connecting Line of Xuanwei-Qujing Highway in Yunnan	BOT	2,296	1,588	2	Yes	Yes	30
22	Municipal Infrastructure, New Urbanization, Port Channel, Water System Treatment Projects in Lianshui County, Jiangsu	PPP	2,210	2,175	2	No	Yes	6
23	Relocation Project of National Highway 107 Guandu Yellow River Bridge	BOT	1,843	2,748	3	Yes	No	30
24	Comprehensive Treatment PPP Project of Moshui River and Longquan River in Jimo, Shandong	Comprehensive urban development	1,730	1,121	2	No	Yes	9
25	Relocated Commercial Housing Project in Baishafang and Xinqiong, Haikou, Hainan	PPP	1,500	1,000	2	No	Yes	5
26	Tramway Demonstration Line Project in Sanya, Hainan	BOT	1,470	840	2	Yes	Yes	23

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

3. Investment Projects (Continued)

(1) Investment Projects Newly Entered into in 2016 (Continued)

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period (Year)	Operating project or not	Consolidated or not	Operation/ Procurement Period (Year)
27	Cultural Center Project in Xiaogan, Hubei	PPP	1,429	1,052	3	No	Yes	15
28	Breakwater Channel Project of Guangli Harbor District of Dongying Port in Shandong	PPP	1,309	1,088	2	No	Yes	10
29	Bazhou District Infrastructure Project in Bazhong, Sichuan	PPP	1,301	2,360	2	No	No	10
30	Shangtang-Oubei Highway Project in Yongjia, Wenzhou, Zhejiang	PPP	1,266	1,050	2	No	Yes	7
31	Comprehensive Project of Central China Headquarters Base	Comprehensive urban development	1,166	699	5	No	Yes	–
32	Jiangbei Dam-Passing Highway in Three Gorges, Hubei	PPP	1,241	1,241	2	No	No	2
33	PPP Project for Comprehensive Development of Shahe Area in Yichang, Hubei	Comprehensive urban development	1,138	797	3	No	Yes	7
34	Comprehensive Underground Pipe Gallery Project in Siping, Liaoning	BOT	1,019	5,056	5	Yes	No	25
35	Comprehensive Underground Pipe Gallery Project in Sanya, Hainan	BOT	1,000	896	2	Yes	Yes	18
36	Longhai Infrastructure Project in Zhangzhou, Fujian	PPP	960	672	2	No	Yes	3
37	Shantytown Renovation Project of Gaojian Town, Xichang, Sichuan	PPP	929	2,662	3	No	No	12
38	Shensu Zhewan-Lianhang Highway Connecting Line project in Nanxun, Huzhou	PPP	863	590	3	No	Yes	9

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

3. Investment Projects (Continued)

(1) Investment Projects Newly Entered into in 2016 (Continued)

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period (Year)	Operating project or not	Consolidated or not	Operation/ Procurement Period (Year)
39	Furong Avenue Double Track and Shanghai-Ruili Highway Connecting Line in Xiangtan, Hunan	PPP	850	600	3	No	Yes	7
40	Reconstruction and Connection Service Project of Jiuyuan Road in Baodi, Tianjin	PPP	711	1,015	2	No	No	14
41	Eastern Extension Line of Wenzhou Avenue (Qianjiang Road –Wenqiang Line) Project in Zhejiang	PPP	557	506	3	No	Yes	5
42	Comprehensive Construction Project of Zijiang Characteristic Belt and Urban West Ring Line in Yiyang, Hunan	PPP	515	3,605	5	No	No	17
43	Parking Lot Project of Weinan Citizens Park in Shaanxi	PPP	420	340	2	No	Yes	3
44	Zhaonan Avenue and Zhanqian Road Eastern Extension Project of Municipal Road Construction Project in Baotou, Inner Mongolia Autonomous Region	PPP	380	327	1.5	No	Yes	4
45	Smart Eco-city Infrastructure Project in Wuhan, Hubei	PPP	300	2,405	3	No	Yes	8
46	West Coast Belt Park Improvement PPP Project in Haikou, Hainan	PPP	247	190	1	No	No	10
	Total		**174,171**	**150,778**				

Note: The information in the table is the general situation of the projects. For matters not being mentioned, the contracts shall prevail.

BUSINESS OVERVIEW

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

3. Investment Projects (Continued)

(2) Concession Projects under Development

No.	Project Name	Contract Value Entered	Investment Amount in 2016	Accumulated Investment Value
1	New Songming-Kunming Highway, Xuanwei-Qujing Highway, and Mengzi-Wenshan-Yanshan Highway in Yunnan	33,027	12,949	25,896
2	Lianzhou-Fogang Highway in Guangdong	23,800	Construction not yet commenced	Construction not yet commenced
3	Guigang-Long'an Highway in Guangxi	19,800	899	2,100
4	G569 Beishan–Xianmisi First-class Highway Project in Gansu	18,700	–	Share participation
5	Taihangshan Highway Project in Hebei	14,570	–	Share participation
6	Libo-Rongjiang Highway Project in Guizhou	10,560	–	Share participation
7	Hechang Section of Sanhuan Highway in Chongqing	10,077	1,075	1,075
8	Wanzhou-Hubei Lichuan Highway in Chongqing	8,128	–	Share participation
9	Yulin-Zhanjiang Highway (Guangxi Section) Project in Guangxi	6,300	112	112
10	G575 Highway Project in Xinjiang	5,752	640	640
11	Jiulongpo-Yongchuan Highway in Chongqing	5,353	2,204	3,083
12	Dunkou Yangtze River Bridge Project in Wuhan	5,225	1,436	3,014
13	Weng'an-Machangping Railway Project in Guizhou	4,993	–	Share participation
14	Quanzhou-Xiamen-Zhangzhou City Alliance Quanzhou Section Project in Fujian	4,708	Construction not yet commenced	Construction not yet commenced
15	Tongren-Huaihua Highway Project (Tongren Section) in Guizhou	4,022	–	Share participation
16	Wuhan-Shenzhen Highway Jiayu North Section Project in Hubei	3,802	13	13
17	Qingxi Bridge and Connecting Line in Guangdong	2,827	1,017	1,252
18	Comprehensive Pipe Gallery Project in Urban Center of Chifeng, Inner Mongolia	2,330	Construction not yet commenced	Construction not yet commenced
19	Malong Connecting Line of Xuanwei-Qujing Highway in Yunnan	2,296	Construction not yet commenced	Construction not yet commenced
20	Relocation Project of National Highway 107 Guandu Yellow River Bridge	1,843	–	Share participation

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

3. Investment Projects (Continued)

(2) Concession Projects under Development (Continued)

No.	Project Name	Contract Value Entered	Investment Amount in 2016	Accumulated Investment Value
21	Tramway Demonstration Line Project in Sanya, Hainan	1,470	Construction not yet commenced	Construction not yet commenced
22	Fengdu-Zhongxian Highway in Chongqing	1,249	–	Share participation
23	Comprehensive Underground Pipe Gallery Project in Siping, Liaoning	1,019	Construction not yet commenced	Share participation
24	Comprehensive Underground Pipe Gallery Project in Sanya, Hainan	1,000	Construction not yet commenced	Construction not yet commenced
25	National Highway 108 Yumenkou Yellow River Bridge Project	850	Construction not yet commenced	Construction not yet commenced
	Total	**193,701**	**20,345**	**37,185**

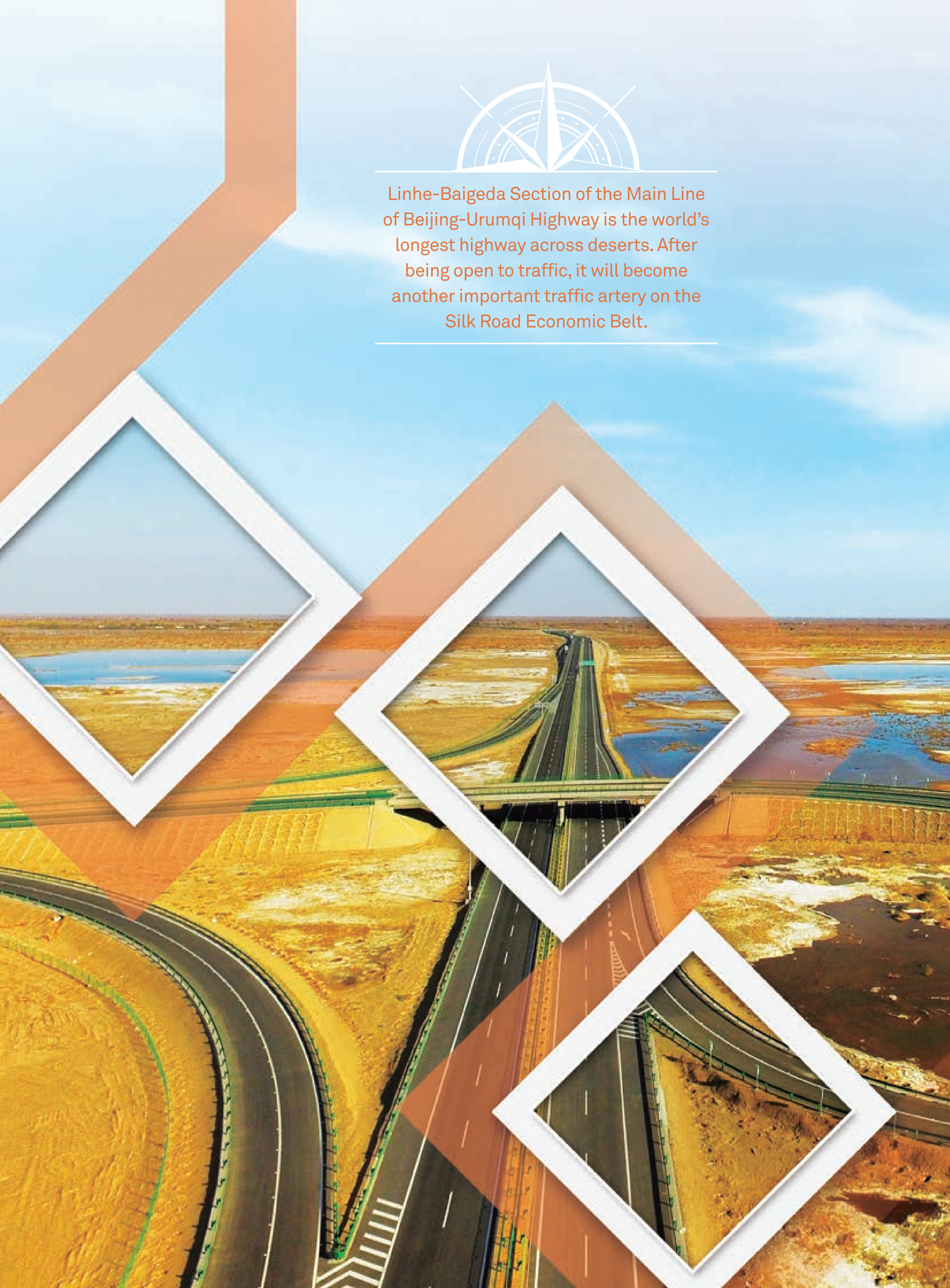
BUSINESS OVERVIEW

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

3. Investment Projects (Continued)

(3) Concession Projects in Operation Period

No.	Project Name	Project Amount/ Accumulated Investment Amount (RMB Million)	Operating Revenue During the Year (RMB Million)	Toll Collection Rights Period (years)	Completed Toll Collection Rights Period (years)
1	Daozhen-Weng'an Highway in Guizhou	25,309	108	30	1
2	Jiangkou-Weng'an Highway in Guizhou	16,003	325	30	1
3	Yanhe-Dejiang Highway in Guizhou	10,664	61	30	1
4	Guiyang-Qianxi Highway in Guizhou	9,051	206	30	0.5
5	Guiyang-Weng'an Highway in Guizhou	8,629	230	30	1
6	Hubei Jiatong Section of Wuhan-Shenzhen Highway in Hubei	8,226	12	30	0.3
7	Zhongxian-Wanzhou Highway in Chongqing	7,409	3	30	0.1
8	Guizhou-Douyun Highway in Guizhou	7,467	728	30	6
9	Yongchuan-Jiangjin Highway in Chongqing	5,982	52	30	2
10	Yulin-Jiaxian Highway in Shaanxi	5,917	194	30	3
11	South-North Highway in Jamaica	4,740	101	50	1
12	Youyang-Yanhe Highway in Chongqing	Share participation	–	30	0.5
13	Chongqing Wanzhou-Sichuan Dazhou Highway	Share participation	–	30	2
14	Xianning-Tongshan Highway in Hubei	3,101	72	30	3
15	Yicheng-Houma Highway in Shanxi	2,398	79	30	9
16	Tongcheng-Jieshang Highway in Hubei	1,548	12	30	2.3
17	Qingshuihe-Dafanpu Section of National Highway 109 in Inner Mongolia Autonomous Region	584	69	26	7.7
18	Wangjiang-Qianjiang Highway in Anhui	Share participation	–	25	1
19	Tongliang-Yongchuan Highway in Chongqing	Share participation	–	30	1.2
20	Tongliang-Hechuan Highway in Chongqing	Share participation	–	30	2
21	Fengdu-Fuling Highway in Chongqing	Share participation	–	30	3
22	Fengdu-Shizhu Highway in Chongqing	Share participation	–	30	3
23	Foshan Guangming Highway in Guangdong	Share participation	–	30	7.5
	Total	**117,028**	**2,252**		



Linhe-Baigeda Section of the Main Line of Beijing-Urumqi Highway is the world's longest highway across deserts. After being open to traffic, it will become another important traffic artery on the Silk Road Economic Belt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

For the year 2016, revenue of the Group increased by 6.5% to RMB429,972 million, among which revenue from external customers attributed to the regions other than PRC amounted to RMB86,763 million, representing a year-on-year increase of 15.7%. The value of the Group's new contracts in 2016 was RMB730,802 million, representing a year-on-year increase of 12.4%. As at 31 December 2016, the backlog for the Group was RMB1,099,752 million, representing an increase of 26.8% over that as at 31 December 2015.

Gross profit in 2016 amounted to RMB57,899 million, representing an increase of RMB8,145 million, or 16.4%, from RMB49,754 million in 2015. Gross profit from infrastructure construction business, infrastructure design business and other business increased by 24.4%, 9.5% and 74.1%, respectively from 2015. Gross profit margin for infrastructure construction business, infrastructure design business, dredging business, heavy machinery manufacturing business and other businesses in 2016 were 12.2%, 21.7%, 15.9%, 13.3% and 14.1% respectively, as compared with 10.1%, 21.3%, 16.4%, 14.6% and 11.1% in 2015.

Mainly as a result of the growth in gross profit, operating profit in 2016 amounted to RMB31,124 million, representing an increase of RMB5,326 million, or 20.6%, from RMB25,798 million in 2015. Operating profit from infrastructure construction business, infrastructure design business, heavy machinery manufacturing business and other business increased by 29.3%, 9.6%, 18.9% and 802.9% respectively from 2015, while operating profit from dredging business decreased by 27.0% from 2015.

For the year 2016, profit attributable to owners of the parent amounted to RMB17,210 million, representing an increase of RMB1,382 million, or 8.7%, from RMB15,828 million in 2015. For the year 2016, earnings per share of the Group was RMB1.00, compared with RMB0.96 in 2015.

The following is a comparison of financial results between the years ended 31 December 2016 and 2015.

CONSOLIDATED RESULTS OF OPERATIONS

Revenue

Revenue in 2016 increased by 6.5% to RMB429,972 million from RMB403,616 million in 2015. The growth was mainly attributable to the increases in the revenues from infrastructure construction business, infrastructure design business, heavy machinery manufacturing business and other business, which amounted to RMB11,683 million, RMB1,845 million, RMB1,902 million and RMB1,574 million (all before elimination of inter-segment transactions), respectively representing a year-on-year growth rate of 3.4%, 7.5%, 7.9% and 36.4%. However, the increase in revenue further offset by a decrease in revenue from dredging business by RMB3,233 million, or 9.6%. In addition, the growth rate of revenue from infrastructure construction business, infrastructure design business and dredging business slowed down due to the replacement of business tax with value-added tax.

Cost of Sales and Gross Profit

Cost of sales in 2016 amounted to RMB372,073 million, representing an increase of RMB18,211 million, or 5.1%, from RMB353,862 million in 2015. Cost of sales from infrastructure construction business, infrastructure design business, heavy machinery manufacturing business and other business amounted to RMB313,544 million, RMB20,627 million, RMB22,549 and RMB5,063 million (all before elimination of inter-segment transactions) respectively, representing an increase of 1.0%, 7.0%, 9.6% and 31.7%. Cost of sales from dredging business decreased by RMB2,553 million, or 9.1%, to RMB25,476 million in 2016.

Cost of sales consisted mainly of subcontracting costs, cost of raw materials and consumables used, employee benefit expenses and rentals. For the year 2016, cost of subcontracting costs increased by 19.1%, while the cost of raw materials and consumables used and rentals decreased by 1.4% and 16.8%, respectively.

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Cost of Sales and Gross Profit (Continued)

As a result of the increase in both revenue and cost of sales in 2016, gross profit in 2016 amounted to RMB57,899 million, representing an increase of RMB8,145 million, or 16.4%, from RMB49,754 million in 2015. Gross profit margin increased to 13.5% in 2016 from 12.3% in 2015, primarily due to the increase in gross profit margin of infrastructure construction business, infrastructure design business and other business.

Administrative Expenses

Administrative expenses in 2016 amounted to RMB30,760 million, representing an increase of RMB4,631 million, or 17.7%, from RMB26,129 million in 2015. This growth was primarily attributable to the increase in cost of market exploration as well as the research and development.

Operating Profit

Operating profit in 2016 amounted to RMB31,124 million, representing a large increase of RMB5,326 million, or 20.6%, from RMB25,798 million in 2015. The increase was mainly due to the increase in gross profit and other gains.

For the year 2016, operating profit from infrastructure construction business, infrastructure design business, heavy machinery manufacturing business and other business increased by RMB5,345 million, RMB280 million, RMB282 million and RMB554 million (all before elimination of inter-segment transactions and unallocated cost), representing a growth rate of 29.3%, 9.6%, 18.9% and 802.9%, respectively from 2015; operating profit from dredging business decreased by RMB1,012 million (before elimination of inter-segment transactions and unallocated cost), or 27.0%, from 2015.

Operating profit margin increased to 7.2% in 2016 from 6.4% in 2015.

Finance Income

Finance income in 2016 amounted to RMB3,093 million, representing a decrease of RMB608 million, or 16.4%, from RMB3,701 million in 2015.

Finance Costs, Net

Net finance costs in 2016 amounted to RMB11,485 million, representing an increase of RMB1,273 million, or 12.5%, from RMB10,212 million in 2015. The increase was mainly due to the increase in total borrowings. However, the increase in net finance cost was partially offset by the decrease in cost of interest.

Share of Profit of Joint Ventures

Share of profit of joint ventures in 2016 amounted to RMB26 million, as compared with RMB95 million in 2015.

Share of Profit of Associates

Share of profit of associates in 2016 amounted to RMB164 million, as compared with RMB289 million in 2015.

Profit before Income Tax

As a result of the foregoing factors, profit before income tax in 2016 amounted to RMB22,922 million, representing an increase of RMB3,251 million, or 16.5%, from RMB19,671 million in 2015.

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Income Tax Expense

Income tax expense in 2016 amounted to RMB5,233 million, representing an increase of RMB1,475 million, or 39.2%, from RMB3,758 million in 2015. Effective tax rate for the Group in 2016 increased to 22.8% from 19.1% in 2015.

Profit Attributable to Non-Controlling Interests

Profit attributable to non-controlling interests in 2016 amounted to RMB479 million compared to RMB85 million in 2015.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent in 2016 amounted to RMB17,210 million, representing an increase of RMB1,382 million, or 8.7%, from RMB15,828 million in 2015.

Profit margin with respect to profit attributable to owners of the parent slightly increased to 4.0% in 2016 from 3.9% in 2015.

Discussion of Segment Operations

The following table sets forth the segment breakdown of revenue, gross profit and operating profit of the Group for the years ended 31 December 2016 and 2015.

	Revenue		Gross Profit		Gross Profit Margin		Operating Profit/(loss)[1]		Operating Profit Margin	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
Business	**2016 (RMB million)**	2015 (RMB million)	**2016 (RMB million)**	2015 (RMB million)	**2016 (%)**	2015 (%)	**2016 (RMB million)**	2015 (RMB million)	**2016 (%)**	2015 (%)
Infrastructure Construction	**357,158**	345,475	**43,614**	35,052	**12.2**	10.1	**23,604**	18,259	**6.6**	5.3
% of total	**80.2**	80.0	**74.7**	70.4	**–**	–	**74.2**	69.3	**–**	–
Infrastructure Design	**26,328**	24,483	**5,701**	5,206	**21.7**	21.3	**3,203**	2,923	**12.2**	11.9
% of total	**5.9**	5.7	**9.8**	10.5	**–**	–	**10.1**	11.1	**–**	–
Dredging	**30,282**	33,515	**4,806**	5,486	**15.9**	16.4	**2,740**	3,752	**9.0**	11.2
% of total	**6.8**	7.8	**8.2**	11.0	**–**	–	**8.6**	14.2	**–**	–
Heavy Machinery Manufacturing	**26,006**	24,104	**3,457**	3,531	**13.3**	14.6	**1,773**	1,491	**6.8**	6.2
% of total	**5.8**	5.5	**5.9**	7.1	**–**	–	**5.6**	5.7	**–**	–
Other businesses	**5,897**	4,323	**834**	479	**14.1**	11.1	**485**	(69)	**8.2**	(1.6)
% of total	**1.3**	1.0	**1.4**	1.0	**–**	–	**1.5**	(0.3)	**–**	–
Subtotal	**445,671**	431,900	**58,412**	49,754	**–**	–	**31,805**	26,356	**–**	–
Intersegment elimination and unallocated profit/(costs)	**(15,699)**	(28,284)	**(513)**	–	**–**	–	**(681)**	(558)	**–**	–
Total	**429,972**	403,616	**57,899**	49,754	**13.5**	12.3	**31,124**	25,798	**7.2**	6.4

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

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Infrastructure Construction Business

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

The following table sets out the principal profit and loss information for the infrastructure construction business for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Revenue	**357,158**	345,475
Cost of sales	**(313,544)**	(310,423)
Gross profit	**43,614**	35,052
Selling and marketing expenses	**(258)**	(211)
Administrative expenses	**(22,096)**	(18,102)
Other income, net	**2,344**	1,520
Segment result	**23,604**	18,259
Depreciation and amortisation	**7,006**	5,941

Revenue. Revenue from the infrastructure construction business in 2016 was RMB357,158 million, representing an increase of RMB11,683 million, or 3.4%, from RMB345,475 million in 2015. This growth was primarily attributable to the increase of revenue from overseas projects, PPP projects and domestic road and bridge construction projects. The value of new contracts entered into for the infrastructure construction business in 2016 was RMB612,415 million, representing an increase of RMB72,959 million, or 13.5%, from RMB539,456 million in 2015. No single project accounted for more than 5% of the Group's total revenue in 2016 or 2015.

Cost of sales and gross profit. Cost of sales for the infrastructure construction business in 2016 was RMB313,544 million, representing an increase of RMB3,121 million, or 1.0% from RMB310,423 million in 2015. Cost of sales as a percentage of revenue decreased to 87.8% in 2016 from 89.9% in 2015.

Gross profit from the infrastructure construction business in 2016 grew by RMB8,562 million, or 24.4%, to RMB43,614 million from RMB35,052 million in 2015. Gross profit margin increased to 12.2% in 2016 from 10.1% in 2015, mainly attributable to the increased proportion of revenue generated from overseas projects and PPP projects that has relatively higher gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the infrastructure construction business in 2016 were RMB258 million, representing an increase of RMB47 million from RMB211 million in 2015.

Administrative expenses. Administrative expenses for the infrastructure construction business were RMB22,096 million in 2016, representing an increase of RMB3,994 million, or 22.1%, from RMB18,102 million in 2015. The increase was mainly attributable to the increase in cost of market exploration as well as the research and development. Administrative expenses as a percentage of revenue increased to 6.2% in 2016 from 5.2% in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Infrastructure Construction Business (Continued)

Other income, net. Other net income for the infrastructure construction business increased to RMB2,344 million in 2016 from RMB1,520 million in 2015, mainly attributable to the increase in gain in foreign exchange as well as the increase in rental income.

Segment result. As a result of the above, segment result for the infrastructure construction business in 2016 was RMB23,604 million, representing an increase of RMB5,345 million, or 29.3% from RMB18,259 million in 2015. Segment result margin increased significantly to 6.6% in 2016 from 5.3% in 2015.

Infrastructure Design Business

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

The following table sets out the principal profit and loss information for infrastructure design business for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Revenue	**26,328**	24,483
Cost of sales	**(20,627)**	(19,277)
Gross profit	**5,701**	5,206
Selling and marketing expenses	**(275)**	(230)
Administrative expenses	**(2,441)**	(2,193)
Other income, net	**218**	140
Segment result	**3,203**	2,923
Depreciation and amortisation	**216**	217

Revenue. Revenue from the infrastructure design business in 2016 was RMB26,328 million, representing an increase of RMB1,845 million, or 7.5% from RMB24,483 million in 2015. This growth was primarily attributable to the increase in the aggregate value of comprehensive contracts, which was in turn driven by higher demand for the Group's specialised design skills and experience in complex projects. The value of new contracts entered into for the infrastructure design business in 2016 was RMB38,565 million, representing a increase of RMB2,636 million, or 7.3%, from RMB35,929 million in 2015.

Cost of sales and gross profit. Cost of sales for the infrastructure design business in 2016 was RMB20,627 million, representing an increase of RMB1,350 million, or 7.0%, from RMB19,277 million in 2015. Cost of sales as a percentage of revenue slightly decreased to 78.3% in 2016 from 78.7% in 2015.

Gross profit from the infrastructure design business in 2016 was RMB5,701 million, representing an increase of RMB495 million, or 9.5%, as compared with RMB5,206 million in 2015. Gross profit margin slightly increased to 21.7% in 2016 from 21.3% in 2015.

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Infrastructure Design Business (Continued)

Selling and marketing expenses. Selling and marketing expenses for the infrastructure design business in 2016 were RMB275 million, representing an increase of RMB45 million, from RMB230 million in 2015.

Administrative expenses. Administrative expenses for the infrastructure design business in 2016 were RMB2,441 million, representing an increase of RMB248 million, or 11.3%, from RMB2,193 million in 2015. Administrative expenses as a percentage of revenue slightly increased to 9.3% in 2016 from 9.0% in 2015.

Other income, net. Other net income for the infrastructure design business in 2016 was RMB218 million, representing an increase of RMB78 million from RMB140 million in 2015.

Segment result. As a result of the above, segment result for the infrastructure design business in 2016 was RMB3,203 million, representing an increase of RMB280 million, or 9.6%, from RMB2,923 million in 2015. Segment result margin slightly increased to 12.2% in 2016 from 11.9% in 2015.

Dredging Business

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

The following table sets out the principal profit and loss information for the dredging business for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Revenue	**30,282**	33,515
Cost of sales	**(25,476)**	(28,029)
Gross profit	**4,806**	5,486
Selling and marketing expenses	**(56)**	(40)
Administrative expenses	**(3,055)**	(2,511)
Other income, net	**1,045**	817
Segment result	**2,740**	3,752
Depreciation and amortisation	**1,007**	914

Revenue. Revenue from the dredging business in 2016 was RMB30,282 million, representing a decrease of RMB3,233 million, or 9.6%, from RMB33,515 million in 2015. The decrease was primarily attributable to some projects at early stage, of which the revenue has not been fully generated. The value of new contracts entered into for the dredging business in 2016 was RMB39,541 million, representing a decrease of RMB1,653 million, or 4.0%, from RMB41,194 million in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Dredging Business (Continued)

Cost of sales and gross profit. Cost of sales for the dredging business in 2016 was RMB25,476 million, representing a decrease of RMB2,553 million, or 9.1%, as compared with RMB28,029 million in 2015. Cost of sales as a percentage of revenue for the dredging business in 2016 increased to 84.1% from 83.6% in 2015.

Gross profit from the dredging business in 2016 was RMB4,806 million, representing a decrease of RMB680 million, or 12.4%, from RMB5,486 million in 2015. Gross profit margin for the dredging business decreased to 15.9% in 2016 from 16.4% in 2015, mainly attributable to the decrease of revenue and the completion of certain projects with higher gross profit margin.

Selling and marketing expenses. Selling and marketing expenses for the dredging business in 2016 were RMB56 million, representing an increase of RMB16 million from RMB40 million in 2015.

Administrative expenses. Administrative expenses for the dredging business in 2016 were RMB3,055 million, representing an increase of RMB544 million, or 21.7%, from RMB2,511 million in 2015, mainly attributable to the increase in cost of market exploration as well as the research and development. Administrative expenses as a percentage of revenue increased to 10.1% in 2016 from 7.5% in 2015.

Other income, net. Other net income for the dredging business in 2016 was RMB1,045 million, representing an increase of RMB228 million from RMB817 million in 2015.

Segment result. As a result of the above, segment result for the dredging business in 2016 was RMB2,740 million, representing a decrease of RMB1,012 million, or 27.0%, from RMB3,752 million in 2015. Segment result margin decreased to 9.0% in 2016 from 11.2% in 2015.

Heavy Machinery Manufacturing Business

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

The following table sets out the principal profit and loss information for the heavy machinery manufacturing business for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Revenue	**26,006**	24,104
Cost of sales	**(22,549)**	(20,573)
Gross profit	**3,457**	3,531
Selling and marketing expenses	**(160)**	(128)
Administrative expenses	**(2,095)**	(2,021)
Other income, net	**571**	109
Segment result	**1,773**	1,491
Depreciation and amortisation	**1,346**	1,370

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Heavy Machinery Manufacturing Business (Continued)

Revenue. Revenue from the heavy machinery manufacturing business in 2016 was RMB26,006 million, representing an increase of RMB1,902 million, or 7.9%, from RMB24,104 million in 2015. The value of new contracts entered into for the heavy machinery manufacturing business in 2016 was RMB32,064 million, representing a slight decrease of RMB650 million, or 2.0%, from RMB32,714 million in 2015.

Cost of sales and gross profit. Cost of sales for the heavy machinery manufacturing business in 2016 was RMB22,549 million, representing an increase of RMB1,976 million, or 9.6%, from RMB20,573 million in 2015. Cost of sales as a percentage of revenue increased to 86.7% in 2016 from 85.4% in 2015.

Gross profit from the heavy machinery manufacturing business in 2016 was RMB3,457 million, representing a slight decrease of RMB74 million, or 2.1%, from RMB3,531 million in 2015. Gross profit margin decreased to 13.3% in 2016 from 14.6% in 2015.

Selling and marketing expenses. Selling and marketing expenses for the heavy machinery manufacturing business in 2016 were RMB160 million, representing a slight increase of RMB32 million from RMB128 million in 2015.

Administrative expenses. Administrative expenses for the heavy machinery manufacturing business in 2016 were RMB2,095 million, representing an increase of RMB74 million, or 3.7%, from RMB2,021 million in 2015. Administrative expenses as a percentage of revenue for the heavy machinery manufacturing business decreased to 8.1% in 2016 from 8.4% in 2015.

Other income, net. Other net income for the heavy machinery manufacturing business in 2016 was RMB571 million, representing an increase of RMB462 million, or 423.9%, from RMB109 million in 2015. The increase was mainly due to increase in gain in foreign exchange.

Segment result. As a result of the above, segment result for the heavy machinery manufacturing business in 2016 was RMB1,773 million profit, representing an increase of RMB282 million from RMB1,491 million in 2015. Segment result margin increased to 6.8% in 2016 from 6.2% in 2015.

Other Businesses

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

The following table sets out the revenue, cost of sales and gross profit information for the other businesses for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Revenue	**5,897**	4,323
Cost of sales	**(5,063)**	(3,844)
Gross profit	**834**	479

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED RESULTS OF OPERATIONS (Continued)

Other Businesses (Continued)

Revenue. Revenue from the other businesses in 2016 was RMB5,897 million, representing an increase of RMB1,574 million, or 36.4%, from RMB4,323 million in 2015. The rise in revenue was mainly due to the increase of trading business and financial leasing business in 2016.

Cost of sales and gross profit. Cost of sales for the other businesses in 2016 was RMB5,063 million, representing an increase of RMB1,219 million, or 31.7%, from RMB3,844 million in 2015. Cost of sales as a percentage of revenue decreased to 85.9% in 2016 from 88.9% in 2015.

Gross profit from the other businesses in 2016 was RMB834 million, representing an increase of RMB355 million, or 74.1%, from RMB479 million in 2015. Gross profit margin increased significantly to 14.1% in 2016 from 11.1% in 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Group's business requires a significant amount of working capital to finance the purchase of raw materials and to finance the engineering, construction and other work on projects before payment is received from clients. The Group historically met its working capital and other capital requirements principally from cash provided by operations, while financing the remainder of the Group's requirements primarily through borrowings. As at 31 December 2016, the Group had unutilised credit facilities in the amount of RMB746,513 million. The Group's access to financial markets since its public offering in Hong Kong Stock Exchange and Shanghai Stock Exchange has provided additional financing flexibility.

Cash Flow Data

The following table presents selected cash flow data from the Company's consolidated cash flow statements for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Net cash generated from operating activities	**29,719**	31,913
Net cash used in investing activities	**(38,705)**	(45,473)
Net cash generated from financing activities	**22,102**	36,424
Net increase in cash and cash equivalents	**13,116**	22,864
Cash and cash equivalents at beginning of year	**94,960**	71,823
Exchange gains on cash and cash equivalents	**644**	273
Cash and cash equivalents at end of year	**108,720**	94,960

Cash flow from operating activities

During the year 2016, net cash generated from operating activities dropped to RMB29,719 million from RMB31,913 million in 2015, primarily attributable to changes in working capital, in particular, due to increase in trade and other receivables, contract work-in-progress and inventories. However, the decrease in net cash generated from operating activities was partially offset by the increase in trade and other payables. During the year 2016, trade and other receivables, contract work-in-progress, inventories and trade and other payables increased by RMB38,686 million, RMB9,629 million, RMB5,639 million and RMB47,705 million respectively, compared with the amount of increase of RMB19,440 million, RMB4,163 million, RMB4,600 million and RMB30,915 million during 2015.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Cash Flow Data (Continued)

Cash flow from investing activities

Net cash used in investing activities in 2016 decreased to RMB38,705 million from RMB45,473 million in 2015. The decrease of RMB6,768 million, or 14.9%, was primarily attributable to the decrease in the purchase of intangible assets and purchase of property, plant and equipment ("PPE") and purchase of available-for-sale investments, respectively amounting to RMB11,557 million, RMB3,593 million and RMB2,923 million. However, such increase is slightly offset by the increase of additional investment in joint ventures and loan to joint ventures.

Cash flow from financing activities

Net cash generated from financing activities in 2016 was RMB22,102 million, representing a decrease of RMB14,322 million, or 39.3%, from RMB36,424 million in 2015. The decrease was primarily attributable to the decrease in borrowings by RMB35,203 million and proceeds from financial instruments classified as equity by RMB19,651 million while partially offset by decrease in repayment of borrowings of RMB42,194 million.

Capital Expenditure

The Group's capital expenditure principally comprises expenditure from investment in BOT projects, purchases of machinery, equipments and vessels, and the building of plants. The following table set forth the Group's capital expenditure by business for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016	2015
	(RMB million)	(RMB million)
Infrastructure Construction Business	**41,636**	56,913
– BOT projects	**32,805**	46,600
Infrastructure Design Business	**440**	441
Dredging Business	**1,674**	2,306
Heavy Machinery Manufacturing Business	**1,352**	2,565
Other	**157**	45
Total	**45,259**	62,270

Capital expenditure in 2016 was RMB45,259 million, as compared with RMB62,270 million in 2015. The decrease of RMB17,011 million or 27.3% was primarily attributable to the decrease of capital expenditure in BOT projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Working Capital

Trade and bills receivables and trade and bills payables

The following table sets forth the turnover of the Group's average trade and bills receivable and average trade and bills payable for the years ended 31 December 2016 and 2015.

	Years ended 31 December	
	2016 (Number of days)	2015 (Number of days)
Turnover of average trade and bills receivables[1]	**62**	56
Turnover of average trade and bills payables[2]	**169**	154

(1) Average trade and bills receivables equals trade and bills receivables net of provisions at the beginning of the year plus trade and bills receivables net of provisions at the end of the year divided by 2. Turnover of average trade and bills receivables (in days) equals average trade and bills receivables divided by revenue and multiplied by 365.

(2) Average trade and bills payables equals trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year divided by 2. Turnover of average trade and bills payables (in days) equals average trade and bills payables divided by cost of sales and multiplied by 365.

The following table sets forth an ageing analysis of trade and bills receivables, net of provision, as at 31 December 2016 and 2015.

	As at 31 December	
	2016 (RMB million)	2015 (RMB million)
Less than 6 months	**64,139**	45,508
6 months to 1 year	**5,864**	6,053
1 year to 2 years	**7,977**	7,579
2 years to 3 years	**2,942**	2,659
Over 3 years	**2,267**	1,491
Total	**83,189**	63,290

Management closely monitors the recovery of the Group's overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivables. As at 31 December 2016, the Group had a provision for impairment of RMB9,882 million, as compared with RMB7,156 million as at 31 December 2015.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Working Capital (Continued)

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

The following table sets forth an ageing analysis of trade and bills payables as at December 2016 and 2015.

	As at 31 December	
	2016	2015
	(RMB million)	(RMB million)
Within 1 year	**173,832**	141,231
1 year to 2 years	**8,713**	9,683
2 years to 3 years	**3,176**	2,504
Over 3 years	**2,073**	2,861
Total	**187,794**	156,279

The Group's credit terms with its suppliers for the year ended 31 December 2016 remained the same as that for the year ended 31 December 2015. Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from the Group's customers. Nevertheless, there have been no material disputes arising from the non-timely payment of outstanding balances under the Group's supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the carrying amount of the retentions as at 31 December 2016 and 2015.

	As at 31 December	
	2016	2015
	(RMB million)	(RMB million)
Current	**28,325**	25,379
Non-current	**27,437**	28,576
Total	**55,762**	53,955

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEBTEDNESS

Borrowings

The following table sets out the maturities of the Group's total borrowings as at 31 December 2016 and 2015.

	As at 31 December	
	2016	2015
	(RMB million)	(RMB million)
Within 1 year	**99,484**	86,605
1 year to 2 years	**27,213**	39,481
2 years to 5 years	**43,465**	37,362
Over 5 years	**103,318**	91,735
Total borrowings	**273,480**	255,183

The Group's borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Japanese Yen, Euro and Hong Kong dollars. The following table sets out the carrying amounts of the Group's borrowings by currencies as at 31 December 2016 and 2015.

	As at 31 December	
	2016	2015
	(RMB million)	(RMB million)
Renminbi	**248,589**	227,699
U.S. dollar	**18,207**	21,918
Japanese Yen	**3,208**	2,388
Euro	**2,256**	1,565
HK dollar	**787**	1,141
Others	**433**	472
Total borrowings	**273,480**	255,183

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The Group's gearing ratio, calculated as net debt divided by total capital, as at 31 December 2016 was 46.9%, as compared with 48.7% as at 31 December 2015.

INDEBTEDNESS (Continued)

Contingent Liabilities

	As at 31 December	
	2016	2015
	(RMB million)	(RMB million)
Pending lawsuits[1]	**4,173**	3,091
Outstanding loan guarantees[2]	**1,282**	895
Total	**5,455**	3,986

(1) *The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resource 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.*

Pending lawsuits included, inter alia, the below:

(i) *A subsidiary of the Company was involved in a product quality dispute arising from the ordinary course of the business in a prior year. In September 2014, the contractor instituted a proceeding against the subsidiary to claim a compensation for breach of contract arising from related product quality totalling GBP250 million (equivalent to approximately RMB2,125 million). In February to March, April and June 2016, the first court hearing in respect of the part of responsibility of the case was held by a British High Court. The quantitative part of first court hearing was planned to be held in May 2017 in the United Kingdom. Currently the subsidiary is in preparation for the readiness of such quantitative part of court hearing. Currently the directors of the Company cannot reliably estimate the financial impact to the Group arising from the case.*

(ii) *In 2015, a subsidiary of the Company was involved in a construction contract dispute. In October 2015, a contractor has notified the subsidiary in writing to terminate the contract based on the serious delay in the project had fulfilled the contract cancellation terms, and drawdown an amount of USD45 million (equivalent to approximately RMB312 million) from a bank under a letter of performance guarantee of the subsidiary. In January 2016, the subsidiary applied to the London Court of International Arbitration for arbitration to claim for the refund of the above amount drawdown under a letter of performance guarantee, and compensation totalling USD224 million (equivalent to approximately RMB1,552 million) from the contractor. After the receipt of the subsidiary's arbitration application, the contractor filed a counterclaim arbitration against the subsidiary for compensation of USD182 million or USD213 million (equivalent to approximately RMB1,261 million or RMB1,476 million), depending on whether the contract will be continued or discontinued. Currently the arbitration court hearing has not yet commenced and the directors of the Company cannot reliably estimate the outcome of the arbitration and its consequential financial impact to the Group.*

(2) *The Group has acted as the guarantors for various external borrowings made by certain joint ventures and associates of the Group and a third party.*

MARKET RISKS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARKET RISKS (Continued)

Marco-economy risk

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

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

Market risk

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

Interest rate risk

The Group's exposure to changes in interest rates is mainly due to the Group's borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose the Group to fair value interest rate risk. As at 31 December 2016, approximately RMB150,979 million (as at 31 December 2015: RMB134,970 million) of the Group's borrowings were at variable rates.

Foreign exchange risk

The Group's functional currency of a majority of the entities within the Group is Renminbi with most of the Group's transactions settled in Renminbi. The Group uses, however, foreign currencies to settle the Group's invoices from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. In addition, the Group generates revenue from certain construction contracts denominated in foreign currencies and a significant proportion of the Group's bank borrowings are denominated in foreign currencies, particularly U.S. dollar, Japanese Yen and Euro. Renminbi is not freely convertible into other foreign currencies and conversion of Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately 2% against U.S. dollar. As at 31 December 2016, Renminbi had appreciated by approximately 18.5% against U.S. dollar since July 2005. The PRC government may in the future make further adjustments to the exchange rate system. When Renminbi appreciates, the value of foreign currency denominated assets will decline against Renminbi.

Fluctuations in foreign exchange currency rates could adversely affect the Group by decreasing any revenues from the Group's sales on contracts which are denominated in foreign currencies and increasing the Group's borrowings in terms of real value which are denominated in foreign currencies.

During the years ended 31 December 2016 and 2015, certain subsidiaries within the Group used foreign exchange forward contracts for transactions with domestic and overseas registered banks, to hedge the Group's exposure to foreign currency risk on individual transactions primarily vis-a-vis U.S. dollar, Japanese Yen, and the Euro.

Price risk

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

Hambantota Port in Sri Lanka is the first overseas project winning the "China Zhan Tianyou Award for Civil Engineering". Only 10 nautical miles away from the international main shipping line at the closest point, it is an important supporting point on the "Maritime Silk Road".

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present its report together with the audited financial statements of the Group prepared in accordance with IFRS for the year ended 31 December 2016.

PRINCIPAL BUSINESS

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

RESULTS

Results of the Group for the year ended 31 December 2016 and the financial position of the Group as at 31 December 2016 are set out in the audited financial statements in this annual report.

DIVIDENDS

On 28 March 2017, the Board recommended a final dividend of RMB0.19444 (including tax) per share (amounting to approximately RMB3,145 million in total) for the year ended 31 December 2016. The recommended final dividends are subject to shareholders' approval at the annual general meeting to be held on 16 June 2017. The H Share register of Members of the Company will be closed for the purpose of determining H Share shareholders' entitlement to attend the annual general meeting of the Company from Thursday, 18 May 2017 to Friday, 16 June 2017 (both days inclusive). In order to attend the annual general meeting, H Share shareholders shall complete the registration of H Share not later than 4:30 p.m. on Wednesday, 17 May 2017. The recommended final dividends distribution will be made based on the Company's entire issued share capital of 16,174,735,425 shares. The final dividends are expected to be paid to shareholders whose names appear on the register of members of the Company at the opening of business on 29 June 2017. The register of members will be closed from 24 June 2017 to 29 June 2017 (both days inclusive), during which period no transfers will be registered.

Dividends will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The relevant exchange rate is determined at RMB0.88548 equivalent to HK$1.00 as the middle rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the date when such dividends were declared.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited ("CSDC") Shanghai Branch and in line with the market practice regarding dividend distribution for A shares, the Company will publish a separate announcement in respect of its final dividends distribution for A shares after the Company's annul general meeting for 2016, which, among others, will set out the record date and ex-entitlement date of dividend distribution for A shares.

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

DIVIDENDS (Continued)

In respect of the non-resident corporate shareholders, in accordance with the Law on Corporate Income Tax of the People's Republic of China and the Implementing Rules of the Law on Corporate Income Tax (collectively, the "Corporate Income Tax Law") implemented in 2008, starting from January 1, 2008, enterprises established in the People's Republic of China (the "PRC") which distribute dividend to the non-resident corporate shareholders (namely, the legal person shareholders) for the accounting period from January 1, 2008 onwards shall withhold for payment of the corporate income tax, and the payer shall be the withholding agent. Therefore, the Company is required to withhold corporate income tax at the rate of 10% when distributing the 2016 final dividend to non-resident enterprise shareholders whose names appear on the H share register of members of the Company on the record date. The Company will distribute 2016 final dividend following withholding corporate income tax at the rate of 10% to all H share shareholders (including HKSCC Nominees Limited, other business agents or trustees, or other groups or organizations, all deemed as the non-resident corporate shareholders) who register in the name of a non-person shareholder on the H share register of members as of the record date.

Any resident enterprise (as defined under the Corporate Income Tax Law) whose name appears on the H share register of members of the Company and which is set up in the PRC in accordance with the PRC law, or which is set up in accordance with the law of a foreign country (region) whose actual administration institution is in the PRC, in the event of being unwilling for the Company's withholding corporate income tax at the rate of 10%, should lodge with the Company's share registrar, Computershare Hong Kong Investor Services Limited the Organization Code Certificate of the People's Republic of China issued by the relevant Chinese government authority or the equivalent copy certified by the Hong Kong lawyer or accountant to certify the place of establishment or the relevant legal documents that it is a resident enterprise incorporated in China (as defined under the Tax Law of the People's Republic of China), on or before 4:30 pm on Thursday, 23 June 2017.

The Company will withhold for payment of the income tax strictly in accordance with the relevant laws or requirements of the relevant government departments and strictly based on what has been registered on the Company's register of members for H shares at the opening of business on 29 June 2017. Investors and potential investors in the H shares of the Company are recommended to consult their professional tax advisors if they are in any doubt as to the implications of the above mechanism of withholding, and the Company does not accept responsibility for any effect the above mechanism of withholding may have on any person.

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF NORTHBOUND TRADING

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

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

REPORT OF THE BOARD OF DIRECTORS

DISTRIBUTION OF FINAL DIVIDEND TO INVESTORS OF SOUTHBOUND TRADING

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

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

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

SHARE CAPITAL

The share capital of the Company remains unchanged during the year of 2016. As at 31 December 2016, the share capital structure of the Company was as follows:

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

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

As at 31 December 2016, proceeds amounted to approximately RMB4,836 million have been utilised in accordance with the proposed plans as set out in the abovementioned circular.

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

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

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

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

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

As at 31 December 2016, the proceeds from the issuance of corporate bonds have been fully utilised as planed.

REPORT OF THE BOARD OF DIRECTORS

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

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

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

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

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

Pursuant to the overseas regulatory announcement of the Company dated 31 October 2015 in relation to the replacement of self-raised funds already committed in advance to fund-raising investment projects with raised funds, the Company has agreed to replace the self-raised funds already committed to fund-raising investment projects with raised funds from the issuance of preference shares. As of 31 December 2016, the unused proceeds totaled RMB580 million (including the interest accrued on the bank deposit of proceeds and deducting the bank charges).

PUBLIC FLOAT

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

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

Name	Age	Position in the Company	Date of appointment	Emoluments for the year ended 31 December 2016 (before tax)(Note 1) (RMB'000)
LIU Qitao	59	Executive Director and Chairman	22 April 2014	940
CHEN Fenjian(Note 2)	54	Executive Director, president and vice Chairman	22 April 2014	940
FU Junyuan	55	Executive Director and chief financial officer	22 April 2014	841
LIU Maoxun	61	Non-executive Director	22 April 2014	0
LIU Zhangmin	67	Independent non-executive Director	22 April 2014	109
LEUNG Chong Shun	51	Independent non-executive Director	22 April 2014	106
HUANG Long	63	Independent non-executive Director	22 April 2014	103
ZHEN Shaohua	59	Chairman of the Supervisory Committee (representative of the Shareholders)	15 January 2015	828
WANG Yongbin	51	Supervisor (representative of the Shareholders)	22 April 2014	832
YAO Yanmin	53	Supervisor (representative of the employees)	22 April 2014	832
CHEN Yun	53	Vice president	22 April 2014	828
YANG Liqiang(Note 3)	60	Vice president	22 April 2014	841
SONG Hailiang	51	Vice president	22 April 2014	937
WANG Haihuai	48	Vice president	22 April 2014	1,054
SUN Ziyu	54	Vice president	22 April 2014	1,056
WEN Gang(Note 4)	50	Vice president	28 December 2016	1,428
WANG Jian(Note 5)	52	Vice president	28 December 2016	1,103
LIU Wensheng(Note 6)	56	Secretary of the Board, Company secretary and chief economist	22 April 2014	582

REPORT OF THE BOARD OF DIRECTORS

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

Note 1: Please refer to Note 9 of the audited financial statements for details of the emoluments of the Directors and Supervisors of the Company in 2016. The emoluments payable to the Directors, Supervisors and senior management are determined with reference to responsibilities, years of service and performance of each individual, the results of the Group and prevailing market rate.

Note 2: Mr. CHEN Fenjian was elected to be the vice Chairman of the Board of the Company on 28 December 2016.

Note 3: Mr. YANG Liqiang ceased to be the vice president of the Company on 10 January 2017.

Note 4: Mr. WEN Gang was appointed as the vice president of the Company on 28 December 2016.

Note 5: Mr. WANG Jian was appointed as the vice president of the Company on 28 December 2016.

Note 6: The performance evaluation has not yet been completed temporarily.

Details of the emoluments of each senior management of the Company (excluding Directors who also hold executive positions) in 2016 are set out below:

Name	Basic salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
CHEN Yun	196	47	585	828
YANG Liqiang(Note 1)	196	47	598	841
SONG Hailiang	470	47	420	937
WANG Haihuai	467	47	540	1,054
SUN Ziyu	469	47	540	1,056
WEN Gang	469	47	912	1,428
WANG Jian	557	47	499	1,103
LIU Wensheng(Note 2)	530	47	0	582

Note 1: Please refer to note 3 on page 56.

Note 2: Please refer to note 6 on page 56.

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

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

As at 31 December 2016, the interests or short positions of Shareholders (other than Directors, Supervisors and chief executive of the Company) who have an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed by the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of Shareholder(Note 1)	Number of shares held	Type of shares	Percentage of the respective type of shares(Note 2) (%)	Percentage of the total number of shares in issue(Note 3) (%)	Capacity in which the shares are held
CCCG	10,325,207,306	A shares	87.89	63.84	Beneficial owner
Merrill Lynch (Asia Pacific) Limited	525,000,000 (Long position)	H shares	11.86	3.25	Interest of controlled corporation
	528,912,000 (Short position)	H shares	11.95	3.27	Interest of controlled corporation
Merrill Lynch Far East Limited	525,000,000 (Long position)	H shares	11.86	3.25	Interest jointly held with another person
	528,912,000 (Short position)	H shares	11.95	3.27	Interest jointly held with another person
Merrill Lynch International Holdings Inc.	525,000,000 (Long position)	H shares	11.86	3.25	Interest of controlled corporation
	528,912,000 (Short position)	H shares	11.95	3.27	Interest of controlled corporation
Merrill Lynch International Incorporated	525,000,000 (Long position)	H shares	11.86	3.25	Interest of controlled corporation
	528,912,000 (Short position)	H shares	11.95	3.27	Interest of controlled corporation
BlackRock, Inc.	301,705,468 (Long position)	H shares	6.81	1.87	Interest of controlled corporation
JPMorgan Chase & Co.	280,184,864 (Long position)	H shares	6.33	1.73	Beneficial owner Investment manager Custodian corporation/approved lending agent
	4,023,113 (Short position)	H shares	0.09	0.02	Beneficial owner
	148,544,808 (Lending pool)	H shares	3.36	0.92	Custodian corporation/approved lending agent

REPORT OF THE BOARD OF DIRECTORS

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

Note 1: Except for the number of shares held by CCCG, the table is prepared based on the disclosure of interest fillings of the substantial Shareholders published on the website of the Hong Kong Stock Exchange for the relevant events as at 31 December 2016.

Note 2: The percentage of respective type of shares is based on 11,747,235,425 A shares and 4,427,500,000 H shares of the Company as at 31 December 2016, respectively.

Note 3: The percentage of total number of shares in issue is based on 16,174,735,425 shares of the total issued share capital of the Company as at 31 December 2016.

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

As at 31 December 2016, there were 15,474 H shareholders and 141,550 A shareholders as shown on the register of members of the Company. Particulars of the top 10 shareholders of the Company as at 31 December 2016 were as follows:

	Name of shareholder	Nature	Percentage	Number	Number of shares subject to trading restriction	Number of shares pledged or frozen
1	CCCG	State	63.84	10,325,207,306	0	Nil
2	HKSCC Nominees Limited	Foreign legal entities	27.08	4,380,584,959	0	Unknown
3	China Securities Finance Corporation Limited	State-owned legal entities	2.72	439,326,519	0	Unknown
4	Central Huijin Asset Management Ltd.	State-owned legal entities	0.61	98,075,800	0	Unknown
5	Anbang Asset Management – China Merchants Bank – Anbang Asset – China Merchants Bank – Anbang Asset – Win-win No. 3 Collective Asset Management Product	Unknown	0.38	61,894,841	0	Unknown
6	Hexie Health Insurance Co., Ltd. – Traditional – General Insurance Products	Unknown	0.19	31,262,927	0	Unknown
7	Anbang Pension Insurance Co., Ltd. – Group All-Powerful Products	Unknown	0.19	31,018,995	0	Unknown
8	Anbang Asset -Ping An Bank – Anbang Asset – Win-win No. 2 Collective Asset Management Product (Phase 6)	Unknown	0.17	28,008,508	0	Unknown
9	Hong Kong Securities Clearing Company Limited	Foreign legal entities	0.11	18,146,006	0	Unknown
10	Abu Dhabi Investment Authority	Unknown	0.09	14,751,166	0	Unknown

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

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

As at 31 December 2016, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares of equity derivatives or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to the Company notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules ("Model Code").

As at 31 December 2016, the Company had not granted its Directors, Supervisors or chief executive or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for shares or debentures.

COMPETING BUSINESS

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

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

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

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

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

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

Apart from the service contracts with the Company or its subsidiaries (if applicable), for the year ended 31 December 2016, none of the Directors or Supervisors of the Company was materially interested, whether directly or indirectly, in any transaction, arrangement or contract of significance to which the Company, its subsidiary or holding company or a subsidiary of the Company's holding company is a party.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group insists on integrating energy conservation and environmental protection work into the whole process of its production, operation management and project construction, improving the management and appraisal system in relation to the *Energy Conservation and Emission Reduction Management Measures*, *the Measures for the Administration of Environmental Protection, Treatment Measures for Safety Production and Environmental Accidents, and Evaluation Measures for Safety and Environment Protection*, reducing energy consumption, carrying out green office and green procurement, conducting 100% environmental assessment in building projects and promoting the green development of the enterprise. In the Operating Results Assessment of State-owned Enterprises conducted by the SASAC, the Group has been granted the honorary titles of "Excellent Enterprise for Energy Conservation and Emission Reduction". For details of the Group's environment policies and performance, please refer to the section headed "Environmental, Social and Governance Report" in this Report and the Group's "2016 Environmental, Social and Governance Report of China Communications Construction Company Limited" published on the website of the Stock Exchange and Company website.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements. During the year ended 31 December 2016, the Group had complied in all material respects with relevant PRC laws and regulations, and the company and all of its direct subsidiaries had obtained all licenses, approvals and permits from appropriate regulatory authorities that are material for its business operations in the PRC. As a result of our international activities, we are subject to the laws and regulations of the various countries and regions in which we do business, in addition to the laws of the PRC. Meanwhile, as the Company is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, therefore we are also required to comply with the listing rules and applicable laws and regulations of listing places. As far as the Company is aware, the Group has also complied with overseas laws and regulations, as well as the listing rules and applicable laws and regulations of listing places during the year ended 31 December 2016. The Group has more sound internal control system in place, so as to monitor and ensure the legitimacy and compliance of our production, construction and operating activities.

REPORT OF THE BOARD OF DIRECTORS

KEY RELATIONSHIPS

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

Employees

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

Customers

Most of the customers of the Group's infrastructure construction business, infrastructure design business and Dredging Business are PRC government agencies at the national, provincial and local levels, and state owned enterprises. The Group's major customers for heavy machinery manufacturing business include port authorities and port operators in China and around the world, including PSA International in Singapore, A. P. Moller Maersk Group in Denmark, Dubai Port International in the United Arab Emirates and Hutchison Whampoa in Hong Kong. When providing prime-quality projects and products for customers, the Group performs its obligations under contracts in good faith, actively creates values for its customers, and enhances the level of service satisfaction. All subsidiaries of CCCC have established client visit systems.

Suppliers

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

PERMITTED INDEMNITY PROVISION

As at 31 December 2016, all directors of the Company were covered under the liability insurance purchased by the Company for its directors.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the year ended 31 December 2016.

SUMMARY OF FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

The tables below set out a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2016.

Consolidated Income Statement

	2016 RMB million	2015 RMB million	2014 RMB million	2013 RMB million	2012 RMB million
Revenue	**429,972**	403,616	366,042	331,798	295,321
Gross profit	**57,899**	49,754	39,272	33,938	32,598
Profit before income tax	**22,922**	19,671	17,604	15,852	15,551
Profit for the year	**17,689**	15,913	13,883	12,272	11,761
Attributable to:					
– owners of the Company	**17,210**	15,828	13,985	12,568	12,277
– non-controlling interests	**479**	85	(102)	(296)	(516)
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)					
– basic	**1.00**	0.96	0.86	0.78	0.77
– diluted	**1.00**	0.96	0.86	0.78	0.77
Dividends	**3,145**	3,079	2,778	3,035	2,988

Consolidated Balance Sheet

	As at 31 December (RMB million)				
	2016	2015	2014	2013	2012
Total assets	**801,082**	731,313	630,180	517,445	434,277
Total liabilities	**614,512**	562,307	498,568	412,604	338,164
Capital and reserves attributable to owners of the Company	**159,323**	146,724	116,531	94,861	86,659
Non-controlling interests	**27,247**	22,282	15,081	9,980	9,454

Note: The financial figures for the year 2015 and 2016 were extracted from the 2016 Consolidated Financial Statements. The financial figures for the year 2012 to 2014 were extracted from the 2013, 2014 and 2015 annual report, respectively.

REPORT OF THE BOARD OF DIRECTORS

BANK LOANS AND OTHER BORROWINGS

Please refer to Note 29 of the audited financial statements for details of bank loans and other borrowings of the Group.

ISSUANCE OF DEBENTURES

The first tranche of 2016 ultra-short-term financing bonds in an aggregate principal amount of RMB3 billion have been issued by the Company at the issue price of RMB100 for nominal value of RMB100 on 16 May 2016. The maturity period of the bonds is 270 days, with interests of 2.99% accruing from 18 May 2016. For more details, please refer to the overseas regulatory announcement published by the Company on 18 May 2016.

The second tranche of 2016 ultra-short-term financing bonds in an aggregate principal amount of RMB3 billion have been issued by the Company at the issue price of RMB100 for nominal value of RMB100 on 5 August 2016. The maturity period of the bonds is 270 days, with interests of 2.61% accruing from 8 August 2016. For more details, please refer to the overseas regulatory announcement published by the Company on 8 August 2016.

CCCC Dredging, a subsidiary of the Company, issued the First Tranche 2016 corporate bonds by tranches at an issued amount of RMB2 billion, with maturity period of five years. The coupon rate was 2.99%. For more details, please refer to the announcement of CCCC Dredging published on the website of Shanghai Stock Exchange on 29 February 2016.

CCCC Dredging, a subsidiary of the Company, issued the Second Tranche 2016 corporate bonds at an issued amount of RMB4 billion, with maturities of five years. The coupon rate of Type one (referred to as "16 Dredging 02" with the code of 136515) was 3.01%, while the final coupon rate of Type two (referred to as "16 Dredging 03" with the code of 136516) was 3.35% (for details, please refer to the announcement of the Company published on the website of Shanghai Stock Exchange on 8 July 2016).

The first tranche of 2016 ultra-short-term financing bonds in an aggregate principal amount of RMB2 billion have been issued by ZPMC, a subsidiary of the Company at the issue price of RMB100 for nominal value of RMB100. The maturity period of the bonds is 365 days, with interest of 3.70% accruing from 29 April 2016. For more details, please refer to the announcement of ZPMC published on the website of Shanghai Clearing House on 5 May 2016.

The 2016 ultra-short-tern financing bonds in an aggregate principal amount of RMB2 billion have been issued by ZPMC, a subsidiary of the Company at the issue price of RMB100 for nominal value of RMB100 on 28 October 2016. The maturity period of the bonds is 270 days, with interest of 3.20% accruing from 31 October 2016. For more details, please refer to the overseas regulatory announcement published by the Company on 4 November 2016.

FIXED ASSETS

Please refer to Note 14 of the audited financial statements for movements in the property, plant and equipment of the Group for the year ended 31 December 2016.

CAPITALISED INTEREST

Please refer to Note 8 of the audited financial statements for details of the capitalised interest expense of the Group for the year ended 31 December 2016.

RESERVES

Please refer to Notes 47 and 35 of the audited financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2016 respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2016 amounted to approximately RMB14,722 million.

DONATIONS

For the year ended 31 December 2016, the Group made charitable and other donations in a total amount of approximately RMB24.37 million.

SUBSIDIARIES

Please refer to Note 1 of the audited financial statements for details of the Company's principal subsidiaries as at 31 December 2016.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Please refer to Notes 15, 18, 19, 20 and 21 of the audited financial statements for details of significant investments and acquisitions incurred during the year ended 31 December 2016.

CHANGE IN EQUITY

Please refer to Notes 33 to 35 of the audited financial statements for detail of changes in equity.

RETIREMENT BENEFITS

Please refer to Note 31 of the audited financial statements for details of retirement benefits.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The diversified business structure of the Company had provided an extensive base of suppliers and customers with low concentration. There is no reliance of the Company on a single supplier or customer. As at 31 December 2016, the sales of the Group to the five largest customers amounted to RMB38,354 million, representing less than 30% of the Group's revenue; the aggregate purchase from the five largest suppliers by the Group amounted to RMB3,605 million, representing less than 30% of the Group's aggregate purchase for the year.

REPORT OF THE BOARD OF DIRECTORS

CONNECTED TRANSACTIONS

The Company has entered into the following connected transaction in the year 2016.

On 31 March 2016, CCCI, Apex Top Group Limited ("**Apex Top Group**"), Greentown China Holdings Limited ("**Greentown China**"), the Joint Global Coordinators and UBS AG Hong Kong Branch ("**Placing Agents**") and certain independent financial institutions ("**Subscribers**") entered into the subscription agreement, pursuant to which, Apex Top Group agreed to issue and the Subscribers agreed to subscribe for the Securities with an aggregate principal amount of US$400 million.

On the same date, as one of the conditions precedent of the subscription agreement, CCCI and each subscriber entered into a financial contract, pursuant to which, (i) CCCI shall post an agreed amount of margin to each Subscriber upfront in order to obtain leverage on the securities; and (ii) each subscriber shall pass through to CCCI full economic exposure to the securities.

On 31 March 2016, CCCG is the controlling shareholder of the Company, holding approximately 63.84% equity interests in the Company. Greentown China is a non-wholly-owned subsidiary of CCCG and the issuer is a wholly-owned subsidiary of Greentown China, therefore Greentown China and Apex Top Group are connected persons of the Company. CCCI is a wholly-owned subsidiary of the Company, thus, the total return swap arrangement under the financial contract in relation to the Securities issued by Apex Top Group constitutes a connected transaction of the Company.

As the highest applicable percentage ratio for the abovementioned connected transaction exceeds 0.1% but is less than 5%, accordingly, the abovementioned connected transaction is subject to the announcement requirement but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details of the aforesaid connected transaction, please refer to the announcement of the Company published on 31 March 2016.

CONTINUING CONNECTED TRANSACTIONS

Project Contracting Framework Agreement entered into between the Company and CCCG

On 10 August 2016, the Company and CCCG entered into the project contracting framework agreement, pursuant to which the Group agreed to provide project contracting service to CCCG and/or its subsidiaries, excluding the Group, which may include (i) providing construction service for real property development projects that may be undertaken by CCCG and/or its subsidiaries, excluding the Group; (ii) design, construction, operation, management and dismantlement of temporary supporting facilities; and (iii) consultancy and management service that may be required for the development of real property projects..

On 10 August 2016, CCCG is the controlling shareholder of the Company, and therefore, is a connected person of the Company under the Hong Kong Listing Rules. Accordingly, transactions contemplated under the project contracting framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

CONTINUING CONNECTED TRANSACTIONS (Continued)

Project Contracting Framework Agreement entered into between the Company and CCCG (Continued)

For details of the continuing connected transactions, please refer to the announcement of the Company dated 10 August 2016.

The annual caps for the continuing connected transactions described above as compared with the actual transactions amounts received by the Group for the year ended 31 December 2016 are set out as follows:

	Annual cap for 2016 (RMB million)	**Actual amount for 2016 (RMB million)**
Project contracting service fees to be received by the Group from CCCG and/or its subsidiaries, excluding the Group	950	658

Financial Services Agreement Entered Into Between CCCC Finance and CCCG

On 12 August 2016, CCCC Finance (a subsidiary of the Company) entered into the financial services agreement with CCCG, pursuant to which CCCC Finance shall provide financial services to CCCG and its subsidiaries. Pursuant to the financial services agreement, CCCC Finance agreed to provide deposit services, loan services and other financial services to CCCG and its subsidiaries.

On 12 August 2016, CCCG is the controlling shareholder of the Company, holding approximately 63.84% equity interests in the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Financial Services Agreement between CCCC Finance and CCCG and/or its subsidiaries constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

As estimated by the Company, during the effective term of the Financial Services Agreement, the daily balance of loans provided by CCCC Finance to CCCG and its subsidiaries (including the interests accrued thereon) will not exceed RMB2 billion. Since the highest applicable percentage ratio is more than 0.1% but less than 5%, the transaction of providing loan services by CCCC Finance to CCCG and its subsidiaries is subject to the announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For the year ended 31 December 2016, CCCC Finance did not provide loans to CCCG and its subsidiaries. For details of the continuing connected transactions, please refer to the announcement of the Company dated 12 August 2016.

REPORT OF THE BOARD OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (Continued)

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

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

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

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

The auditors of the Company have reviewed the above non-exempt continuing connected transactions and issued a letter to the Board, stating that nothing has come to its attention that may cause it to believe that such transactions:

(i) have not been approved by the Board;

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

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

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

Others

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

For related party transactions discussed in Note 42 of the audited financial statements which are also connected transactions under Chapter 14A of the Hong Kong Listing Rules, the Company had made disclosure when required under the Hong Kong Listing Rules.

EMPLOYEES

As at 31 December 2016, the Group had 118,765 employees that had signed labor contracts with the Group. The Group was responsible for the expenses of 55,890 retired employees. The breakdown of employees as at 31 December 2016 was as follows:

1. Categorized by Major

Major	Number of Employees	Percentage
Management	44,258	37.27%
Specialist	50,694	42.68%
Technician	13,142	11.07%
Others	10,671	8.98%
Total	118,765	100.00%

2. Categorized by Degree Held

	Number of Employees	Percentage
Master and above	9,714	8.18%
Bachelor	65,135	54.84%
Junior college degree	23,401	19.70%
Associate degree	6,857	5.77%
Junior high school degree and other	13,658	11.50%
Total	118,765	100.00%

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

In accordance with applicable regulations, the Group makes contributions to the employees' pension plan, medical insurance plan, unemployment insurance plan, maternity insurance plan and personal injury insurance plan. The amount of contributions is based on the specified percentages of employees' aggregate salaries as provided for by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. Current employees of the Group are also entitled to performance-based annual bonus. Please refer to Note 28 of the audited financial statement for details of the payroll and social security payable by the Company during the year ended 31 December 2016. Please refer to Note 9 of the audited financial statement for information about the emoluments of the directors and chief executives. Please refer to Note 31 of the audited financial statements for details of the supplementary pension subsidies and medical benefits provided by the Company to its employees.

REPORT OF THE BOARD OF DIRECTORS

BUSINESS REVIEW

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

MATERIAL LAWSUITS AND ARBITRATIONS

As at 31 December 2016, as far as the Directors are aware, except as disclosed in Note 37 of the audited financial statements, the Group was not involved in any material litigation or arbitration and no material litigation or claim was pending or threatened or made against the Group.

AUDITORS

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

Beipanjiang Bridge, the world's highest bridge, is a controlled bridge project in Bijie-Duge Section of Hangzhou-Ruili Highway. It was built with innovative technologies including the "modularized steel truss girder automatic pushing system".

REPORT OF THE SUPERVISORY COMMITTEE

I. WORK PERFORMED BY THE SUPERVISORY COMMITTEE

During the reporting period, the third session of the Supervisory Committee of the Company held seven meetings. All Supervisors attended such meetings except for Mr. Yao Yanmin, who was unable to attend the fourteenth meeting of the third session of the Supervisory Committee due to business engagement and appointed Mr. Wang Yongbin to attend the meeting and vote on his behalf. The relevant resolutions considered at those meetings are detailed as follows:

1. The fourteenth meeting of the third session of the Supervisory Committee was held on 25 January 2016 to consider and approve the Resolution on the Related-party Transactions in Relation to FALHU G Lagoon Retreat & Spa Maldives Project, the Resolution on Considering Base Value of Finance Evaluation Index for Investment Projects (2016);

2. The fifteenth meeting of the third session of the Supervisory Committee was held on 28 March 2016 to consider and approve the Resolution on Considering the Annual Results Announcement and Annual Report of the Company for 2015, the Resolution on Considering the Final Budget of the Company for 2015, the Resolution on Considering the Profit Distribution and Dividend Payment Plan of the Company for 2015, the Resolution on Considering the Special Report on the Deposit and Actual Use of Proceeds from Funds-Raising of A Share for 2015, the Resolution on Considering the Special Report on the Deposit and Actual Use of Proceeds from Funds-Raising of A Share for 2015, the Resolution on Considering the Special Report on the Funds Attributable to the Controlling Shareholders and Other Related Parties, the Resolution Regarding External Guarantees of the Company for 2016, the Resolution on Confirming Actual Situation of Day-to-Day Related-party/Connected Transactions of the Company for 2015, the Resolution on Considering Day-to-Day Connected Transactions of the Company for 2016, the Resolution on Considering the 2015 Assessment Report on Internal Control of the Company, the Resolution on Considering Infrastructure Investment Plan of the Company for 2016, the Resolution on Considering Investment Project Budget of the Company for 2016, the Resolution on Considering the Subscription of Perpetual Bonds of Greentown Private Placement by CCCI and its Connected Transactions and the Resolution on Considering the Report of the Supervisory Committee for 2015 of the Company;

3. The Sixteenth meeting of the third session of the Supervisory Committee was held on 26 April 2016 to consider and approve the Resolution on the Quarterly Report of the Company for the First Quarter of 2016 and the Resolution on Engaging the International and Domestic Auditors;

4. The Seventeenth meeting of the third session of the Supervisory Committee was held on 30 August 2016 to consider and approve the Resolution on the Drafts of the Interim Results Announcement and Interim Report of the Company for 2016, the Resolution on the Special Report on the Deposit and Actual Use of Proceeds of the Company, the Resolution on Non-public Issuance of Overseas Listed Foreign Shares (H Share) and Related Matters, and the Resolution on Adjusting Base Value of Finance Evaluation Index for Investment Projects (2016);

5. The Eighteenth meeting of the third session of the Supervisory Committee was held on 22 September 2016 to consider and approve the Resolution on Considering Interim Measures on the Supervisory Committee Office of the Company;

6. The Nineteenth meeting of the third session of the Supervisory Committee was held on 28 October 2016 to consider and approve the Resolution on Considering the Quarterly Report of the Company for the Third Quarter of 2016, the Resolution on the Results of Performance Appraisal of the Senior Management for 2015;

7. The Twentieth meeting of the third session of the Supervisory Committee was held on 28 December 2016 to consider and approve the Resolution on Connected Transactions in Relation to Capital Increase of Shareholders of Companies of CCCC in South America, the Resolution on Connected Transactions in Relation to the Establishment of Cement Plant in Niger by CRBC and the Resolution on Adjusting the Transaction Amount of Day-to-Day Related-party/Connected Transactions for 2016.

Apart from the regular meetings, the Supervisory Committee will continue to put greater efforts to carry out the site inspection, monitor the implementation of strategies of the Company and the pressure and drop of "two reserves" with access to the financial information as the core, and improve the security maintenance of overseas assets by special inspection. As of the end of this reporting period, the Supervisory Committee fulfilled the effective coverage for subsidiaries and important projects via the site inspection, and further advanced the operating quality and guaranteed the healthy development of the Company.

During the reporting period, the Supervisory Committee will further explore the top-level design and enhance the construction and guide of institutions. Focusing on creating the first-class office, the Supervisory Committee will perfect the system, promote the standardization work, regulate the building of efficient and linked service supporting platform by the Supervisory Committee at all levels in the Company and push the supervisory committee of subsidiaries to unceasingly perfect the supervisory mechanism. Moreover, the information base about supervisors in subsidiaries lays a solid foundation for the long-term development of the Supervisory Committee of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE LEGAL COMPLIANCE OF THE OPERATIONS OF THE COMPANY IN 2016

During the reporting period, faced with the complicated and changeable international environment and domestic situation under the "new normal", the directors and senior management of the Company worked closely together and were driven to enhancing the strategy upgrade, optimizing the industrial structure, insisting on the innovation-driven model and improving quality and efficiency, continuously expanded emerging markets and led the Company's results to achieve a record. Currently, the assets size of the Company is close to a trillion, the owners' equity interest continues to climb, and the international influence and brand awareness are also increasing over days, jumping to 110th among Top 500 in the world and successfully becoming Top 3 among the ENR Top International Contractors.

Through the supervision on the Directors and senior management of the Company, the Supervisory Committee was of the opinion that the Board operated in strict compliance with the Company Law, Securities Law, the Articles of Association and other relevant laws, regulations and requirements and operated lawfully. Significant operational decisions made by the Company were reasonable and the procedures were legitimate and valid. To further regulate the operations, the Company further established and refined its internal management system and internal control system. Directors and senior management of the Company had duly performed their duties with dedication, diligence and responsibility in strict compliance with the laws and regulations of the PRC, the Articles of Association, resolutions of the shareholders' meeting and resolutions of the Board meeting. The Supervisory Committee was not aware of any act of the Directors or senior management of the Company which was in violation of any laws, regulations and the Articles of Association or was detrimental to the interests of the Company and its shareholders.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE REVIEW OF THE FINANCIAL POSITIONS OF THE COMPANY

Members of the Supervisory Committee examined and supervised the financial positions of the Company through the debriefing report of the responsible person of the financial department of the Company, reviewing financial statements of the Company, regular reports of the Company and on-site investigation of material investments and financing projects resolved by the Board. The Supervisory Committee was of the opinion that the financial system of the Company was comprehensive, the financial control effect was outstanding, the fund concentration was continuously increasing and that the financial report gave a true view of financial positions and operating results of the Company. An accounting firm has audited the financial report of the Company and issued an unqualified audit report confirming that the financial report of the Company was in compliance with the related provisions of Enterprise Accounting Standards and Enterprise Accounting System and gave an objective, fair, true and accurate view of statement of affairs of the Company in 2016, and that there were no false representations, misleading statements, or material omissions contained therein.

IV. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE USE OF PROCEEDS

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

V. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELATED-PARTY/CONNECTED TRANSACTIONS OF THE COMPANY

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

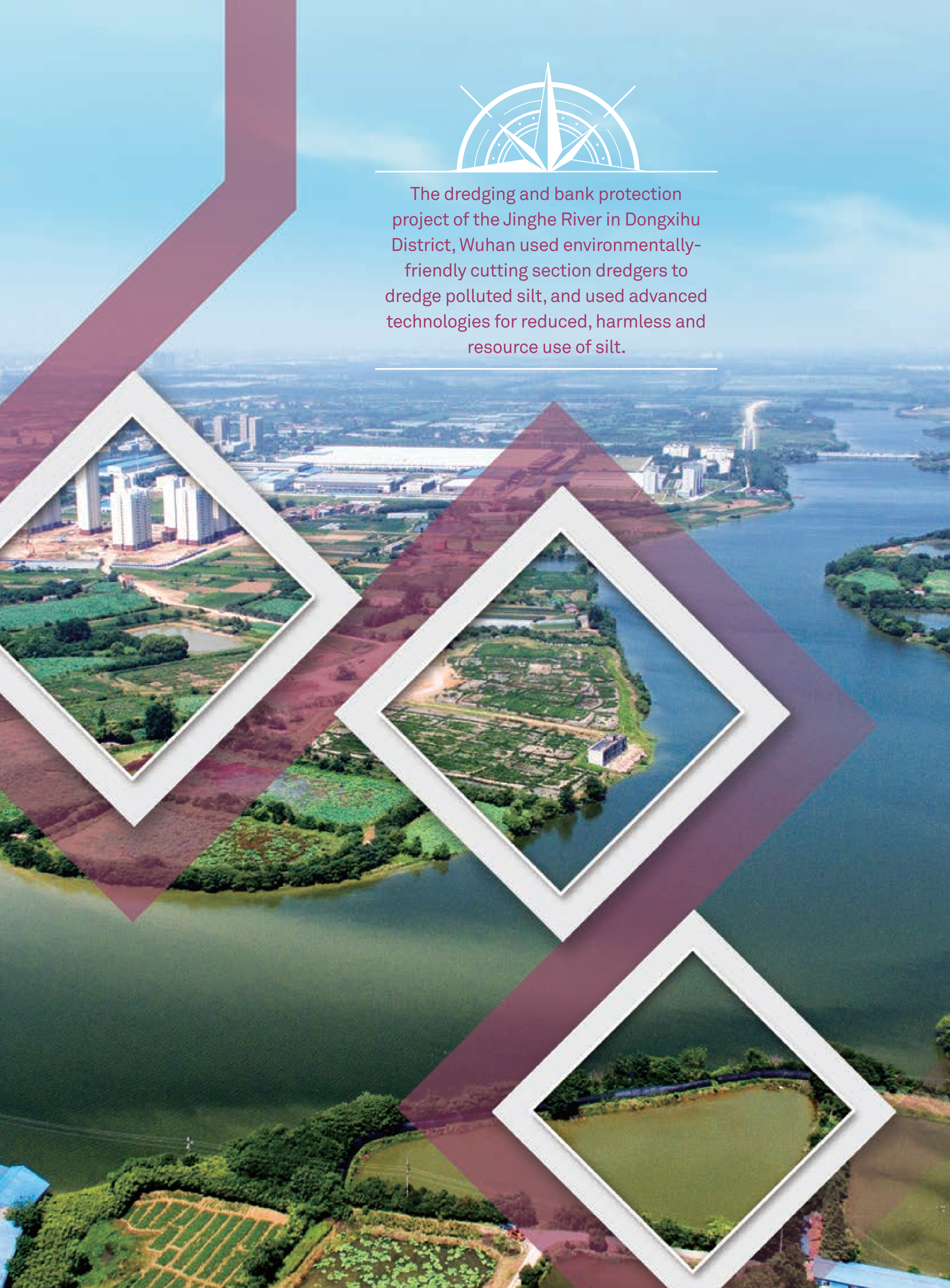
VI. REVIEW OF THE SUPERVISORY COMMITTEE ON THE SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

During the reporting period, the Supervisory Committee reviewed the Self-assessment Report on Internal Control and considered that the Company had complied with the Company Law and relevant requirements of China Securities Regulatory Commission and Shanghai Stock Exchange, upheld the fundamental principles of internal control, established and perfected the internal control system that covered every part of the Company's operations with reference to its actual conditions and ensured the orderly function of the Company's production and operation. At the same time, the Company has established a complete internal control structure that ensures the effective supervision and implementation of the internal control system. In 2016, the Company's key internal control activities were regulated, conducted in compliance with the law and were valid without any instance of breaching the relevant requirements of the national securities regulatory authorities and the Company's internal control system. To sum up, the Supervisory Committee considered that the 2016 Self-assessment Report on Internal Control reflected the actual situation of the establishment, improvement and operation of the Company's internal control system in a comprehensive, objective and truthful manner and thus no dissenting opinion was given.

VII. OPINIONS OF THE SUPERVISORY COMMITTEE ON IMPLEMENTATION OF THE SYSTEM OF REGISTRATION OF OWNERS OF INSIDER INFORMATION

In accordance with the system of registration of owners of insider information, the Company registered for record relevant insider information. The Supervisory Committee were unaware that the directors, supervisors and senior management of the Company and relevant owners of insider information bought or sold shares on the basis of inside information before the disclosure of material and price-sensitive information.

In 2017, the Supervisory Committee will perform its duties with dedication and diligence and strengthen supervision and inspection to give full play to its functions, so as to make new contributions to the perfection and continuously healthy development of the Company's governance.



The dredging and bank protection project of the Jinghe River in Dongxihu District, Wuhan used environmentally-friendly cutting section dredgers to dredge polluted silt, and used advanced technologies for reduced, harmless and resource use of silt.

CORPORATE GOVERNANCE REPORT

OVERVIEW

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to high standards of corporate governance. The Board believes that the Company complied with all code provisions as set out in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules ("Corporate Governance Code") for the year ended 31 December 2016.

THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at 31 December 2016, the Board consisted of seven Directors, including three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Members of the Board were as follows:

Chairman of the Board: Liu Qitao

Vice Chairman and President: Chen Fenjian

Executive Directors: Liu Qitao, Chen Fenjian, Fu Junyuan

Non-executive Director: Liu Maoxun

Independent Non-executive Directors: Liu Zhangmin, Leung Chong Shun and Huang Long

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

The Company has received the confirmation on independence from each of the Independent Non-executive Directors for the year 2016 and the Company considers each Independent Non-executive Director to be independent.

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

2. Shareholders' General Meetings

In 2016, the Company held one shareholders' general meeting. The table below sets out the details of shareholders' general meeting attendance of each Director in 2016:

Director	Number of Meetings Attended
Liu Qitao	1
Chen Fenjian	1
Fu Junyuan	1
Liu Maoxun	1
Liu Zhangmin	1
Leung Chong Shun	1
Huang Long	1

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (Continued)

3. Board Meetings

In 2016, the Company held eight board meetings to discuss the fundamental system, the internal control system, the establishment of branches, fund raising and investment opportunities, the election of Supervisor of the Company. The table below sets out the details of Board meeting attendance of each Director in 2016:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	8	7	1	88%
Chen Fenjian	8	8	0	100%
Fu Junyuan	8	8	0	100%
Liu Maoxun	8	8	0	100%
Liu Zhangmin	8	8	0	100%
Leung Chong Shun	8	8	0	100%
Huang Long	8	8	0	100%

4. Responsibilities and Operations of the Board

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

THE BOARD OF DIRECTORS (Continued)

4. Responsibilities and Operations of the Board (Continued)

The division of power between the Board and senior management complies with the Articles of Association and relevant regulations. The Chairman of the Board is responsible for ensuring that the Directors perform their duties properly and ensuring discussions on material matters are on a timely basis. Pursuant to the Articles of Association, the President is responsible to the Board and is delegated the authority to, among other things, oversee the operation and management of the Company, implement the decisions of the Board, carry out investment plans and establish an internal management system. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, the Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive directors of the Company. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, financing and financial reporting, internal controls, communication with shareholders and corporate governance. For the year ended 31 December 2016, Mr. Liu Qitao served as the Chairman of the Board and Mr. Chen Fenjian served as the vice Chairman of the Board and the President of the Company.

The corporate governance functions of the Company are performed by the Board. In 2016, the Board reviewed the Company's policies and practices on corporate governance, reviewed and monitored the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements as well as the company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

5. Code for Securities Transactions by Directors

The Company has adopted the Model Code. The Company has made specific inquiries with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2016.

6. Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and A Guide on Directors' Duties issued by the Companies Registry of Hong Kong to each newly appointed Director to ensure that he/she is fully aware of his/her responsibilities and obligations under the Hong Kong Listing Rules and other regulatory requirements. For the year ended 31 December 2016, Liu Maoxun participated in the training class on communication for directors organized by SASAC twice and SASAC – Tsinghua University training class for directors once, while Huang Long participated in the training class on communication for directors organized by SASAC once.

The Company Secretary reports from time to time the latest changes and development of the Hong Kong Listing Rules, Corporate Governance Code and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities. During 2016, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (Continued)

7. Committees under the Board

(a) Strategy Committee

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

As at 31 December 2016, the Strategy Committee consisted of five members, namely Mr. Liu Qitao, Mr. Chen Fenjian, Mr. Fu Junyuan, Mr. Liu Maoxun and Mr. Leung Chong Shun, and is chaired by Mr. Liu Qitao.

The Strategy Committee held one meeting in 2016 to review and discuss the "Thirteenth Five-Year" Strategic Plan of CCCC. The table below sets out the details of Strategy Committee meeting attendance of each Director in 2016:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	1	1	0	100%
Chen Fenjian	1	1	0	100%
Fu Junyuan	1	1	0	100%
Liu Maoxun	1	1	0	100%
Leung Chong Shun	1	1	0	100%

THE BOARD OF DIRECTORS (Continued)

7. Committees under the Board (Continued)

(b) Audit Committee

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

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and the remuneration and terms of engagement of the external auditor;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to monitor the integrity of financial statements of the Company and the Company's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

- to oversee the Company's financial reporting system and internal control procedures, including but not limited to, review of financial controls, internal control and risk management systems, consideration of action on any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Company's financial and accounting policies and practices.

As at 31 December 2016, the Audit Committee consisted of three members, namely Mr. Liu Zhangmin, Mr. Leung Chong Shun and Mr. Huang Long, and is chaired by Mr. Liu Zhangmin. All of the three members of the Audit Committee were Independent Non-executive Directors.

The Audit Committee held six meetings in 2016 to discuss, among other things, the audited annual financial statements of 2015, the internal control report of the Company, the internal audit summary of 2015 and the plan of 2016, the report of duty performance of the audit committee in 2015, the quarterly financial reports of 2016 and the interim financial report of 2016, the re-appointment of the international and domestic auditors for 2016 and matters concerning connected transactions. The table below sets out the details of Audit Committee meeting attendance of each Director in 2016:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Zhangmin	6	6	0	100%
Leung Chong Shun	6	6	0	100%
Huang Long	6	6	0	100%

THE BOARD OF DIRECTORS (Continued)

7. Committees under the Board (Continued)

(c) Remuneration and Appraisal Committee

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

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

As at 31 December 2016, the Remuneration and Appraisal Committee consisted of three members, namely Mr. Huang Long, Mr. Liu Maoxun and Mr. Liu Zhangmin and is chaired by Mr. Huang Long. Two out of three members of the Remuneration and Appraisal Committee were Independent Non-executive Directors.

The Remuneration and Appraisal Committee held two meetings in 2016 to review and discuss the Report on Payment of Total Remuneration of CCCC for the Year 2015, the Report on Total Remuneration Budget Scheme of CCCC for the Year 2016 and the Recommendation on the Assessment of Operational Performance and Remuneration of Senior Management of CCCC for the Year 2015. The table below sets out the details of Remuneration and Appraisal Committee meeting attendance of each Director in 2016:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Huang Long	2	2	0	100%
Liu Maoxun	2	2	0	100%
Liu Zhangmin	2	2	0	100%

THE BOARD OF DIRECTORS (Continued)

7. Committees under the Board (Continued)

(d) Nomination Committee

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

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

As at 31 December 2016, the Nomination Committee consisted of five members, namely Mr. Liu Qitao, Mr. Chen Fenjian, Mr. Liu Zhangmin, Mr. Leung Chong Shun and Mr. Huang Long, and is chaired by Mr. Liu Qitao.

The Nomination Committee held one meeting in 2016 to discuss the Resolution on Appointment of Mr. Wen Gang and Mr. Wang Jian as vice president of the Company. The table below sets out the details of Nomination Committee meeting attendance of each Director in 2016:

Director	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Liu Qitao	1	1	0	100%
Chen Fenjian	1	1	0	100%
Liu Zhangmin	1	1	0	100%
Leung Chong Shun	1	1	0	100%
Huang Long	1	1	0	100%

For the year ended 31 December 2016, the Nomination Committee adopted a basic policy concerning diversity of Board members. Nomination Committee may consider diversity of Board members from a number of aspects, including but not limited to gender, age, ethnicity, education, specialty, experience, skills, knowledge and length of service and so forth. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors mentioned above to try to achieve the diversity of the Board members in accordance with the Company's development strategy, business needs and specific functions of job vacancy. Upon selection, the Nomination Committee shall make a final recommendation to the Board based on merit of the selected candidates and fits with the development of the Company.

CORPORATE GOVERNANCE REPORT

SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising the Board, its individual members and senior management to safeguard against any potential abuse of authority by the Board, its individual members and senior management so as to protect the interests of the Company and its shareholders as a whole. As at 31 December 2016, the Supervisory Committee of the Company consisted of three members, Mr. Zhen Shaohua, Mr. Yao Yanmin and Mr. Wang Yongbin (as the representative of employees). The term of office for supervisors is three years which is renewable upon re-election.

The Supervisory Committee held seven meetings in 2016 to consider and approve the 2015 report of the Supervisory Committee, the 2015 internal control assessment report of the Company, the 2016 first quarterly report, the 2016 third quarterly report of the Company and etc. The table below sets out the details of Supervisory Committee meeting attendance of each Supervisor in 2016:

Supervisors	Number of Meetings to be Attended	Number of Meetings Attended in Person	Number of Meetings Attended by Proxy	Attendance Rate
Zhen Shaohua (chairman)	7	7	0	100%
Yao Yanmin	7	6	1	86%
Wang Yongbin	7	7	0	100%

AUDITORS' REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP are appointed as the international and domestic auditors of the Company, respectively. Ernst & Young Hua Ming LLP is also appointed as the auditor of ZPMC, a subsidiary of the Company. Breakdown of the remuneration to Ernst & Young and Ernst & Young Hua Ming LLP for audit services provided and other non-audit service assignments for the year ended 31 December 2016 are as follows:

	RMB'000
Audit services	21,800
Non-audit services	
– Other services	2,450
Total	24,250

The Company will consider the resolution on appointment of auditors at a board meeting which will then be submitted to the AGM for consideration and approval.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control and risk management system and reviews its efficiency through the Audit Committee. The Board and the Audit Committee of the Company will receive from the management the information about the internal control and risk management on a regular basis (at least once a year). The Company's internal control and risk management system is designed to manage risks and is unable to ensure the elimination of all risks.

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

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

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

During the reporting period, the Board reviewed and evaluated the internal control and risk management system. The Board considered that the Company's internal control and risk management system was effective. The 2016 Internal Control Self-assessment Report of the Company has been published on the Company's website.

CORPORATE GOVERNANCE REPORT

INSIDER INFORMATION

The Company formulated the Insider Information Management System, which set out the detailed rules for the handing, disclosure and internal control of inside information. In 2016, the Company strictly implemented the abovementioned policies, further strengthened the identification and evaluation work for inside information and narrowed down the scope of insiders as far as possible. Besides, before the disclosure of an inside information in accordance with law, the Company conducted strict registration for and management over the insiders. In case of major events which require deferral or exemption of disclosure, the main department or person in charge of the specific work shall, in addition to filling in the insider registration form, prepare the memorandum on progress of material matters, including but not limited to the time of various key nodes in the course of planning and decision-making, list of personnel participating in planning and decision-making, and the means of planning and decision-making. The relevant personnel involved in planning and decision-making shall sign and confirm on the memorandum, so as to ensure the relevant insiders to fulfill their confidentiality obligation, and effectively prevent the leakage of the information.

The Company attaches great importance to internal control and its corporate social responsibility. The 2016 Social Responsibility Report of the Company has been published on the Company's website.

ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for each fiscal period. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that fiscal year.

SHAREHOLDERS' RIGHTS

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

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

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

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

SHAREHOLDERS' RIGHTS (Continued)

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

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

INVESTOR RELATIONS

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

Minxian-Guangyuan Section of Lanzhou-Chongqing Railway was officially connected and put into operation on 26 December 2016. Once totally completed, a golden intersection line comprising the three strategies of “One Belt, One Road”, Western Development and Yangtze River Economic Zone will be shaped. The picture indicates the erected longest bridge of Lanzhou-Chongqing Railway – Bailong River No. 3 Extra-long Bridge.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

As at 31 December 2016, the Board consisted of seven Directors, including three Executive Directors, one Non-executive Director, three Independent Non-executive Directors. Profiles of the Directors are as follows:

Mr. Liu Qitao, born in 1957, Chinese nationality with no overseas permanent residence, is an Executive Director and Chairman of the Board of the Company. Mr. Liu also serves as the chairman of the board of CCCG. He has in-depth knowledge and extensive management and operational experience. Mr. Liu held positions as the deputy head of No.13 Bureau of Sinohydro, the assistant to general manager and deputy general manager of China National Water Resources and Hydropower Engineering Corporation and the general manager of its department of overseas operations, the deputy general manager at Sinohydro Corporation and the chairman of the board of directors of Sinohydro International Engineering Co., Ltd., director and general manager of Sinohydro Group Ltd.. Mr. Liu graduated from Dalian University of Technology (formerly known as Dalian Institute of Technology) with a bachelor's degree in water conservancy and hydropower engineering construction, and is qualified as a first class constructor. He is a professor equivalent senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Liu has been serving as an Executive Director of the Company since January 2011 and Chairman of the Board since 26 April 2013.

Mr. Chen Fenjian, born in 1962, Chinese nationality with no overseas permanent residence, is an Executive Director, vice chairman and President of the Company. Mr. Chen also serves as the vice chairman and the general manager of CCCG. He joined the Company in August 1983 and has extensive operational and management experience. Mr. Chen held positions as the deputy head and head of Fourth Navigational Engineering Bureau of CHEC Group, and deputy general manager of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. He also holds a master's degree in business administration from Guanghua School of Management of Peking University. He is a professor equivalent senior engineer and is entitled to the special government allowance awarded by the State Council. Mr. Chen has been serving as a Vice President of the Company since September 2006 and the President of the Company since April 2014. Mr. Chen has been serving as the vice chairman of the Company since 28 December 2016.

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS (Continued)

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

Mr. Liu Zhangmin, born in 1949, Chinese nationality with no overseas permanent residence, is an Independent Non-executive Director of the Company. Mr. Liu also serves as an external director of China COSCO Shipping Corporation Limited and China Poly Group Corporation. He has extensive experience in corporate administration and financial management. Mr. Liu worked for Second Automotive Works in various positions including deputy manager of Standard Component Factory, deputy director of supply department, deputy director and director of finance department of Second Automotive Works. He worked at Dongfeng Motor Corporation for a variety of positions, including head of finance department, assistant to general manager, deputy general manager and chief accountant. He also served as executive director and president of Dongfeng Motor Group Co., Ltd. Mr. Liu graduated from Beijing Mechanical Industry Management College with a major in financial accounting of industrial enterprises. He is a senior accountant. Mr. Liu has been serving as an Independent Non-executive Director of the Company since December 2009.

Mr. Leung Chong Shun, born in 1965, Chinese nationality, permanent resident of Hong Kong Special Administrative Region, was an Independent Non-executive Director of the Company. Mr. Leung also serves as an independent non-executive director of China National Materials Co., Ltd., and SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd.), respectively. Mr. Leung has been admitted as a solicitor in 1991 and has extensive experience in legal practice of corporate finance, mergers and acquisitions and initial public offerings. He served as the chief representative of Woo Kwan Lee & Lo's Beijing office and participated in various initial public offerings and acquisition projects for H share and red-chip companies of the PRC. Mr. Leung graduated from the University of Hong Kong and obtained a bachelor's degree in law with honors. He is qualified as a solicitor in Hong Kong and England and currently a China-appointed Attesting Officer. Mr. Leung has been serving as an Independent Non-executive Director of the Company since January 2011.

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORY COMMITTEE

As at 31 December 2016, the Supervisory Committee consisted of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. Profiles of the Supervisors are as follows:

Mr. Zhen Shaohua, born in 1957, Chinese nationality with no overseas permanent residence, is the chairman of the supervisory committee of the Company. Mr. Zhen also serves as the deputy general manager of CCCG. Mr. Zhen has extensive experience in corporate administration. Mr. Zhen worked at Metal Subsidiary of China National Township Enterprises Corporation (中國鄉鎮企業聯合總公司金屬公司) for various positions, including deputy general manager and manager. The positions once held by Mr. Zhen at China National Township Enterprises Corporation (中國鄉鎮企業總公司) include assistant to general manager, deputy general manager and general manager. Mr. Zhen also worked as general manager of Zhongtian Industry Investment Company (中天實業投資公司), director and chairman of China National Real Estate Development Group Corporation. Mr. Zhen graduated from Dalian Institute of Light Industry with a bachelor's degree. He is a senior engineer. Mr. Zhen has been serving as a Supervisor and the Chairman of Supervisory Committee of the Company since January 2015.

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

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

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

As at 31 December 2016, the Company's senior management consisted of seven members with the profile as follow (profiles of Mr. Chen Fenjian and Mr. Fu Junyuan who are also Directors are set out above):

Mr. Chen Yun, born in 1963, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. He served as the chairman of CCCC Dredging Technology and Equipment National Research Centre Limited. Mr. Chen joined the Company in September 1998 and has extensive operational and management experience. He held positions as the deputy general manager of CHEC Group, and the vice president of CCCG. Mr. Chen graduated from Hehai University (formerly known as East China Institute of Water Conservancy) with a Bachelor's degree in harbour and channel engineering. He also holds a Master's degree in business administration from Tsinghua University. He is a senior engineer. Mr. Chen has been serving as a Vice President of the Company since September 2006.

Mr. Song Hailiang, born in 1965, Chinese nationality with no overseas permanent residence, is a Vice President of the Company. Mr. Song also served as the general manager of the heavy equipment manufacturing division of the Company, the chairman of ZPMC and a director of CCCC Highway and Long Bridge Construction National Research Centre Limited. Mr. Song joined the Company in 1987 and has extensive operational and management experience. He has been serving as the chairman and the general manager of CCCC Water Transportation Consultants Co., Ltd, the chairman of ZPMC and the assistant to president of the Company. Mr. Song graduated from Wuhan Institute of Water Transportation Engineering with a major in port machinery design and manufacture and subsequently obtained a Master's degree in the project management from Tsinghua University and a Doctor's degree in engineering management from Tianjin University and is a professor equivalent senior engineer. Mr. Song has been serving as a Vice President of the Company since April 2014.

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

SENIOR MANAGEMENT (Continued)

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

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

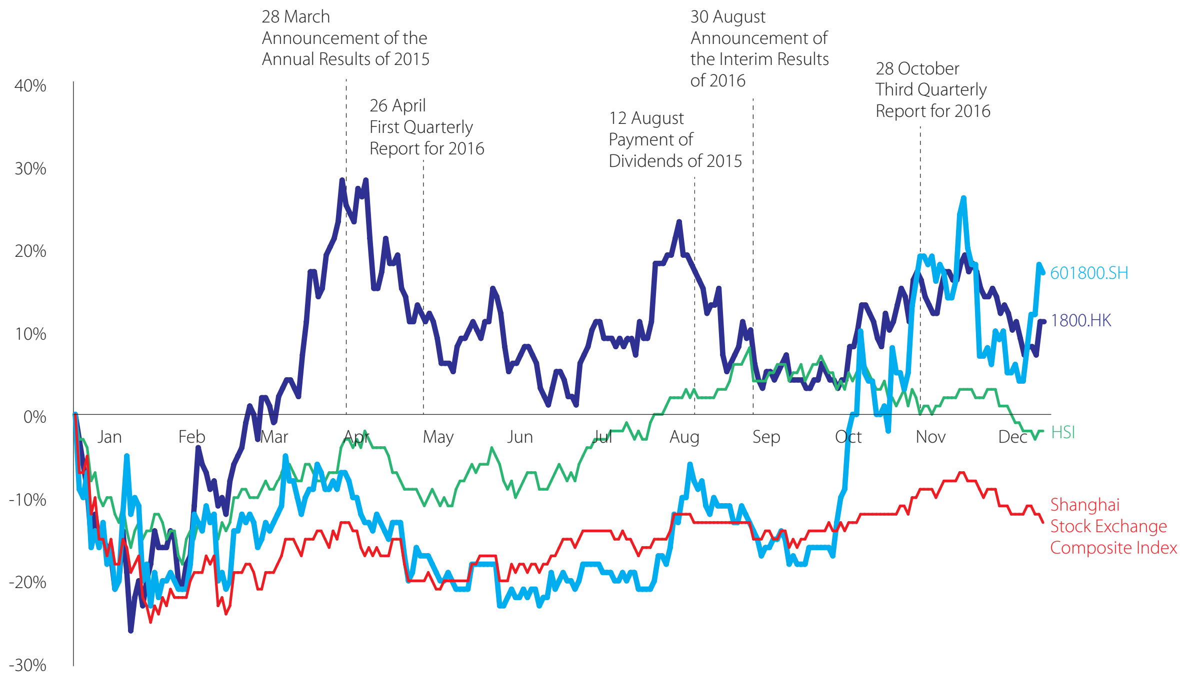
Mr. Wang Jian, born in 1964, with Chinese nationality and no overseas permanent residence, is a vice president of the Company as well as the chief safety officer, general manger of road, bridge and rail transportation department of the Company. Mr. Wang has rich operational and management experience.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

Mr. Liu Wensheng, born in 1960, Chinese nationality with no overseas permanent residence, is the secretary to the Board, the Company Secretary and the Chief Economist of the Company. Mr. Liu also serves as the chairman of CCCI and F&G, a director of CCCC Dredging, and an executive director and co-chairman of Greentown China Holdings Limited. He has extensive operational and management experience and held positions as the deputy general manager of CCCC Tianjin Dredging Co., Ltd, the deputy chief economist of CHEC Group and general manager of its corporate planning department, and chief economist of CCCG. Mr. Liu graduated from Dalian Maritime University (formerly known as Dalian Maritime College) with a Bachelor's degree in engineering. He is a professor equivalent senior economist and senior engineer. Mr. Liu has been serving as the Secretary to the Board and the Company Secretary of the Company since September 2006 and the Chief Economist of the Company since November 2006.

The cross-river channel on Weisan Road, Nanjing (now called Nanjing Yangtze River Tunnel), is the largest, longest and most complex of its kind in the world.

CAPITAL MARKET REVIEW

The closing price of the Company's H shares on 31 December 2016 was HKD8.92, representing an increase of 12.63% as compared to the closing price of HKD7.92 on 31 December 2015. The closing price of the Company's A Shares on 31 December 2016 was RMB15.19, representing an increase of 13.27% as compared to the closing price of RMB13.41 on 31 December 2015.



COMPREHENSIVE, EFFICIENT AND INTERACTIVE INVESTOR COMMUNICATIONS

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

(1) Results presentations and non-deal roadshows

In 2016, results presentations were timely held upon announcement of the annual and interim results, at which the Company detailed its latest operating results to the investors. Upon that, several teams were led by the Executive Director and the President, the Executive Director who was also chief financial officer as well as the secretary to the Board, in visits to over 50 institutional investors and fruitful results were achieved in terms of communication.

With a view to strengthening communications and conversations between the Company and small and medium investors, and protecting their legal interests, upon announcement of 2015 annual results and 2016 interim results, the Company held results presentations by using online interactive platforms to mainly communicate with various investors, especially small and medium investors, on the Company's strategic planning, operating performance, dividends distribution policy and related business issues, and gained valuable experience. In the future, we will create opportunities and increase the usage of online interactive platforms to debrief advice and suggestions raised by small and medium investors towards the Company.

INVESTOR RELATIONS

(2) Reverse Roadshow

In June 2016, the Company held the investors reverse roadshow for overseas business in Beijing, more than 30 well-known securities analysts and institutional investors from the world attended the activity. The Company systematically introduced the achievements and new changes of its overseas business development under the guidance of the "Greater Overseas" strategy, including the Company's overseas strategy positioning, overall layout, implementation steps, technical advantages, risk control, etc.. The Company detailed its overseas business market development, construction management and other issues of representative projects, then interacted with investors and answered their doubts to make the participants fully understand the overseas priority development strategies, competitive advantages and profit margins of the Company, and enhanced the confidence of investors on the Company's overseas development prospects.

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

In 2016, the Company took the initiative to participate in 15 investment strategy report sessions and overseas investors conferences organised by domestic and international investment institutions. Through over 100 one-to-one meetings and group conferences, the Company interviewed nearly 260 investors to exchange ideas with them over the macroeconomy of the PRC, the development prospect of the industry the Company is engaged in and the development of the Company's operations, etc. Efficiency was maximised by communicating with such large number of investors within a relatively short period of time.

(4) Reception of investors

In 2016, the Company exchanged ideas with over 200 institutional investors through nearly 100 one-to-one meetings and 10 investor group conferences. The Company's executives had participated in the communication activities with investors in person to respond to enquiries from visitors in an earnest and honest manner whenever time permits. Such arrangement was highly welcomed by the investors. Meanwhile, with over 160,000 minority Shareholders, the Company arranged dedicated staff to attend to calls to the IR hotline and handle the IR mailbox. During the year, hundreds of different kinds of enquiries were addressed, thus enabling the investors to have more and more understanding of the Company's strategic vision, integrated operating model and development characteristics of each business segment, etc. The Company also further formed a clearer view on concerns of investors, which laid a solid foundation for maintaining smooth communications and interactions and achieving mutual growth and development.

List of the Company's major investor relations activities in 2016

Month	Activity	Organiser
January	14th DB Access China Summit in Beijing	Deutsche Bank
	16th Greater China Conference	UBS Securities
March	2015 Annual Results Announcement	CCCC
	• Online Results Presentation	
	• Analysts Briefing	
	• Press Conference	
	• Non-deal roadshow	
April	2016 Asia Investment Forum	Credit Suisse
	Mainland Reverse Roadshow of Subject Companies under Shanghai-Hong Kong Stock Connect	Hong Kong Investor Relations Association
	First Quarterly Report for 2016	CCCC
May	21st CLSA China Investment Forum	CLSA
	2nd China Industrial Summit	Morgan Stanley
June	12th China Industrial Summit	JP Morgan
	Reverse Roadshow	CCCC
July	Interim Strategy Session	China Securities
August	3rd China Investor Relations Small Forum	Goldman Sachs Gao Hua
	2016 Interim Results Announcement	CCCC
September	• Online Results Presentation	
	• Analysts Briefing	
	• Press Conference	
	• Non-deal roadshow	
	China Investment Forum	Nomura Securities
October	Third Quarterly Report for 2016	CCCC
November	11th Citi Chinese Investor Conference	Citigroup
	2016 China Investment Forum	Credit Suisse
	2016 China Investment Summit	Bank of America Merrill Lynch
	2017 Annual Strategy Sessions	CITIC Securities
December	Huatai Securities Strategy Sessions	Huatai Securities

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

INVESTOR RELATIONS

TIMELY AND ACCURATE INFORMATION DISCLOSURE

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

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

CONTINUOUS IMPROVEMENT OF INVESTOR RELATIONS

Through the activities above, we strengthened communications between the management and the investors from the capital market, and enhanced the transparency of the operation and management of the Company. Upon relevant election, the Company was awarded as China's Top 100 Strong Value Companies Listed on Main Board in the 10th Value Election of Listed Companies, and also was elected successfully as the "2016 Top 100 Hong Kong Listed Companies" and China's Top 100 Listed Companies. Otherwise, the Company received the Top 100 Best Chinese Board Secretaries Award, the "Best Investor Relations" Award from the US Institutional Investors and the Best Chief Financial Officers Award for 2016 in China's Financing Listed Companies and the Best Board Secretaries Award. In addition, as evaluated by Shanghai Stock Exchange, the Company was considered as A Class (highest level of honor) in terms of information disclosure for 2015. All these achievements represent recognitions from investors of our unremitting efforts in corporate governance, operational management, information disclosure and investor relations management in the past year, which further reinforced the sound image of the Company on capital market.

The Company will continue to enhance the management of capital market, highly value its investor relations work, attach great importance to the value creation for small and medium investors and further improve its information disclosure to continually increase the transparency of the Company in 2016. Investor relation management will be taken as a sustainable development strategy. We are committed to maximising shareholders' return through effective multi-channel and multi-level communication with investors that features equality, sincerity and mutual respect.

The fully automated terminal in Long Beach,U.S., the first fully automated container terminal in North America.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

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

CCCC is committed to high standards of environmental, social and corporate governance issues. This report is prepared in accordance with the "Environmental, Social and Governance (ESG) Reporting Guide" contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("ESG Reporting Guide of Hong Kong Stock Exchange"). Furthermore the 2016 Social Responsibility Report of China Communications Construction Company Limited has been published on the Company's website.

CORPORATE PROFILE AND BUSINESS PERFORMANCE

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

COMMUNICATION WITH STAKEHOLDERS

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

Stakeholders	Communication Mechanism and Modes	Response and Feedback
Governments at various levels (local government)	Special topic meeting (report) and information reporting; Strategic cooperation; High-level business meeting.	Abide by laws and regulations; Implement national policies; Conduct integrity management in accordance with laws; Sign strategic cooperative agreement.
Regulatory institutions (SASAC of the State Council)	Implement requirements of various documents and spirits of meetings; Business communication with counterpart departments; Work reporting and work report.	Achieve Class-A rating in comprehensive assessment; Improve corporate management and control capability; Fulfill social responsibility.
Shareholders	Regular or interim report; General meeting of shareholders and written notice; Investor meetings.	Keep stable profitability; Maintain rights and interests of shareholders; Good credit rating.
Customers and clients	Contract performance; Visits and meetings; Documents and mails; Customer assessment and management.	Guarantee 100 percent of contract performance and acceptance rate of projects; Conduct constant innovation in techniques and products; Provide satisfied services.
Suppliers	Tendering and bidding, and business negotiation; Contract performance, and business letters and communications.	Adhere to principles of integrity, mutual benefits and equal consultation; Keep good cooperative relations.

COMMUNICATION WITH STAKEHOLDERS (Continued)

Stakeholders	Communication Mechanism and Modes	Response and Feedback
Subcontractors	Contract performance; Business letters and communications.	Strictly manage and control the quality of subcontracted projects; Keep good cooperative relations.
Employees	Worker supervisor, and workers' congress; Solicit rational suggestions; Trainings and meetings; Day-to-day work communication.	Stable compensation incentives; Protect rights and interests of employees; Care career development of employees; Conduct various activities.
Community and the public	Various visits and communications; Participate in public welfare activities.	Protect environment and eco-friendly constructions; Support harmonious development local communities; Public welfare and donation.

CCCC attaches great importance to communication with stakeholders and management of investor relations. In 2016, the Company communicated positively and frankly with investors and shareholders by multiple approaches such as holding the shareholders' meeting, business results release conference and special reverse roadshow, receiving investor's visit and call, attending investor presentation, etc., which made investors fully understand the Company's operating information and development status, and meanwhile helped pass the opinions raised by investors to the Company's management, and enhanced the transparency of the Company. In 2016, the Company arranged nearly 100 one-to-one reception meetings, and attended the investor forum activities for 15 times. Meanwhile, the Company complied strictly with the information disclosure rules of listed companies, improved the information disclosure system, released announcements on a regular basis, and intensified the accuracy and timeliness in information disclosure of operating data.

In 2016, to make the social responsibility report more targeted and responsive, CCCC analyzed and compared the influence of different social responsibility issues to stakeholders and the importance to corporate development in accordance with social responsibility material issue analysis model, and then identified the high-profile material issues.

Step One: Identification

Based on the social responsibility standards both in China and abroad, the policy requirements of Chinese government, benchmarking with leading enterprises, and investigation and research of stakeholders as well as its own development plan, CCCC has established social responsibility topic pool, and then classified the topics into eight categories of responsibility management, corporate governance, high-quality projects, supplier management, employee responsibility, community responsibility, environment responsibility, and overseas social responsibility performance, covering a total of 34 items.

Table: Stakeholders – Identification of Issues

Stakeholders	Social responsibility issues
Responsibility management	1. Responsibility strategy 2. Responsibility governance 3. Social responsibility training 4. Stakeholder communication
Corporate governance	5. Improve governance structure 6. Investor relations management 7. Regular information disclosure 8. Prohibit bribery and corruption 9. IPR protection
High-quality projects	10. Engineering quality 11. Customer satisfaction 12. Science and technology innovation 13. Work safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION WITH STAKEHOLDERS (Continued)

Step One: Identification (Continued)

Stakeholders	Social responsibility issues
Supplier management	14. Supplier selection mechanism 15. Supplier training 16. Supplier review
Employee responsibility	17. Guarantee basic rights and interests 18. Rights and interests of migrant workers 19. Democratic management 20. Talent cultivation 21. Prevention and control of occupational disease 22. Support employees with difficulties
Community responsibility	23. Public welfare and charity 24. Precision poverty alleviation 25. Volunteer activities of employees
Environment responsibility	26. Environmental management system 27. Energy-saving and emission reduction 28. Ecological protection 29. Environmental protection publicity
Overseas social responsibility performance	30. Response to national strategy 31. Create job opportunities for local people 32. Localized operation 33. Overseas volunteer activities 34. Overseas environmental protection

Step Two: Issue Analysis

CCCC conducted a special survey on those 34 sustainable development issues among stakeholders by using online questionnaire, aiming to understand the importance of those issues in their minds, and a total of 1,001 questionnaires were recovered. Through the two-dimensional matrix of "attention of stakeholders" and "importance to sustainable development of CCCC", the Company identified the material issues of social responsibility.

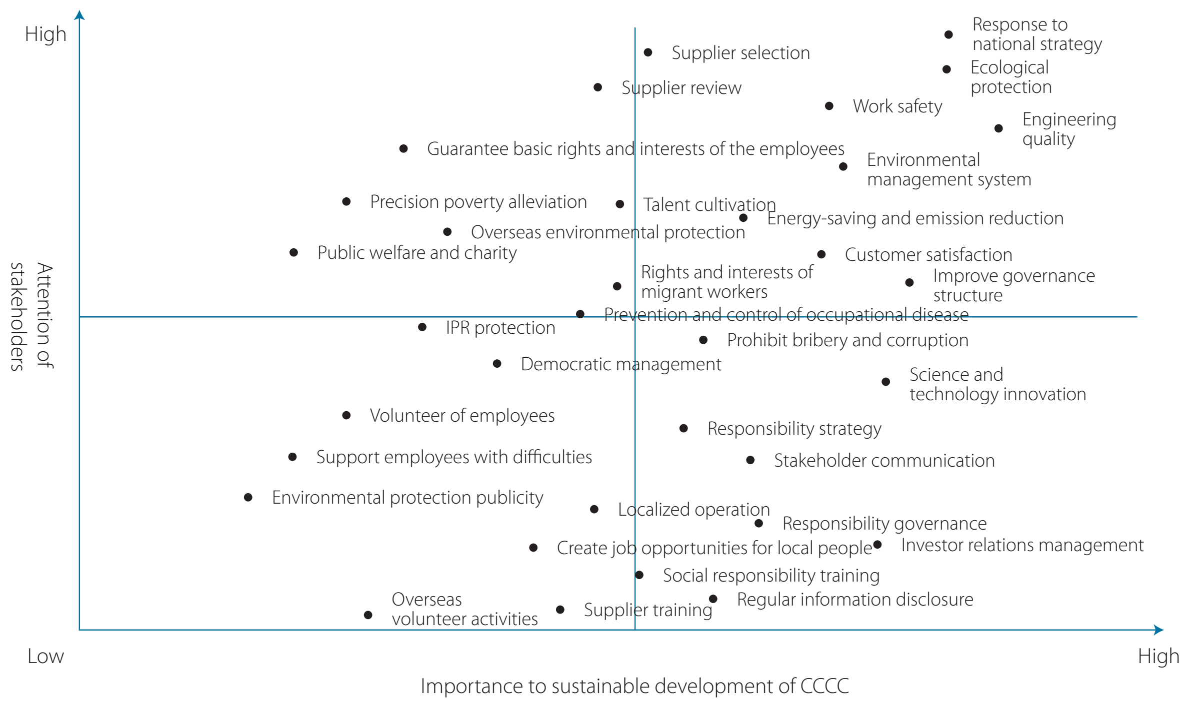


Chart: Material issues analysis of stakeholders of CCCC

ENVIRONMENTAL

Wastes and Emissions

1. Emission Reduction of Exhaust Gas and Greenhouse Gas

The Company has strictly implemented the laws, regulations, standards and local norms, including the Environmental Protection Law, Interim Measures for Supervision and Administration of Energy Conservation and Emission Reduction in Central Enterprises, etc. CCCC has strictly controlled the emission in the production process, and strengthened the environmental monitoring capability building. The production and operation of construction companies belong to temporary items, so there is no stationary source. According to the requirements of the "Notice of Printing the Measures for the Monitoring of Reduction of Total Emissions of Major Pollutants in the '12th Five-Year Plan' Period", the emissions of COD, ammonia nitrogen, SO_2 and NOx are not included in the statistics of environmental pollutants of construction companies.

According to the "Provisional Measures on Supervision and Management of Energy-Saving and Emission Reduction of Central SOEs," CCCC has calculated the emission of CO_2 in the production process. In 2016, the CO_2 emission was 5.413 million tons, down 5.4 percent from a year earlier.

2. Wastes Disposal and Sewage Treatment

As for classification of wastes, due to the industry attributes, CCCC basically produces no hazardous wastes; main wastes of CCCC are non-hazardous wastes. The non-hazardous wastes are mainly steel bars, concrete, bricks and tiles, and other construction wastes, which are all sorted, broken up and reused according to the requirements of customers.

The Company adopts diversified business segments, positively undertakes the municipal environmental protection and sewage treatment projects as driven by the policy, insists on both energy conservation & emission reduction and technology, and achieve green manufacturing and sustainable development by introducing environmental protection equipment and developing environmental protection technology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL (Continued)

Resources Utilization

1. Energy Conservation

Adhering to the principle of giving high priority to conserving resources and improving efficiency, and according to the "Provisional Measures on Supervision and Management of Energy-Saving and Emission Reduction of Central SOEs", CCCC has established and improved the environmental management system, gradually forming a closed loop of "organization, system, monitoring and appraisal". In 2016, the Company won the title of "Outstanding Enterprise in Energy-Saving and Emission Reduction" of the SASAC and kept a stable situation in the aspect of energy-saving and emission reduction. There were no middle or high-level environmental emergencies in 2016. 4 units won the "Contribution Award for Energy-Saving and Emission Reduction" of the China Energy Conservation Association. 11 projects were awarded the science and technology progress prize on energy-saving and emission reduction. 1 technology was awarded the technological invention prize on energy-saving and emission reduction. 2 projects were awarded the silver prize of engineering project in green construction and energy-saving and emission reduction. 6 projects were selected into the fifth batch of green construction demonstration projects of national construction industry. 1 project was selected into the energy-saving and emission reduction demonstration projects of transportation industry in Shanghai during the "12th Five-Year Plan" period. 3 projects were selected into the fifth batch of energy-saving and emission reduction demonstration and recommendation projects of transportation industry in Shanghai.

In 2016, the total energy consumption of CCCC was 2.4465 million tons of standard coal, fell 0.9 percent year-on-year. The oil consumption decreased by 0.2 percent while the electric power and other clean energy consumption increased by 2.5 percent.

Table: Statistics of the Company's Major Energy Indicators

Indicators	Unit	2014	2015	**2016**
Total energy consumption	10,000 tce	239.70	259.65	**244.65**
Comprehensive energy consumption of per unit operating revenue	tce/10,000 yuan (current price)	0.064	0.058	**0.054**
Energy saving amount	10,000 tce	4.38	1.94	**2.10**
Emission of CO_2	10,000 tons	600.0	572.1	**541.3**
Consumption of new energy, renewable energy or clean energy	10,000 tons	34.04	34.28	**37.92**
Total electric power consumption	10,000 kWh	249,121.4	277,221.2	**304,586.2**
Total gas consumption	10,000 standard m^3	1,749.92	1,672.06	**1,461.83**
Total oil consumption	10,000 tons	135.85	146.65	**136.11**
Green procurement rate	%	100%	100%	**100%**

ENVIRONMENTAL (Continued)

Resources Utilization (Continued)

2. Energy Management

CCCC has established the energy-saving and environmental protection management institution and arranged specially-assigned personnel to promote energy-saving and environmental protection work; revised five regulations including the "Measures for Supervision and Management of Energy-Saving and Emission Reduction", published the fifth batch of energy-saving and emission reduction demonstration project collection, and carried out the selection activity of the energy-saving and environmental protection and the circular economy demonstration projects; upgraded the energy-saving and emission reduction information system, on the one hand, classifying the energy consumption reporting system into five levels and making it to extend to front line, thus achieving the automatic statistics of important data at the management systems of the Group, the second-level companies and the third-level companies; on the other hand, adding the function of data analysis and processing, possessed the basic capability of data reduction, change, analysis and pre-warning, which further improved the data supervision and management level and facilitated the decision-making of the management. The Company has also strictly implemented the reward and punishment system on energy-saving and environmental protection, strengthened classified guidance and integrated the assessment results into the annual operation performance assessment of the management staff.

3. Conservation of Water Resources

The water use of CCCC can be classified as direct and indirect water use. Direct water use includes groundwater withdrawal, water withdrawal from rivers and so on. For the complicated situation of construction sites, the measurement of water use is difficult; as to indirect water use, no statistical channel has been introduced by far. In 2017, the Company will gradually conduct statistics on and enhance management of direct and indirect water use by improving water use equipment and increase the water using efficiency by fine management of water consumption, equipment improvement, etc.

4. Consumption of Packaging Materials

As an enterprise in construction industry, CCCC is mainly engaged in the construction of infrastructure, real estate, urban complex and so on, and no packaging material is involved in. So, this indicator is not applicable.

ENVIRONMENTAL AND NATURAL RESOURCES

Ecological Protection

Insisting on the development path of environmental protection and sustainability, CCCC has always taken environmental protection measures in the process of design, development and operation of each and every project, especially in environmentally sensitive areas. The Company has strived to reduce the occupation of arable lands, to enhance water and soil preservation and vegetation restoration, to strengthen ecological protection of operation areas, and to protect the biodiversity.

CCCC has attached importance to the protection of natural environment and biodiversity of coverage areas in the process of project development, committing to realizing the coordinated development between the enterprise and the natural environment. According to the unified arrangement of national ecological construction, CCCC has earnestly learnt the "Notice on Key Work of Promoting Central SOEs to Accelerate Ecological Construction", putting forward detailed requirements for affiliated units from six aspects including green development, technological innovation, fund investment, key energy-consuming equipment management, statistics and monitoring, and market mechanism, thus gradually forming the responsible entities of promoting ecological construction.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL

I. Employment and Labour Practices

1. Employment

CCCC has effectively implemented the talent idea of putting the value creator first, constructing harmonious labor relations. The Company has strictly abided by the regulations of "Labor Law", protected the lawful rights and interests of employees, and prohibited discriminations in any condition of employment because of national origin, race, gender and age; formulated the "Management Measures for Attendance", "Management Measures for Employees" and other relevant institutions to manage the talent recruitment, development and adjustment; implemented the eight-hour working day system, prohibited any kind of forced labor; formulated and implemented the paid annual leave system, and effectively maintained the rights and interests of employees. In 2016, the Company has had 118,765 in-service employees, among whom 20,108 were female employees, and the social insurance coverage for employees was 100 percent.

CCCC has provided competitive salary for employees, striving to improve the overall quality of the staff and to guarantee them a decent life. To ensure the retired life of employees, the Company has set up the enterprise annuity system in 2006, becoming one of the first enterprises to set up enterprise annuity in China.

Table: Major Indicator Statistics of the Company's Employees

Indicators	Unit	2014	2015	**2016**
Number of employees	Person	103,357	115,179	**118,765**
Number of foreign employees	Person	32,522	42,339	**48,304**
Number of newly recruited graduates	Person	7,873	6,042	**7,673**
Signing rate of labor contract	%	100%	100%	**100%**
Signing rate of collective contract	%	98%	99%	**99%**
Membership of trade union	%	95%	95%	**95%**
Coverage of social insurance	%	100%	100%	**100%**
Paid leave rate of employees	%	96%	97%	**97%**
Coverage of physical examination	%	95%	95%	**96%**
Proportion of female employees	%	17.6%	17.4%	**23.5%**
Proportion of female managers	%	12.5%	13.1%	**14.7%**
Number of employees with master's degree or above	Person	7,289	8,506	**9,714**
Number of employees with bachelor's degree	Person	52,800	59,971	**65,135**
Number of employees with junior college certificate	Person	20,730	24,031	**23,401**
Number of employees with technical secondary school certificate or below	Person	22,538	22,671	**20,515**
Number of employees under 30 years old	Person	43,743	52,322	**51,913**
Number of employees aged between 31-40 years old	Person	31,404	32,743	**36,330**
Number of employees aged between 41-50 years old	Person	19,627	20,924	**21,095**
Number of employees aged above 51 years old	Person	8,583	9,190	**9,427**
Satisfaction of employees	%	94.8%	95.4%	**96.7%**
Turnover of employees	%	3.12%	3.11%	**3.15%**

SOCIAL (Continued)

I. Employment and Labour Practices (Continued)

2. Health and Safety

CCCC has attached importance to the protection of employees' occupational health. In 2016, the Company issued the "Performance Indicators for Occupational Health, Work Safety and Environmental Protection", integrating occupational health into appraisal standards, and signed the "Responsibility Letter on Occupational Health, Work Safety and Environmental Protection" with affiliated companies, conducting quantitative evaluation. Bad occupational health evaluation outcome constitutes a decisive veto, thus to promote the implementation of entity responsibility system.

CCCC has increased the special fund input, providing all-around economic support for occupational health protection; adopted the mode of combination of self-inspection and third-party inspection to monitor the environment of key operation venues, guaranteeing the work safety; conducted physical examination system for employees of CCCC and workers from labor service companies, establishing health monitoring documents; and equipped labor protection products for each and every worker to enhance personal protection.

CCCC has conducted comprehensive supervision on occupational health, work safety and environmental protection, further improving the EHS management system; strengthened the publicity of the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", posting occupational hazard factors, prevention measures and matters needing attention posters at construction sites; and earnestly carried out occupational health trainings for employees, improved their understanding of occupational hazards, and enhanced their self-protection awareness.

In 2016, CCCC was involved in a more severe production safety accident. After the accident occurred, CCCC attached great importance and initiated the contingency plan at once, and the main responsible persons arrived at the scene immediately and organized all powers concerned to rescue the trapped persons with all-out efforts; meanwhile, CCCC coordinated with relevant departments positively in survey of the accident causes and afterward disposal, and accordingly the accident was disposed of appropriately in a timely and effective manner. In 2016, the Company had no new case of occupational disease.

Table: Major Indicator Statistics of the Company's Employees

Indicators	Unit	2014	2015	**2016**
Number of employee volunteers	Person	10,210	12,496	**15,754**
Length of volunteer activities	Hour	57,882	65,183	**76,943**
Number of major safety accidents	Time	0	0	**1**
Death toll in major safety accidents	Person	0	0	**18**
Number of employees participated in safety training	Person/time	–	–	**284**
Length of work safety training	Hour	–	–	**128**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL (Continued)

I. Employment and Labour Practices (Continued)

3. Development and Training

CCCC has adhered to the idea of putting people first, fully implemented the talent cultivation project, offered various training opportunities to employees and provided them with broad career development platform. In 2016, the Company invested RMB1,983.4823 million for various trainings and the participants reached 222,304 persons/times; 18 people of the Company enjoyed the special government allowances of the State Council and two employees were awarded the title of "National Technical Expert".

(1) Five Major Talent Cultivation Projects of CCCC

"11711" Key Talent Cultivation Project
Innovative Talent Cultivation Project
International Talent Cultivation Project
Urgently-Needed Talent Cultivation Project
Versatile Party-Mass Work Talent Cultivation Project

(2) Training Programs of CCCC

Training for senior management: CCCC has attached importance to trainings for the "critical minority". In 2016, the Company held four trainings for the management staff, and 178 executives completed the closed training programs.

Training for young and middle-aged backbone managers: This program is the demonstration program of the "11711" key talent cultivation project. In 2016, CCCC held four trainings for young and middle-aged managers, cultivating a total of 257 outstanding managers.

Training for professional technicians: CCCC held training programs for the fresh troops of the company, and the participants reached more than 150,000 persons/times accumulatively.

Training for high-skilled talents: In 2016, CCCC trained more than 20,000 skilled talents of various kinds, and held high-end training demonstration programs covering two major professions of measurement and test, and 131 employees participated in the training.

Training for new employees: In 2016, CCCC trained nearly 7,000 new employees, helping them quickly learn the company and complete the role change.

Table: Training Indicator Statistics of the Company's Employees

Indicators	Unit	2014	2015	**2016**
Input for employee training	10000 yuan	13,418.9	14,095.86	**152,348.23**
Number of employees participated in training	Person/time	226,800	235,609	**242,304**
Training coverage of ordinary employees	%	92.13%	93.08%	**93.82%**
Training coverage of middle management	%	100%	100%	**100%**
Training coverage of senior management	%	100%	100%	**100%**
Average training hours	Class hour	49	55	**57**
Average training hours of ordinary employees	Class hour	48	54	**56**
Average training hours of middle management	Class hour	98	102	**113**
Average training hours of senior management	Class hour	118	116	**121**

SOCIAL (Continued)

I. Employment and Labour Practices (Continued)

4. Labour Rules

CCCC has strictly abided by the regulations of the "Provisions on the Prohibition of Using Child Labor", prohibiting the employment of minors under 16 years old. By now, no child workers had been employed by the Company. To further promote the supply chain responsibility fulfillment and build a good responsibility environment, CCCC has enhanced the management for labor subcontracting companies, and those who violate the regulations shall be eliminated from the subcontracting list.

II. Operation Practices

1. Supply Chain Management

(1) Build Community of Responsibility

Adhering to the goal of building CCCC as a world-class enterprise, CCCC has established and completed the supplier management mechanism, selecting suppliers with high quality and environmentally-friendly products in accordance with the "Detailed Rules of CCCC on Management of Material Suppliers". The Company has actively promoted e-procurement and centralized procurement. In 2016, CCCC completed the upgrading of material procurement system, covering 29,051 registered suppliers, and the amount of e-procurement reached RMB58.7 billion; the e-procurement rate of bulk material amounted to 85 percent, saving 2.59 percent of procurement costs. The building and management of the centralized procurement platform of CCCC was selected into the "Collection of China Supply Chain Management Best Practices (2016)" in 2016.

Table: Suppliers of CCCC by region

Region	Unit	2015	**2016**
Northeast China	Nos.	57	**24**
Northwest China	Nos.	78	**20**
Central and South China	Nos.	245	**90**
Southwest China	Nos.	145	**52**
North China	Nos.	178	**119**
East China	Nos.	370	**221**
Total	Nos.	1,073	**526**

(2) Supplier Review

In 2016, CCCC conducted examination and review on 465 Group suppliers, and qualification rate reached 100 percent. According to the "Detailed Rules of CCCC on Management of Material Suppliers", CCCC would organize regular meeting or conduct field interview with unqualified suppliers, jointly seeking solutions. The suppliers who cannot reach the assessment score of 60 twice in a row would be eliminated from the supplier network of CCCC. In addition, the ratio for the suppliers of the Company to go through the certification of the quality, environmental and occupational health and safety management system has remained 100 percent each year since 2015.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL (Continued)

II. Operation Practices (Continued)

1. Supply Chain Management (Continued)

(3) Supplier Training

In May 2016, CCCC conducted the training for supply chain senior management talents, and 30 senior managers from various units participated in the training, which improved their capability in the aspects of strategy, theory, innovation and so on. In June 2016, CCCC organized the first conference of material suppliers of CCCC, and more than 300 suppliers and 90-odd material managers of the affiliated units participated in the conference, which laid a foundation for mutual understanding and cooperation between the Company and the suppliers. In September 2016, CCCC organized two sessions of training for material bidding evaluation experts and supplier assessment experts, and nearly 200 experts of affiliated companies participated in the training, which further strengthened the professional skills of the experts.

2. Product Liability

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

CCCC has implemented the strategy of building CCCC as an excellent business entity in five fields, exerted the advantage of whole industry chain in the sectors of finance, design, construction, operation and services, and delivered high-quality projects. The Company has been ranked the first among the ENR largest international contractors in China for ten years in a row.

Adhering to the quality work guidelines of putting people first and giving priority to quality, CCCC has improved the project quality management system, conducted the "three-level inspection" on products in accordance with the "Product Inspection and Test Control Procedures", guaranteeing the delivery of qualified products. If the products delivered have any problems, the Company will handle strictly in accordance with the systems of the Company. In 2016, CCCC won one China Quality Award, one China Quality Award Nomination, seven Luban Awards, and 15 National High-Quality Project Awards.

(2) Customer Satisfaction and Product Complaints

CCCC has attached importance to the communications with customers while committing to providing high-quality products to customers, learning the demands of customers in a timely manner, and offering satisfied services. In 2016, the Company was not involved in any major lawsuit and complaint arising from product quality and service.

Table: Product Recall and Customer Complaint Statistics

Indicators	Unit	2014	2015	**2016**
Proportion of product recall	%	0%	0%	**0%**
Customer complaint rate	%	0%	0%	**0%**

SOCIAL (Continued)

II. Operation Practices (Continued)

2. Product Liability (Continued)

(3) Intellectual Property Protection

CCCC strictly abided by the laws and regulations such as the Trademark Law, Patent Law, Copyright Law, Anti-Unfair Competition Law and Foreign Trade Law, made continuous efforts to safeguard the intellectual property rights, and dispose of and solve infringement disputes in a timely manner. The Company has also strengthened trademark management, preventing the abuse of registered trademarks; focused on brand protection in the process of promoting brand and improving brand value; and conducted IPR strategy research with emerging industries at the center.

Table: Patent Statistics

Indicators	Unit	2014	2015	**2016**
Number of newly added patents	Piece	679	1,019	**1,226**
Number of patents	Piece	2,757	3,682	**4,908**

(4) Quality Inspection and Product Recall

Adhering to the quality work guidelines of putting people first and giving priority to quality, CCCC has improved the project quality management system, conducted the "three-level inspection" on products in accordance with the "Product Inspection and Test Control Procedures", guaranteeing the delivery of qualified products. If the products delivered have any problems, the Company will handle strictly in accordance with the systems of the Company. In 2016, the Company kept a general stable situation in product quality and there was no recall incident happened. A total of 2,876 projects were delivered in 2016, and 483 projects were checked and accepted with a primary qualification rate of 100 percent.

CCCC and its subsidiaries attach great importance to protecting the customer information, formulated and improved the Customer Information Protection System, and adopt the principle of uniform leadership, classified custody and graded review of customer information and data. On this basis, the Company has improved the customer archives management platform, established the sophisticated Customer Archives Management System, defined the customer information modules in the project management system, set the limits of authority and appointed special persons to maintain the Company's customer information, and strictly set the limits of authority for the personnel reviewing and inquiring the customer information. Meanwhile, CCCC has expedited the customer feedback and complaint resolution mechanism, formulated the Customer Satisfaction Monitoring and Measurement Control Procedures, clarified the customer feedback mechanism and channel, and paid a regular visit to the projects under construction and the delivered projects within the warranty period.

Table: Product Qualification Rate Statistics

Indicators	Unit	2014	2015	**2016**
Qualification rate of project acceptance check	%	100%	100%	**100%**
Qualification rate of project under first acceptance check	%	100%	100%	**100%**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL (Continued)

II. Operation Practices (Continued)

3. Anti-Corruption

In 2016, the Company was not involved in any lawsuit against corruption, bribery, blackmail, fraud, money laundering, etc. CCCC has resolutely implemented the requirements of strictly enforcing Party discipline, strengthened supervision, discipline enforcement and accountability, and promoted integrity building and anti-corruption work. The Party Committee has undertaken the entity responsibility and signed the "Letter of Responsibility on Integrity Building" with 58 affiliated companies, implementing the responsibility system through Party building objective management assessment. The discipline inspection committee has effectively fulfilled the supervision responsibility, and promoted the implementation of responsibility system by means of work report, interviews, and accusation.

CCCC has adhered to the principle of democratic centralism, effectively implemented the "three importance and one greatness" collective decision-making system, improved anti-corruption institutional system, and confined the exercise of power within an institutional cage; conducted inspection tours to two affiliated companies, taken initiative to sort out problems, and exercised the deterrent effect; kept tough stance on fighting corruption, smoothed reporting channels, dealt with clues timely, resolutely strived to reduce corruption and effectively curbed any new corruption.

COMMUNITY

1. Social Benefits

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

Poverty Alleviation with Targeted Measures：CCCC has responded to national policy, implemented social responsibility, conducted unified arrangement and planning in accordance with main business advantages and actual demands of poverty-stricken areas, and clarified the key poverty relief work, goal and tasks during the "13th Five-Year Plan" period, committing to promoting development-orientated poverty alleviation and industry support. CCCC has invested a total of RMB17.92 million for support funds in 2016.

Volunteer Service：CCCC has established the "Blue Vest" volunteer contingent, built the public welfare brands of "Love-Connection Bridge" and "Love Port", promoted 65,000 Youth League members to register as volunteers, and actively participated in volunteer services and public welfare cause.

2. Employee Care

CCCC has attached importance to the work-and-life balance of employees, and constantly carried out diversified and colorful activities. For example, we send birthday cards and celebrate major festivals together, enriching the entertainment of employees. The Company has paid attention to those employees who worked far away from their families. By arranging family visits, we further enhanced the sense of belonging of employees and the cohesive force of the enterprise. CCCC has attached importance to employee care and offered special care to pregnant and breastfeeding employees; and organized assistance activities to support employees with difficulties. In 2016, CCCC has actively responded to the national call to receive ex-servicemen and demobilized soldiers, winning recognition of the SASAC of the State Council.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of China Communications Construction Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 117 to 211, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition on construction contracts

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

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

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

Impairment of current and non-current trade receivables

The impairment allowance of current and non-current trade receivable was recognised based on the management's assessment of financial position of customers and guarantees obtained for the outstanding trade receivables, as well as the aging of trade receivable balances, customers' creditworthiness, and historical payment records. Recognising the impairment allowance involves the use of significant accounting estimates including the consideration of credit risks of the customers, historical payment records and existence of disputes.

The accounting policies and disclosures for the impairment of current and non-current trade receivables are included in notes 2.4, 3 and 25 to the consolidated financial statements.

We assessed the reasonableness of accounting estimates relevant to the impairment allowance, such as customers' financial position and creditworthiness, checking the aging of trade receivable balances and historical payment records, and assessing whether any debtors have financial problems that may have an impact on the collectability of any receivables. We tested the accuracy of the aging of trade receivable balances by tracing details of selected samples to supporting documents. We reviewed payments received subsequent to the end of the reporting period and reviewed the relevant supporting evidence for those amounts written-off as uncollectible.

Impairment assessment on concession assets

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

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

The accounting policies and disclosures for the impairment assessment on concession assets are included in notes 2.4, 3 and 17 to the consolidated financial statements.

We evaluated the basis and assumptions used in the future cash flow forecasts by comparing with the designed traffic volume, the current operation of these concession assets and the development plan of relevant areas in which these concession assets operated. We compared the prior year's forecast with the Group's actual performance in 2016. In addition, we have evaluated the related disclosures of the basis and assumptions adopted in the determination of such recoverable amounts for impairment test purposes.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB million	2015 RMB million
Revenue	5	**429,972**	403,616
Cost of sales	6	**(372,073)**	(353,862)
Gross profit		**57,899**	49,754
Other income	5	**3,800**	3,000
Other gains, net	5	**1,906**	744
Selling and marketing expenses	6	**(846)**	(696)
Administrative expenses	6	**(30,760)**	(26,129)
Other expenses		**(875)**	(875)
Operating profit		**31,124**	25,798
Finance income	7	**3,093**	3,701
Finance costs, net	8	**(11,485)**	(10,212)
Share of profits and losses of:			
– Joint ventures	18	**26**	95
– Associates	19	**164**	289
Profit before tax	6	**22,922**	19,671
Income tax expense	11	**(5,233)**	(3,758)
Profit for the year		**17,689**	15,913
Attributable to:			
– Owners of the parent		**17,210**	15,828
– Non-controlling interests		**479**	85
		17,689	15,913
Earnings per share attributable to ordinary equity holders of the parent			
– Basic	13	**RMB1.00**	RMB0.96
– Diluted	13	**RMB1.00**	RMB0.96

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 RMB million	2015 RMB million
Profit for the year		**17,689**	15,913
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):			
Actuarial gains/(losses) on retirement benefit obligations		**45**	(36)
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of available-for-sale investments			
– (Losses)/gains arising during the year		**(1,078)**	282
– Release of investment revaluation reserve upon disposal of available-for-sale investments	21	**(324)**	(674)
Cash flow hedges		**3**	(2)
Share of other comprehensive income of joint ventures and associates	18,19	**75**	(3)
Exchange differences on translation of foreign operations		**869**	483
Other comprehensive income for the year, net of tax		**(410)**	50
Total comprehensive income for the year		**17,279**	15,963
Attributable to:			
– Owners of the parent		**16,701**	15,925
– Non-controlling interests		**578**	38
		17,279	15,963

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB million	2015 RMB million
Non-current assets			
Property, plant and equipment	14	**66,775**	67,973
Investment properties	15	**2,346**	2,045
Prepaid land lease payments	16	**10,676**	10,036
Intangible assets	17	**143,380**	141,345
Investments in joint ventures	18	**6,201**	1,967
Investments in associates	19	**12,550**	10,622
Available-for-sale investments	21	**21,679**	22,322
Held-to-maturity investments		**131**	280
Trade and other receivables	25	**95,558**	77,816
Deferred tax assets	30	**4,640**	4,169
Total non-current assets		**363,936**	338,575
Current assets			
Inventories	23	**45,554**	51,904
Amounts due from contract customers	24	**85,973**	74,645
Trade and other receivables	25	**190,485**	167,914
Available-for-sale investments	21	**–**	46
Other financial assets at fair value through profit or loss		**116**	143
Derivative financial instruments	26	**381**	9
Restricted bank deposits and time deposits with an initial term of over three months	27	**5,917**	3,117
Cash and cash equivalents	27	**108,720**	94,960
Total current assets		**437,146**	392,738
Current liabilities			
Trade and other payables	28	**292,990**	257,379
Amounts due to contract customers	24	**27,198**	25,499
Tax payable		**3,942**	3,197
Derivative financial instruments	26	**16**	134
Interest-bearing bank and other borrowings	29	**99,484**	86,605
Retirement benefit obligations	31	**155**	113
Provisions	32	**169**	153
Total current liabilities		**423,954**	373,080
Net current assets		**13,192**	19,658
Total assets less current liabilities		**377,128**	358,233

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB million	2015 RMB million
Total assets less current liabilities		377,128	358,233
Non-current liabilities			
Trade and other payables	28	9,454	7,121
Interest-bearing bank and other borrowings	29	173,996	168,578
Deferred income		1,317	4,396
Deferred tax liabilities	30	4,447	7,543
Retirement benefit obligations	31	1,344	1,589
Total non-current liabilities		190,558	189,227
Net assets		186,570	169,006
Equity			
Equity attributable to owners of the parent			
Share capital	33	16,175	16,175
Share premium	33	19,656	19,656
Financial instruments classified as equity	34	19,431	19,431
Reserves	35	104,061	91,462
		159,323	146,724
Non-controlling interests		27,247	22,282
Total equity		186,570	169,006

Liu Qitao
Director

Fu Junyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Notes	Attributable to owners of the parent							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserve RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2015		16,175	19,656	4,986	18,200	57,514	116,531	15,081	131,612
Profit for the year		–	–	–	–	15,828	15,828	85	15,913
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax		–	–	–	152	–	152	130	282
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax		–	–	–	(478)	–	(478)	(196)	(674)
Cash flow hedges, net of tax		–	–	–	(2)	–	(2)	–	(2)
Share of other comprehensive income of associates		–	–	–	(3)	–	(3)	–	(3)
Actuarial losses on retirement benefit obligations, net of tax		–	–	–	(36)	–	(36)	–	(36)
Exchange differences related to foreign operations		–	–	–	464	–	464	19	483
Total comprehensive income for the year		–	–	–	97	15,828	15,925	38	15,963
Final 2014 dividend declared		–	–	–	–	(2,778)	(2,778)	–	(2,778)
Distributions to holders of financial instruments classified as equity		–	–	–	–	(300)	(300)	–	(300)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(372)	(372)
Capital contribution from non-controlling interests		–	–	–	–	–	–	2,241	2,241
Financial instruments classified as equity	34(b),36(a)	–	–	14,445	–	–	14,445	6,706	21,151
Disposal of subsidiaries		–	–	–	–	–	–	(79)	(79)
Deemed disposal of a subsidiary		–	–	–	–	–	–	(1,340)	(1,340)
Cash contribution from the government	35(a)	–	–	–	2,971	–	2,971	–	2,971
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		–	–	–	(23)	(50)	(73)	7	(66)
Share of other reserves of a joint venture		–	–	–	3	–	3	–	3
Transfer to statutory surplus reserve	35(b)	–	–	–	304	(304)	–	–	–
Transfer to general reserve	35(c)	–	–	–	281	(281)	–	–	–
Transfer to safety production reserve	35(d)	–	–	–	102	(102)	–	–	–
At 31 December 2015		16,175	19,656	19,431	21,935*	69,527*	146,724	22,282	169,006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Notes	Attributable to owners of the parent							
		Share capital RMB million	Share premium RMB million	Financial instruments classified as equity RMB million	Other reserve RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2016		16,175	19,656	19,431	21,935	69,527	146,724	22,282	169,006
Profit for the year		–	–	–	–	17,210	17,210	479	17,689
Other comprehensive income for the year:									
Changes in fair value of available-for-sale investments, net of tax		–	–	–	(1,123)	–	(1,123)	45	(1,078)
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax		–	–	–	(324)	–	(324)	–	(324)
Cash flow hedges, net of tax		–	–	–	3	–	3	–	3
Share of other comprehensive income of associates		–	–	–	75	–	75	–	75
Actuarial losses on retirement benefit obligations, net of tax		–	–	–	45	–	45	–	45
Exchange differences related to foreign operations		–	–	–	815	–	815	54	869
Total comprehensive income for the year		–	–	–	(509)	17,210	16,701	578	17,279
Final 2015 dividend declared	12	–	–	–	–	(3,079)	(3,079)	–	(3,079)
Distributions to holders of financial instruments classified as equity		–	–	–	–	(1,018)	(1,018)	(255)	(1,273)
Other distributions		–	–	–	–	(5)	(5)	–	(5)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(200)	(200)
Capital contribution from non-controlling interests		–	–	–	–	–	–	4,076	4,076
Financial instruments classified as equity	36(a)	–	–	–	–	–	–	1,500	1,500
Disposal of subsidiaries	38(c)	–	–	–	–	–	–	(734)	(734)
Transfer to statutory surplus reserve	35(b)	–	–	–	444	(444)	–	–	–
Transfer to general reserve	35(c)	–	–	–	377	(377)	–	–	–
Transfer to safety production reserve	35(d)	–	–	–	297	(297)	–	–	–
As at 31 December 2016		16,175	19,656	19,431	22,544*	81,517*	159,323	27,247	186,570

* These reserve accounts comprise the consolidated reserves of RMB104,061 million (2015: RMB91,462 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB million	2015 RMB million
Cash flows from operating activities			
Profit before tax		22,922	19,671
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties	14,15	8,455	7,732
– Amortisation of intangible assets and prepaid land lease payments	17,16	1,222	783
– Gains on disposal of property, plant and equipment	5	(1)	(105)
– Fair value (gains)/losses on derivative financial instruments		(184)	97
– Fair value losses/(gains) on other financial assets at fair value through profit or loss	5	22	(7)
– Gains on disposal of subsidiaries	5	(511)	(407)
– Losses on disposal of prepaid land lease payments		–	3
– Gains on disposal of available-for-sale investments and derivative financial instruments	5	(459)	(927)
– Gains on disposal of joint ventures and associates	5	(12)	(199)
– Write-down of inventories	6	845	59
– Provision for impairment of trade and other receivables	6	2,817	3,163
– Provision for impairment of other intangible assets	17	198	–
– Provision for foreseeable losses on construction contracts	6	586	1,010
– Provision for impairment of goodwill	17	–	50
– Dividend income from available-for-sale financial investments	5	(836)	(768)
– Investment income from held-to-maturity financial assets		(19)	(22)
– Interest income	7	(3,093)	(3,701)
– Interest expenses	8	9,628	9,343
– Share of profits and losses of joint ventures and associates	18,19	(190)	(384)
– Net foreign exchange losses on borrowings	8	1,000	317
		42,390	35,708
Increase in inventories		(5,639)	(4,600)
Increase in trade and other receivables		(38,686)	(19,440)
Increase in contract work-in-progress		(9,629)	(4,163)
(Increase)/decrease in restricted bank deposits		(1,505)	446
Decrease in retirement benefit obligations		(177)	(289)
Increase in trade and other payables		47,705	30,915
Increase/(decrease) in provisions		16	(233)
Decrease in deferred income		(9)	(1,806)
Cash generated from operations		34,466	36,538
Income tax paid		(4,747)	(4,625)
Net cash flows from operating activities		29,719	31,913

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB million	2015 RMB million
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(9,749)	(13,342)
Additions to prepaid land lease payments		(962)	(674)
Purchases of intangible assets		(26,442)	(37,999)
Purchase of investment properties		(95)	–
Proceeds from disposal of items of property, plant and equipment		70	683
Proceeds from disposal of prepaid land lease payments		319	59
Proceeds from disposal of intangible assets		5	6
Purchases of available-for-sale investments		(1,423)	(4,346)
Purchases of senior perpetual securities		(663)	–
Purchases of other financial assets at fair value through profit or loss		(47)	(4)
Acquisition of subsidiaries		(77)	(3,735)
Additional investments in associates		(1,788)	(895)
Additional investments in joint ventures		(3,045)	(189)
Proceeds from disposal of available-for-sale investments		673	10,235
Advance receipt from non-controlling interests for transfer out shares in a subsidiary		1,150	–
Proceeds from disposal of associates		17	221
Proceeds from disposal of joint ventures		21	17
Disposal of subsidiaries	38	1,962	(150)
Interest received		2,446	1,014
Proceeds from disposal of other financial assets at fair value through profit or loss		17	39
Proceeds from withdrawal upon maturity of held-to-maturity investments		159	22
Changes in time deposits with an initial term of over three months		(1,295)	1,432
Receipt of government grants		943	1,181
Loans to joint ventures, associates and third parties		(1,982)	–
Dividends received		1,081	952
Net cash flows used in investing activities		(38,705)	(45,473)
Cash flows from financing activities			
Proceeds from borrowings		155,326	190,529
Proceeds from financial instruments classified as equity		1,500	21,151
Repayments of borrowings		(121,473)	(163,667)
Interest paid		(12,763)	(14,462)
Changes in restricted bank deposits		–	1,222
Dividends paid to equity holders of the parent		(3,079)	(2,778)
Dividend paid to non-controlling interests of subsidiaries		(212)	(417)
Distributions paid to holders of financial instruments classified as equity		(1,273)	(300)
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		–	(66)
Capital contribution from non-controlling interests		4,076	2,241
Cash contribution from the government		–	2,971
Net cash flows from financing activities		22,102	36,424
Net increase in cash and cash equivalents		13,116	22,864
Cash and cash equivalents at beginning of year	27	94,960	71,823
Effect of foreign exchange rate changes, net		644	273
Cash and cash equivalents at end of year	27	108,720	94,960

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name	Place of incorporation / registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Listed –						
Shanghai Zhenhua Heavy Industry Co., Ltd. ("ZMPC")	the PRC	Joint stock limited company	RMB4,390	28.83%	17.40%	Manufacture of heavy machinery
Unlisted –						
China Harbour Engineering Co., Ltd.	the PRC and other regions	Limited liability company	RMB3,278	50%	50%	Infrastructure construction
China Road and Bridge Corporation	the PRC and other regions	Limited liability company	RMB3,889	96.37%	3.63%	Infrastructure construction
CCCC First Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB6,010	100%	–	Infrastructure construction
CCCC Second Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB3,810	100%	–	Infrastructure construction
CCCC Third Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB5,377	100%	–	Infrastructure construction
CCCC Fourth Harbour Engineering Co., Ltd.	the PRC	Limited liability company	RMB4,282	100%	–	Infrastructure construction
CCCC First Highway Engineering Co., Ltd. ("CFHEC")	the PRC	Limited liability company	RMB4,367	100%	–	Infrastructure construction
CCCC Second Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB2,569	100%	–	Infrastructure construction
Road & Bridge International Co., Ltd. ("Road & Bridge International")	the PRC	Limited liability company	RMB2,825	100%	–	Infrastructure construction
CCCC Investment Co., Ltd.	the PRC	Limited liability company	RMB10,551	100%	–	Investment holding
CCCC Dredging (Group) Co., Ltd.	the PRC	Limited liability company	RMB11,775	99.9%	0.1%	Dredging
CCCC Third Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,509	100%	–	Infrastructure construction
CCCC Fourth Highway Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,255	100%	–	Infrastructure construction
CCCC Tunnel Engineering Co., Ltd.	the PRC	Limited liability company	RMB1,507	100%	–	Infrastructure construction

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

Name	Place of incorporation / registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted–						
CCCC Water Transportation Consultants Co., Ltd.	the PRC	Limited liability company	RMB818	100%	–	Infrastructure design
CCCC Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB730	100%	–	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB723	100%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB428	100%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB731	100%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB630	100%	–	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB856	100%	–	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB872	100%	–	Infrastructure design
China Highway Engineering Consultants Co., Ltd	the PRC	Limited liability company	RMB750	100%	–	Infrastructure design
CCCC Highway & Bridge Technology Consultants Co., Ltd.	the PRC	Limited liability company	RMB123	100%	–	Infrastructure design
CCCC Xi'an Road Construction Machinery Co., Ltd.	the PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle & Machinery Co., Ltd.	the PRC	Limited liability company	RMB168	100%	–	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY 12,021	75%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	–	Maintenance and repair of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	the PRC	Limited liability company	RMB833	60%	40%	Trading of machinery
China Communications Materials & Equipment Co., Ltd.	the PRC	Limited liability company	RMB234	100%	–	Trading of construction materials and equipment
CCCC Finance Company Limited ("CCCC Finance")	the PRC	Limited liability company	RMB3,500	95%	–	Financial service
CCCC International Holding Limited ("CCCI")	Hong Kong	Limited liability company	HKD2,372	100%	–	Investment holding
CCCC Financial Leasing Co., Ltd	the PRC	Limited liability company	RMB5,000	45%	55%	Financial service
CCCC Fund Management Co., Ltd	the PRC	Limited liability company	RMB100	70%	–	Fund management
CCCC Asset Management Co., Ltd	the PRC	Limited liability company	RMB13,431	7.46%	92.54%	Asset management
CCCC Urban Investment Co., Ltd.	the PRC	Limited liability company	RMB3,150	100%	–	Investment holding

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new and revised standards has no significant financial effect on these financial statements.

2.3 Issued but not yet effective International Financial Reporting Standards

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12 included in Annual Improvements 2014-2016 Cycle	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 include in Annual Improvements 2014-2016 Cycle	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 include in Annual Improvements 2014-2016 Cycle	*Investments in associates and Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but available for adoption

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

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

The final version of IFRS 9 brings together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

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

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Amendments to IFRS 15 were issued to address the implement action issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 Summary of significant accounting policies

Investments in associates and joint ventures

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

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

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interest.

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the ultimate controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the prior reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Business combinations and goodwill (Continued)

Acquisition method of accounting for non-common control combinations

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

– Leasehold land under finance leases	Shorter of useful life or remaining lease term
– Buildings	20-40 years
– Machinery	5-20 years
– Vessels	10-25 years
– Vehicles	5 years
– Other equipment	2-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, vessels and machinery under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for internal use purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Concession assets

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g., toll highways, bridges and ports) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with IFRIC Interpretation 12 *Service Concession Arrangements* (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets on the statement of financial position if the intangible asset model is adopted. Such concession assets represent the consideration received for its construction service rendered. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession using the traffic flow method or straight-line method under the intangible asset model.

Trademark, patent and proprietary technologies

Separately acquired trademark, patent and proprietary technologies are shown at historical cost. Trademark patent and proprietary technologies acquired in a business combination are recognised at fair value at the acquisition date. Trademark, patent and proprietary technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3 to 17 years.

Computer software

Acquired computer software license costs recognised as assets are amortised over their estimated useful lives of 1 to 10 years.

Research and development costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as "other gains, net" in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance income" in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance income" in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

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

Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

(i) The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

(ii) The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, total return swaps and forward equity contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Derivative financial instruments and hedge accounting (Continued)

Initial recognition and subsequent measurement (Continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Inventories

Inventories comprise raw materials, work in progress, properties under development and held for sale, completed properties held for sale and finished goods. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, other direct costs and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Development cost of properties comprises cost of land use rights, construction costs and borrowing costs eligible for capitalisation incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Contracts for services (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

For defined contribution plans, the full-time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by the government-sponsored or privately administered pension plans under which the employees are entitled to a monthly pension based on certain formula. The Group pays contributions to these pension plans monthly, on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been made. The contributions are recognised as employee benefit expense as incurred.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries of fixed sums and length of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Employee benefits (Continued)

(b) Other post-employment obligations

The Group provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities. Based on the assessment following the accounting policies set out in note 2.1, the Group has consolidated certain structured entities that it has control and accounted for as joint ventures when it has joint control over the structured entities. For those that the Group has neither control nor joint control, the Group accounts for as available-for-sale investments. Judgement is involved when performing the assessment. Should those joint ventures and available-for-sale investments be consolidated, net assets, revenue and profit of the Group could be affected.

Management applies its judgement to determine whether the control indicators set out in note 2.1 indicate that the Group controls a structured entity.

The Group acts as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity.

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in note 22.

Consolidation of entities in which the Company holds less than 50%

Management considers that the Company has de facto control of ZPMC even though it has less than 50% of the voting rights. The Company is the majority shareholder of ZPMC with a 46.23% equity interest, while all other shareholders individually own less than 2% of its equity interests. There is no history of other shareholders forming a group to exercise their votes collectively.

Financial instruments classified as equity

Certain financial instruments of the Group, such as preference shares etc., are classified as equity, as the following conditions have been met:

(i) The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

(ii) The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Further details are disclosed in notes 34 and 36(a).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimation made by management. Because of the nature of the activity undertaken in construction, dredging and heavy machinery manufacturing businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in each contract budget as the contract progresses and regularly reviews the progress of the contracts. The Group also monitors the progress payments from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise which make it likely that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, the Group will reassess the outcome of the relevant contract and may revise the relevant estimates. The revision will be reflected in the consolidated statement of profit or loss in the period in which the circumstances that give rise to the revision become known by the Group.

Impairment assessment on concession assets

The Group operates certain concession assets and their impairment is reviewed whenever events or changes in circumstances indicate that the carrying amounts of the concession assets may not be recoverable in accordance with the accounting policy stated in note 2.4.

The recoverable amounts of the concession assets have been determined based on a value-in-use method. The value-in-use calculations require the use of estimates on the projections of cash flows from the traffic volume and other income, deducting the necessary maintenance and operating costs incurred for the concession assets, and discount rates.

Based on management's best estimates, an impairment of RMB198 million was charged to profit or loss for concession assets during the year. If the expectation is different from the original estimate, such differences will impact the impairment assessment in the periods in which such estimate is changed. Further details are disclosed in note 17.

Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on current market conditions and prior experience by taking into account past due status, financial position of debtors and guarantees obtained for the outstanding debts, if any. The Group reviews the adequacy of impairment on a regular basis. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required. Further details are disclosed in note 25.

Impairment of available-for-sale equity investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. For those unlisted investments without quoted price in active market, the Group evaluates the financial health of and business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

If the declines in fair value below cost were considered significant or prolonged, the Group would transfer the accumulated fair value adjustments recognised in equity on the impaired available-for-sale investments to the consolidated statement of profit or loss. Further details are disclosed in note 21.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 December 2016, the carrying amount of goodwill was RMB5,210 million (2015: RMB6,016 million). Details of the impairment test for goodwill are disclosed in note 17.

Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed. Further details are disclosed in note 30.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. However, if the range of reasonable fair value estimate is so significant that management is of the opinion that their fair value cannot be measured reliably, such financial instruments are carried out at cost less accumulated impairment losses. Further details are disclosed in note 44.

Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. The key assumptions for pension obligations and sensitivity analysis of the discount rate are disclosed in note 31.

Depreciation of property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of property, plant and equipment is based on historical experience, taking into account anticipated technological changes. When the useful lives differ from the original estimated useful lives, management will adjust the estimated useful lives accordingly. It is possible that actual outcomes in the next financial period are different from estimates made based on historical experience. Then it could cause a material adjustment to the depreciation and carrying amount of the Group's property, plant and equipment. Further details are disclosed in note 14.

4. OPERATING SEGMENT INFORMATION

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

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

(a) infrastructure construction of ports, roads, bridges and railways (the "Construction Segment");

(b) infrastructure design of ports, roads and bridges (the "Design Segment");

(c) dredging (the "Dredging Segment");

(d) manufacture of heavy machinery (the "Heavy Machinery Segment"); and

(e) others (the "Others Segment").

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

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

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

Segment assets consist primarily of property, plant and equipment, prepaid land lease payments, investment properties, intangible assets, inventories, receivables, amounts due from contract customers, and cash and cash equivalents. They exclude deferred taxation, investments in joint ventures and associates, available-for-sale investments, held-to-maturity investments, other financial assets at fair value through profit or loss and derivative financial instruments.

Segment liabilities comprise primarily payables and amounts due to contract customers. They exclude taxation, borrowings and derivative financial instruments.

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2016 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2016						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Total gross segment revenue	357,158	26,328	30,282	26,006	5,897	(15,699)	429,972
Inter-segment revenue	(8,108)	(4,414)	(1,486)	(708)	(983)	15,699	–
Revenue	349,050	21,914	28,796	25,298	4,914	–	429,972
Segment results	23,604	3,203	2,740	1,773	485	(729)	31,076
Unallocated income							48
Operating profit							31,124
Finance income							3,093
Finance costs, net							(11,485)
Share of profits and losses of joint ventures and associates							190
Profit before tax							22,922
Income tax expense							(5,233)
Profit for the year							17,689
Other segment information							
Depreciation	5,992	182	969	1,233	79	–	8,455
Amortisation	1,014	34	38	113	23	–	1,222
Write-down of inventories	44	–	–	801	–	–	845
Provision for foreseeable losses on construction contracts	383	–	–	203	–	–	586
Provision for impairment of trade and other receivables	1,360	240	605	208	404	–	2,817
Provision for impairment of concession assets	198	–	–	–	–	–	198
Capital expenditure *	41,636	440	1,674	1,352	157	–	45,259

* Capital expenditure consists of additions to property, plant and equipment (note 14), investment properties (note 15), prepaid land lease payments (note 16) and intangible assets (note 17).

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2015 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2015						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Total gross segment revenue	345,475	24,483	33,515	24,104	4,323	(28,284)	403,616
Inter-segment revenue	(6,351)	(1,876)	(18,807)	(965)	(285)	28,284	–
Revenue	339,124	22,607	14,708	23,139	4,038	–	403,616
Segment results	18,259	2,923	3,752	1,491	(69)	(447)	25,909
Unallocated expenses							(111)
Operating profit							25,798
Finance income							3,701
Finance costs, net							(10,212)
Share of profits and losses of joint ventures and associates							384
Profit before tax							19,671
Income tax expense							(3,758)
Profit for the year							15,913
Other segment information							
Depreciation	5,359	186	888	1,260	39	–	7,732
Amortisation	582	31	26	110	34	–	783
Write-down of inventories	4	–	–	55	–	–	59
Provision for foreseeable losses on construction contracts	616	–	–	305	89	–	1,010
Provision for impairment of trade and other receivables	911	242	1,234	294	482	–	3,163
Capital expenditure	56,913	441	2,306	2,565	45	–	62,270

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

	As at 31 December 2016						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Segment assets	533,411	25,606	65,878	58,884	33,327	(32,673)	684,433
Investments in joint ventures							6,201
Investments in associates							12,550
Unallocated assets							97,898
Total assets							801,082
Segment liabilities	291,024	18,284	28,919	15,049	1,303	(31,964)	322,615
Unallocated liabilities							291,897
Total liabilities							614,512

Segment assets and liabilities at 31 December 2016 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	684,433	322,615
Investments in joint ventures	6,201	–
Investments in associates	12,550	–
Unallocated:		
Deferred tax assets/liabilities	4,640	4,447
Tax payable	–	3,942
Current borrowings	–	99,484
Non-current borrowings	–	173,996
Available-for-sale investments	21,679	–
Held-to-maturity investments	131	–
Other financial assets at fair value through profit or loss	116	–
Derivative financial instruments	381	16
Cash and other corporate assets/corporate liabilities	70,951	10,012
Total	801,082	614,512

4. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities at 31 December 2015 are as follows:

	As at 31 December 2015						
	Construction RMB million	Design RMB million	Dredging RMB million	Heavy Machinery RMB million	Others RMB million	Eliminations RMB million	Total RMB million
Segment assets	502,171	22,931	61,320	58,323	20,747	(24,419)	641,073
Investments in joint ventures							1,967
Investments in associates							10,622
Unallocated assets							77,651
Total assets							731,313
Segment liabilities	255,770	15,219	24,061	14,826	1,338	(23,969)	287,245
Unallocated liabilities							275,062
Total liabilities							562,307

Segment assets and liabilities at 31 December 2015 are reconciled to entity assets and liabilities as follows:

	Assets RMB million	Liabilities RMB million
Segment assets/liabilities	641,073	287,245
Investments in joint ventures	1,967	–
Investments in associates	10,622	–
Unallocated:		
Deferred tax assets/liabilities	4,169	7,543
Tax payable	–	3,197
Current borrowings	–	86,605
Non-current borrowings	–	168,578
Available-for-sale investments	22,368	–
Other financial assets at fair value through profit or loss	143	–
Derivative financial instruments	9	134
Cash and other corporate assets/corporate liabilities	50,962	9,005
Total	731,313	562,307

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2016 RMB million	2015 RMB million
Mainland China	**343,209**	328,655
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**86,763**	74,961
	429,972	403,616

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

Proportion of revenue from the individual countries or regions other than Mainland China was not material during 2016 and 2015.

(b) Non-current assets

	2016 RMB million	2015 RMB million
Mainland China	**206,746**	207,392
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**16,431**	14,007
	223,177	221,399

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

Proportion of non-current assets in the individual countries or regions other than Mainland China are not material as at 31 December 2016 and 2015.

Information about a major customer

No revenue was derived from services or sales to a single customer accounted for 10% or more of the Group's revenue, including services or sales to a group of entities which are known to be under common control with that customer during 2016 and 2015.

5. REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts; the value of services rendered; the net invoiced value of goods sold, after allowances for returns and trade discounts and excludes intra-group transactions.

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

	2016 RMB million	2015 RMB million
Revenue		
Construction	357,158	345,475
Design	26,328	24,483
Dredging	30,282	33,515
Heavy Machinery	26,006	24,104
Others	5,897	4,323
Inter-segment eliminations	(15,699)	(28,284)
	429,972	403,616
Other income		
Rental income	790	426
Dividend income on available-for-sale investments		
– Listed equity securities	683	686
– Unlisted equity investments	153	82
Government grants	458	520
Income from the sale of waste and materials	19	36
Others (mainly consist of consultation service income, property management service income and transportation income)	1,697	1,250
	3,800	3,000
Other gains, net		
Gains on disposal of available-for-sale investments and derivative financial instruments	459	927
Gains on disposal of items of property, plant and equipment	1	105
Losses on disposal of prepaid land lease payments	–	(3)
Gains on disposal of subsidiaries	511	407
Gains on disposal of joint ventures and associates	12	199
Fair value (losses)/gains from other financial assets at fair value through profit or loss	(22)	7
Gains/(losses) on derivative financial instruments:		
– Foreign exchange forward contracts	184	(65)
Foreign exchange difference, net	761	(833)
	1,906	744

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6. PROFIT BEFORE TAX

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

	Notes	2016 RMB million	2015 RMB million
Raw materials and consumables used		**115,587**	117,259
Cost of goods sold		**11,059**	9,000
Subcontracting costs		**144,108**	121,025
Employee benefit expenses:			
– Salaries, wages and bonuses		**23,287**	25,916
– Pension costs – defined contribution plans		**3,117**	2,954
– Pension costs/(gains) – defined benefit plans		**30**	(91)
– Housing benefits		**1,561**	1,490
– Welfare, medical and other expenses		**11,289**	8,091
		39,284	38,360
Minimum lease payments under operating leases		**13,814**	16,815
Business tax and other transaction tax		**4,564**	10,168
Fuel		**3,771**	5,978
Depreciation of property, plant and equipment and investment properties	14,15	**8,455**	7,732
Amortisation of intangible assets	17	**983**	561
Amortisation of land lease payments	16	**239**	222
Research and development costs		**7,898**	7,265
Repair and maintenance expenses		**2,000**	3,886
Transportation costs		**369**	1,029
Utilities		**1,329**	1,328
Insurance		**1,149**	1,055
Auditors' remuneration		**26**	40
Impairment of trade and other receivables		**2,817**	3,163
Provision for foreseeable losses on construction contracts		**586**	1,010
Write-down of inventories		**845**	59

7. FINANCE INCOME

	2016 RMB million	2015 RMB million
Interest income		
– Bank deposits	**626**	694
– Unwinding of discount of long-term receivables	**1,862**	2,765
Others	**605**	242
	3,093	3,701

8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2016 RMB million	2015 RMB million
Interest expense incurred	**12,545**	14,063
Less: Interest capitalised	**(2,917)**	(4,720)
Net interest expense	**9,628**	9,343
Representing:		
– Bank borrowings	**7,374**	6,737
– Other borrowings	**130**	171
– Corporate bonds	**1,091**	991
– Medium-term notes	**123**	223
– Debentures	**251**	364
– Non-public debt instruments	**541**	724
– Finance lease liabilities	**118**	133
	9,628	9,343
Foreign exchange difference, net	**1,000**	317
Others	**857**	552
	11,485	10,212

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB2,917 million (2015: RMB4,720 million) were capitalised in 2016, of which approximately RMB971 million (2015: RMB1,030 million) was charged to contract work-in-progress, approximately RMB317 million (2015: RMB765 million) was included in cost of properties under development, approximately RMB1,560 million (2015: RMB2,745 million) was included in cost of concession assets, approximately RMB69 million (2015: RMB180 million) was included in cost of construction-in-progress. A weighted average capitalisation rate of 4.15% (2015: 4.75%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**318**	452
Other emoluments:		
Salaries, allowances and benefits in kind	**1,992**	1,889
Performance related bonuses	**2,939**	2,929
Pension scheme contributions	**282**	268
	5,213	5,086
	5,531	5,538

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9. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Liu Zhangmin	109	150
Mr. Leung Chong Shun	106	126
Mr. Huang Long	103	143
Mr. Wu Zhenfang (i)	–	33
	318	452

(i) Mr. Wu Zhenfang retired from his position as an independent non-executive director of the Company on 2 April 2015.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors, a non-executive director and supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2016				
Executive directors				
Mr. Liu Qitao	215	678	47	940
Mr. Chen Fenjian	215	678	47	940
Mr. Fu Junyuan	196	598	47	841
	626	1,954	141	2,721
Non-executive director				
Mr. Liu Maoxun	–	–	–	–
Supervisors				
Mr. Zhen Shaohua	196	585	47	828
Mr. Wang Yongbin	585	200	47	832
Mr. Yao Yanmin	585	200	47	832
	1,366	985	141	2,492
	1,992	2,939	282	5,213
2015				
Executive directors				
Mr. Liu Qitao	187	656	44	887
Mr. Chen Fenjian	186	667	44	897
Mr. Fu Junyuan	171	599	44	814
	544	1,922	132	2,598
Non-executive director				
Mr. Liu Maoxun	–	–	–	–
Supervisors				
Mr. Zhen Shaohua (i)	170	617	44	831
Mr. Wang Yongbin	580	195	44	819
Mr. Yao Yanmin	581	195	44	820
Mr. Liu Xiangdong (i)	14	–	4	18
	1,345	1,007	136	2,488
	1,889	2,929	268	5,086

(i) Mr. Liu Xiangdong retired from his position as the Chairman of the Supervisory Committee and Mr. Zhen Shaohua was elected as the Chairman of the Supervisory Committee on 15 January 2015.

During the year, except for Mr. Liu Maoxun, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

None of the Directors' emoluments as disclosed in note 9 above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,738**	2,704
Performance related bonuses	**6,560**	5,372
Pension scheme contributions	**172**	229
	8,470	8,305

The number of the above highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
HKD1,500,001 to HKD2,000,000 (equivalent to approximately RMB1,341,750 to RMB1,789,000)	**4**	3
HKD2,000,001 to HKD2,500,000 (equivalent to approximately RMB1,789,001 to RMB2,236,250)	**1**	2
	5	5

11. INCOME TAX

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2015: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (2015: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	RMB million	RMB million
Current		
– PRC enterprise income tax	**4,591**	3,936
– Others	**865**	391
	5,456	4,327
Deferred	**(223)**	(569)
Total tax charge for the year	**5,233**	3,758

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

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11. INCOME TAX (CONTINUED)

	2016 RMB million	%	2015 RMB million	%
Profit before tax	**22,922**		19,671	
Tax at PRC statutory tax rate of 25% (2015: 25%)	**5,730**	**25.0**	4,918	25.0
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,207)**	**(5.3)**	(1,700)	(8.6)
Tax for the appreciation of land in the PRC	**240**	**1.1**	111	0.5
Profits and losses attributable to joint ventures and associates	**(48)**	**(0.2)**	(96)	(0.5)
Income not subject to tax	**(295)**	**(1.3)**	(400)	(2.0)
Additional tax concession on research and development costs	**(359)**	**(1.6)**	(295)	(1.5)
Expenses not deductible for tax	**345**	**1.5**	171	0.9
Tax losses utilised from previous periods	**(249)**	**(1.1)**	(68)	(0.4)
Tax losses not recognised	**1,076**	**4.7**	1,117	5.7
Tax charge at the Group's effective rate	**5,233**	**22.8**	3,758	19.1

12. DIVIDENDS

	2016 RMB million	2015 RMB million
Proposed final dividend of RMB0.19444 per ordinary share (2015: RMB0.19037)	**3,145**	3,079

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,174,735,425 (2015: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2016	2015
Profit attributable to ordinary equity holders of the parent (RMB million)	**17,210**	15,828
Less: Interest on perpetual medium-term notes (RMB million)(i)	**(300)**	(300)
Dividend relating to preference shares (RMB million)(ii)	**(718)**	–
Profit used in the basic earnings per share calculation (RMB million)	**16,192**	15,528
Weighted average number of ordinary shares in issue (million)	**16,175**	16,175
Basic earnings per share (RMB per share)	**1.00**	0.96

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

(i) The medium-term notes (the "MTN") issued by the Company in 2014 were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB300 million on the MTN which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2016.

(ii) The preference shares issued by the Company in 2015 were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. As the conditions of mandatory distribution were triggered, a dividend amounting to RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2016.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	21,159	27,681	46,365	10,783	13,192	119,180
Accumulated depreciation and impairment	(5,466)	(15,320)	(22,623)	(7,798)	–	(51,207)
Net carrying amount	15,693	12,361	23,742	2,985	13,192	67,973
At 1 January 2016, net of accumulated depreciation and impairment	15,693	12,361	23,742	2,985	13,192	67,973
Additions	491	2,745	1,057	2,167	4,461	10,921
Disposals	(12)	(136)	(91)	(127)	(154)	(520)
Disposal of subsidiaries	(118)	(6)	(224)	(16)	(2,819)	(3,183)
Transfers to/(from) construction in progress	1,202	745	2,438	16	(4,401)	–
Transferred to investment properties	(324)	–	–	–	(119)	(443)
Transferred from investment properties	153	–	–	–	–	153
Depreciation provided during the year	(719)	(3,095)	(2,248)	(2,296)	–	(8,358)
Exchange realignment	31	82	117	2	–	232
At 31 December 2016, net of accumulated depreciation and impairment	16,397	12,696	24,791	2,731	10,160	66,775
At 31 December 2016:						
Cost	22,380	30,378	48,916	10,903	10,160	122,737
Accumulated depreciation and impairment	(5,983)	(17,682)	(24,125)	(8,172)	–	(55,962)
Net carrying amount	16,397	12,696	24,791	2,731	10,160	66,775

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB million	Machinery RMB million	Vessels and vehicles RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
31 December 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	19,631	25,638	43,901	8,952	11,387	109,509
Accumulated depreciation and impairment	(4,940)	(13,716)	(21,128)	(6,348)	–	(46,132)
Net carrying amount	14,691	11,922	22,773	2,604	11,387	63,377
At 1 January 2015, net of accumulated depreciation and impairment	14,691	11,922	22,773	2,604	11,387	63,377
Additions	654	3,279	1,020	2,437	7,321	14,711
Disposals	(17)	(343)	(140)	(78)	–	(578)
Acquisition of subsidiaries	102	869	52	18	21	1,062
Disposal of subsidiaries	(177)	(120)	(2)	(5)	(1,214)	(1,518)
Transfers to/(from) construction in progress	1,138	(481)	2,096	239	(2,992)	–
Transferred to investment properties	(22)	–	–	–	(1,325)	(1,347)
Transferred to intangible assets	–	–	–	–	(6)	(6)
Depreciation provided during the year	(669)	(2,714)	(2,054)	(2,229)	–	(7,666)
Exchange realignment	(7)	(51)	(3)	(1)	–	(62)
At 31 December 2015, net of accumulated depreciation and impairment	15,693	12,361	23,742	2,985	13,192	67,973
At 31 December 2015:						
Cost	21,159	27,681	46,365	10,783	13,192	119,180
Accumulated depreciation and impairment	(5,466)	(15,320)	(22,623)	(7,798)	–	(51,207)
Net carrying amount	15,693	12,361	23,742	2,985	13,192	67,973

The net carrying amount of the Group's fixed assets held under finance leases in the carrying amount of vessels and machinery at 31 December 2016 was RMB2,168 million (2015: RMB4,379 million).

At 31 December 2016, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB358 million (2015: RMB772 million) were pledged to secure general banking facilities granted to the Group (note 29(d)).

15. INVESTMENT PROPERTIES

	2016 RMB million	2015 RMB million
Carrying amount at 1 January	**2,045**	733
Additions	**108**	31
Transferred from property, plant and equipment	**443**	1,347
Transferred to property, plant and equipment	**(153)**	–
Depreciation provided during the year	**(97)**	(66)
Carrying amount at 31 December	**2,346**	2,045

As at 31 December 2016, the fair value of the Group's investment properties was based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers.

The investment properties located in Mainland China were mainly valued by the income approach by taking into account the net rental income of the properties derived mainly from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value of these properties was RMB9,335 million (2015: RMB7,808 million), which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental inflows, discount rates and capitalisation rates, etc..

The investment properties located outside Mainland China were mainly valued by the comparison approach by making reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties was RMB223 million (2015: RMB640 million), which falls into the category of fair value measurements using significant observable inputs (Level 2) including comparable price in the market.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

16. PREPAID LAND LEASE PAYMENTS

	2016 RMB million	2015 RMB million
Carrying amount at 1 January	**10,036**	9,682
Additions	**1,198**	843
Disposals	**(2)**	(62)
Disposal of subsidiaries	**(317)**	(61)
Transferred to inventories	**–**	(144)
Recognised during the year	**(239)**	(222)
Carrying amount at 31 December	**10,676**	10,036

At 31 December 2016, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB822 million (2015: RMB1,348 million) were pledged to secure general banking facilities granted to the Group (note 29(d)).

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17. INTANGIBLE ASSETS

	Concession assets RMB million	Goodwill RMB million	Trademark, patent and proprietary technologies RMB million	Computer software RMB million	Others RMB million	Total RMB million
31 December 2016						
Cost at 1 January 2016, net of accumulated amortisation and impairment	134,056	6,016	913	235	125	141,345
Additions	32,805	–	46	169	12	33,032
Disposal of subsidiaries	(18,371)	(1,080)	–	(5)	–	(19,456)
Transfers	(10,634)	–	–	–	–	(10,634)
Amortisation provided during the year	(853)	–	(14)	(78)	(38)	(983)
Impairment during the year	(198)	–	–	–	–	(198)
Exchange realignment	–	274	–	–	–	274
At 31 December 2016	136,805	5,210	945	321	99	143,380
At 31 December 2016:						
Cost	138,787	5,260	1,155	631	270	146,103
Accumulated amortisation and impairment	(1,982)	(50)	(210)	(310)	(171)	(2,723)
Net carrying amount	136,805	5,210	945	321	99	143,380
31 December 2015						
At 1 January 2015:						
Cost	89,425	1,537	368	306	266	91,902
Accumulated amortisation	(1,043)	–	(170)	(181)	(130)	(1,524)
Net carrying amount	88,382	1,537	198	125	136	90,378
Cost at 1 January 2015, net of accumulated amortisation	88,382	1,537	198	125	136	90,378
Additions	46,600	–	34	50	1	46,685
Acquisition of subsidiaries	–	4,805	743	111	23	5,682
Disposals	–	–	–	–	(6)	(6)
Disposal of subsidiaries	(464)	–	–	(1)	–	(465)
Transferred from property, plant and equipment	–	–	–	6	–	6
Amortisation provided during the year	(462)	–	(20)	(50)	(29)	(561)
Impairment during the year	–	(50)	–	–	–	(50)
Exchange realignment	–	(276)	(42)	(6)	–	(324)
At 31 December 2015	134,056	6,016	913	235	125	141,345
At 31 December 2015 and 1 January 2016:						
Cost	135,561	6,066	1,103	463	280	143,473
Accumulated amortisation and impairment	(1,505)	(50)	(190)	(228)	(155)	(2,128)
Net carrying amount	134,056	6,016	913	235	125	141,345

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2016, concession assets represent assets under "Build-Operate-Transfer" service concession arrangements and mainly consist of toll roads in Mainland China. Certain concession projects have been put into operations, the cost of related concession assets amounted to RMB112,195 million (2015: RMB60,002 million). The cost of concession assets where the related projects were under construction amounted to RMB26,592 million (2015: RMB75,559 million).

In 2016, the Group recognised an impairment of RMB198 million to profit or loss, based on an impairment test for a concession asset (a toll road) in the construction segment with carrying amount before impairment of RMB2,215 million as at 31 December 2016, as the concession asset has experienced losses and lower than expected traffic volume. The recoverable amount of the concession asset of RMB2,017 million was determined based on value in use method using cash flow projections based on its financial budget. The pre-tax discount rate applied to the cash flow projection was 7.3%.

As at 31 December 2016, certain of the Group's concession assets with a net carrying amount of approximately RMB112,860 million (2015: RMB103,565 million) were pledged to secure general banking facilities granted to the Group (note 29(d)).

Impairment testing of goodwill

Goodwill is allocated to the Group's CGUs identified in accordance with individual acquisition groups within respective operating segments. The goodwill of the Group mainly relates to the following acquisition groups:

(a) the goodwill included in the Construction Segment that arose in connection with the Group's acquisition of the 100% equity interest in John Holland Group Pty Limited ("John Holland") in April 2015;

(b) the goodwill included in the Construction Segment that arose in connection with the Group's acquisitions of Sanya Phoenix Island International Cruise Terminal Development Co., Ltd., Sanya Phoenix Island Development Co., Ltd., and Sanya Phoenix Island Real Estate Co., Ltd. (collectively referred to as "Phoenix Island") in March and April 2014, which was derecognised in 2016, as the Group discontinued to have controls over these acquired companies in 2016 (note 38); and

(c) the goodwill included in the Heavy Machinery Segment that arose in connection with the Group's acquisition of the 100% equity interest in Friede Goldman United, Ltd. ("F&G") in August 2010.

The following is a summary of goodwill allocation for each acquisition group:

	2016 RMB million	2015 RMB million
John Holland (i)	**4,803**	4,529
Phoenix Island	**–**	1,080
F&G	**245**	245
Others	**162**	162
	5,210	6,016

(i) For goodwill arose in connection with John Holland, the recoverable amount was determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 2.7%. The growth rate does not exceed the long-term average growth rate for the related industry in which John Holland operates.

Summary of the key assumptions are set out below:

	2016	2015
Revenue (% annual growth rate) (a)	**2.7%**	2.5%
Pre-tax discount rate (b)	**19.6%**	21.8%

(a) The revenue growth rate is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

(b) The discount rate used is pre-tax and reflects specific risks relating to the acquisition group.

No impairment was recognised based on the assessment in relation to John Holland as at 31 December 2016 and 2015.

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18. INVESTMENTS IN JOINT VENTURES

	2016 RMB million	2015 RMB million
At 1 January	1,967	1,742
Additions	3,045	189
Disposals	(11)	(13)
Share of profit or loss, net	26	95
Dividend distribution	(29)	(49)
Arising from disposal of subsidiaries (note 38)	1,200	–
Share of other comprehensive income of joint ventures	3	–
Share of other reserves of a joint venture	–	3
At 31 December	6,201	1,967

In the opinion of the directors, none of the joint ventures is individually material to the Group. All of the joint ventures of the Group are accounted for using the equity method and there is no quoted market price available for their shares.

The Group's trade receivable and payable balances with and guarantees provided to the joint ventures are disclosed in note 42(d) and (b) to the financial statements.

19. INVESTMENTS IN ASSOCIATES

	2016 RMB million	2015 RMB million
At 1 January	10,622	7,988
Additions	1,788	895
Acquisition of subsidiaries	–	127
Disposals	(15)	(26)
Share of profit or loss, net	164	289
Dividend distribution	(141)	(108)
Arising from disposal of subsidiaries (note 38)	60	560
Transferred from available-for-sale financial assets, due to acquiring significant influence	–	900
Share of other comprehensive income of associates	72	(3)
At 31 December	12,550	10,622

In the opinion of the directors, none of the associates is individually material to the Group. All of the associates of the Group are accounted for using the equity method and there is no quoted market price available for their shares.

The Group's trade receivable and payable balances with and guarantees provided to the associates are disclosed in note 42(d) and (b) to the financial statements.

20. JOINT OPERATIONS

Joint operations in which the Group has material interests are set out below:

Name of arrangement	Principal activity	Country/ region	Ownership interests 2016 %	2015 %
Hong Kong-Zhuhai-Macau Bridge Hong Kong Link Road (Section between HKSAR Boundary and Scenic Hill)	Construction	Hong Kong	**40.00**	40.00
Toll Road Development of Medan-Kualanamu, Indonesia	Construction	Indonesia	**37.50**	37.50
Abigroup Contractors Pty Ltd & Coleman Rail Pty Ltd & John Holland Pty Ltd (Integrate Rail)	Construction	Australia	**40.00**	40.00
Coleman Rail John Holland & York Civil (Tracksure Rail Upgrade)	Construction	Australia	**38.00**	38.00
GHD John Holland (Perth City Link Rail Alliance)	Construction	Australia	**85.00**	85.00
John Holland Bouygues Travaux Publics (North Strathfield Rail Underpass)	Construction	Australia	**50.00**	50.00
John Holland Abigroup Contractors (Bulk Water Alliance)	Construction	Australia	**50.00**	50.00
John Holland Coleman Rail (Activate)	Construction	Australia	**50.00**	50.00
John Holland Fairbrother (Uni Tas, Risdon, IMAS, Royal Hobart Hospital)	Construction	Australia	**50.00**	50.00
John Holland Fulton Hogan (Hunua, Minor Rail Projects)	Construction	Australia	**50.00**	50.00
John Holland Leed Engineering and Construction (NIAW)	Construction	Australia	**67.00**	67.00
John Holland Leighton Asia, India and Offshore (South East Asia)	Construction	Singapore	**50.00**	50.00
John Holland Lend Lease (SW Program Management Works)	Construction	Australia	**50.00**	50.00
John Holland Pindan (Eastern Goldfields)	Construction	Australia	**50.00**	50.00
John Holland Tenix Alliance (Mackay Water)	Construction	Australia	**50.00**	50.00
John Holland UGL Infrastructure (Murrumbidgee Irrigation Alliance)	Construction	Australia	**50.00**	50.00
John Holland Veolia Water Australia (Sydney Desalination Plant)	Construction	Australia	**72.00**	72.00
John Holland Veolia Water Australia (Gold Coast Desalination Plant)	Construction	Australia	**64.00**	64.00
Leighton Asia, India and Offshore John Holland (Hong Kong South Island Line Project)	Construction	Hong Kong	**45.00**	45.00
Leighton Asia, India and Offshore John Holland (Singapore LTA Project)	Construction	Singapore	**–**	50.00
Thiess John Holland (EastLink)	Construction	Australia	**50.00**	50.00
Dragados Australia Pty Ltd & John Holland Pty Ltd & Thiess Pty Ltd (NWRL TSC)	Construction	Australia	**25.00**	25.00
John Holland Pty Ltd and Kellogg Brown & Root Pty Ltd (Melbourne Water Capital Works)	Construction	Australia	**50.00**	50.00
John Holland Pty Ltd, UGL Engineering Pty Ltd and GHD Pty Ltd (Malabar Alliance)	Construction	Australia	**43.00**	43.00
John Holland Bouygues Travaux Publics (Glenfield Junction Alliance)	Construction	Australia	**54.00**	54.00
John Holland Bouygues Travaux Publics (Arncliffe)	Construction	Australia	**50.00**	–
NRT Infrastructure JV (NWRL OTS (IJV))	Construction	Australia	**50.00**	50.00
John Holland Pty Ltd & Leighton Contractors Pty Ltd & MTR Corporation & (Sydney) NRT Pty Limited & UGL Rail Services Pty Limited (NWRL OTS NRT D&D)	Construction	Australia	**25.00**	25.00
Comdain Civil Constructions Pty Ltd & John Holland Pty Ltd (NSW Water Metering)	Construction	Australia	**50.00**	50.00
John Holland Pty Ltd & Leighton Contractors Pty Ltd & Samsung C&T Corporation (Westconnex Stage 1B)	Construction	Australia	**33.00**	33.00
John Holland Pty Ltd & CPB Pty Ltd JV (Canberra Light Rail (D&C))	Construction	Australia	**50.00**	–
John Holland Zhen Hua Joint Venture (T39 Siglap Station)	Construction	Singapore	**60.00**	–
John Holland Pty Ltd & Strukton Rail Australia Pty Ltd (Acuit Systems)	Construction	Singapore	**50.00**	–
BJB	Construction	Australia	**38.00**	38.00
John Holland Laing O'Rourke (RGP5 Rail – Track and Signals)	Construction	Australia	**50.00**	–
John Holland Laing O'Rourke & NRW (RGP5 South Works)	Construction	Australia	**33.00**	–

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21. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB million	2015 RMB million
Non-current		
Listed and unlisted equity investments, at fair value (note b)		
– Mainland China	**16,913**	20,025
– Hong Kong	**1,967**	642
Unlisted equity investments, at cost (note c)	**2,300**	1,655
Other unlisted investments, at fair value	**499**	–
	21,679	22,322
Current		
Other unlisted investments, at fair value	**–**	46
	21,679	22,368

(a) During the year ended 31 December 2016, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB1,432 million (2015: gain of RMB286 million), and a gain of RMB324 million, net of tax (2015: gain of RMB674 million) was reclassified from other comprehensive income to the statement of profit or loss upon disposal.

(b) These securities primarily represent promoters' shares listed and traded in stock markets, of which no securities were subject to trading restrictions at the end of the reporting period. The fair value of these securities were based on the quoted market prices at the end of the reporting period.

(c) Management is of the opinion that the range of reasonable fair value estimates for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried at cost less accumulated impairment losses, if any.

22. UNCONSOLIDATED STRUCTURED ENTITIES MANAGED BY THE GROUP

The Group invested in several funds ("Investee Funds") which were mainly engaged in infrastructure investment activities. These Investee Funds were established in the form of limited liability partnership (the "LLP"). The Group, together with some other unrelated asset managers, acted as general partners of the LLP and applied various investment strategies to accomplish the respective investment objectives of these Investee Funds. A number of trust funds acted as limited partners of the LLP and finance the operating activities of these Investee Funds.

The directors of the Company are of the opinion that the Group did not have sufficient ability to affect the variable returns through its power over the Investee Funds and therefore, these Investee Funds were deemed as structured entities and were not consolidated by the Group.

The exposures to the Group's investments in the unconsolidated structured entities as at 31 December 2016 and 2015 are disclosed in the following table.

	2016 RMB million	2015 RMB million
Available-for-sale investments	**902**	414
Investments in joint ventures	**520**	135
	1,422	549

As at 31 December 2016, there were no contractual liquidity arrangements, guarantees or other commitments between the Group and the Investee Funds (2015: Nil).

23. INVENTORIES

	2016 RMB million	2015 RMB million
Raw materials	**14,166**	16,487
Work in progress	**5,240**	2,966
Properties under development and held for sale (note b)	**21,645**	26,517
Completed properties held for sale (note c)	**3,916**	5,356
Finished goods	**587**	578
	45,554	51,904

(a) At 31 December 2016, certain of the Group's properties under development and held for sale and completed properties held for sale with an aggregate carrying amount of RMB2,945 million (2015: RMB5,331 million) were pledged to secure the Group's bank loans (note 29(d)).

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

	2016 RMB million	2015 RMB million
Land use rights	**10,990**	14,341
Construction cost	**9,500**	11,230
Finance costs capitalised	**1,155**	946
	21,645	26,517

All of the properties under development are expected to be completed within the Group's normal operating cycle and are included under current assets.

(c) The amount of completed properties held for sale expected to be recovered beyond one year is RMB1,926 million (2015: RMB1,856 million). The remaining amount is expected to be recovered within one year.

24. CONTRACTS WORK-IN-PROGRESS

	2016 RMB million	2015 RMB million
Gross amount due from contract customers	**85,973**	74,645
Gross amount due to contract customers	**(27,198)**	(25,499)
	58,775	49,146
Contract costs incurred plus recognised profits less recognised losses to date	**1,672,296**	1,741,664
Less: progress billings	**(1,613,521)**	(1,692,518)
	58,775	49,146

25. TRADE AND OTHER RECEIVABLES

	2016 RMB million	2015 RMB million
Trade and bills receivables (note a)	93,071	70,446
Impairment	(9,882)	(7,156)
Trade and bills receivables – net	83,189	63,290
Retentions	55,762	53,955
Long-term receivables	80,043	57,304
Prepayments	19,103	20,530
Deposits	22,046	20,810
Other receivables	25,900	29,841
	286,043	245,730
Less: non-current portion		
Retentions	(27,437)	(28,576)
Long-term receivables	(65,732)	(46,179)
Prepayments for equipment	(1,191)	(1,122)
Deposits	(1,198)	(1,939)
	(95,558)	(77,816)
Current portion	190,485	167,914

(a) The majority of the Group's revenues are generated through construction, design, dredging and heavy machinery contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	2016 RMB million	2015 RMB million
Within 6 months	64,139	45,508
6 months to 1 year	5,864	6,053
1 year to 2 years	7,977	7,579
2 years to 3 years	2,942	2,659
Over 3 years	2,267	1,491
	83,189	63,290

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

	2016 RMB million	2015 RMB million
At beginning of year	7,156	4,161
Impairment losses recognised	4,119	3,912
Amount written off as uncollectible	(21)	(1)
Impairment losses reversed	(1,372)	(916)
	9,882	7,156

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of RMB3,383 million (2015: RMB1,320 million) with a carrying amount before provision of RMB5,983 million (2015: RMB3,642 million). The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB million	RMB million
Neither past due nor impaired	**51,845**	35,110
Less than 3 months past due	**11,440**	7,266
	63,285	42,376

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) As part of its normal business, the Group has entered into certain recourse and non-recourse factoring agreements with certain banks so as to obtain bank advances. As at 31 December 2016, the relevant outstanding trade receivables, long-term receivables and deposits with recourse factoring clauses in the agreements, amounted to RMB5,558 million (2015: RMB1,885 million). In the opinion of the directors, such transactions did not qualify for derecognition of the relevant receivables or deposits and were accounted for as secured borrowings (note 29(d)). In addition, as at 31 December 2016, outstanding trade receivables of RMB11,486 million (2015: RMB11,683 million) had been transferred to the banks in accordance with the relevant non-recourse factoring agreements, among which outstanding trade receivables of RMB9,056 million (2015: RMB11,683 million) were derecognised as the directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition, whilst substantial risks and rewards of the other outstanding trade receivables of RMB2,430 million (2015: Nil) have not been transferred and hence were not qualified for derecognition and the relevant transactions were accounted for as secured borrowings (note 29(d)).

(c) As at 31 December 2016, outstanding bills receivable of RMB23 million (31 December 2015: RMB61 million) were endorsed to suppliers. In the opinion of directors, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable, and accordingly, it continued to recognise the full carrying amounts of the bills receivable. In addition, as at 31 December 2016, outstanding bills receivable of RMB808 million (31 December 2015: RMB1,958 million) were endorsed to suppliers, and RMB182 million (31 December 2015: RMB418 million) were discounted with banks. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to such bills receivable which were fully derecognised.

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25. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Retentions receivable represented amounts due from customers upon completion of the free maintenance period of the construction work, which normally lasts from one to two years. Deposits represented tender and performance bonds due from customers. Long-term receivables represented amounts due from customers for "Build-Transfer" projects and certain construction works with payment periods over one year. As at 31 December 2016, retentions, deposits and long-term receivables of the Group totalling RMB153,714 million (2015: RMB124,723 million) were neither past due nor impaired, and RMB4,873 million (2015: RMB8,000 million) were past due/partially impaired with a provision of RMB736 million (2015: RMB654 million).

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets RMB million	**Liabilities RMB million**	Assets RMB million	Liabilities RMB million
Forward currency contracts (note a)				
– Held for trading	**13**	**(7)**	1	(122)
– Cash flow hedges	**8**	**(9)**	8	(12)
Total return swap (note b)	**50**	**–**	–	–
Forward equity contracts (note c)	**310**	**–**	–	–
	381	**(16)**	9	(134)

(a) In order to protect against exchange rate movements, John Holland (a subsidiary of CCCI) has entered into forward exchange contracts to purchase United States Dollars ("USD"), Euros ("EUR"), Offshore Chinese Yuan, Great British Pound ("GBP"), Japanese Yen ("JPY") and New Zealand Dollars ("NZD") by Australian Dollars ("AUD"), and also purchase AUD by NZD. These contracts are hedging recognised assets and liabilities, firm commitments and highly probable forecast transactions, and the contracts are timed to mature when items of plant and equipment or construction materials are to be shipped or when trade and other payables are due.

(b) In 2016, CCCI entered into several agreements with banks and paid USD100 million to secure the subscription of USD400 million by the banks in senior perpetual securities issued by a subsidiary of Greentown China Holdings Limited ("Greentown"). According to the agreements, CCCI could earn any distribution by reference to the banks' subscription, and also have to pay a fixed amount of rewards and any loss on the subscription to the banks. As Greentown is a subsidiary of CCCG, the total return swap constitutes a related party transaction of the Company (note 42(b)).

(c) In 2016, the Group disposed 85% equity interests in certain subsidiaries with concession assets (toll roads) to a joint venture (a fund engaged in infrastructure investment activities) of the Company, whilst entered into certain forward equity contracts to obtain the options to repurchase these equity interest in future with discounts under some conditions (note 38(b)).

27. CASH AND BANK BALANCES

	2016 RMB million	2015 RMB million
Restricted bank deposits	**3,943**	2,438
Time deposits with an initial term of over three months	**1,974**	679
Cash and cash equivalents	**108,720**	94,960
	114,637	98,077

(a) As at 31 December 2016, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with the People's Bank of China by CCCC Finance.

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

(c) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB84,013 million (2015: RMB71,908 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2016, less than 3% (2015: less than 3%) of the cash and bank balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

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

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28. TRADE AND OTHER PAYABLES

	2016 RMB million	2015 RMB million
Trade and bills payables (note a)	**187,794**	156,279
Advances from customers	**56,522**	57,752
Deposits from suppliers	**14,671**	13,250
Retentions	**13,841**	9,706
Deposits from CCCG and fellow subsidiaries (note b)	**8,132**	7,237
Other taxes	**6,886**	7,090
Payroll and social security	**2,452**	2,020
Accrued expenses	**290**	242
Others	**11,856**	10,924
	302,444	264,500
Less: non-current portion		
– Retentions	**(9,339)**	(7,121)
– Other taxes	**(115)**	–
	(9,454)	(7,121)
Current portion	**292,990**	257,379

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

	2016 RMB million	2015 RMB million
Within 1 year	**173,832**	141,231
1 year to 2 years	**8,713**	9,683
2 years to 3 years	**3,176**	2,504
Over 3 years	**2,073**	2,861
	187,794	156,279

(b) CCCC Finance, a subsidiary of the Company, accepted deposits from CCCG and fellow subsidiaries. These deposits were due within one year with an average annual interest rate of 0.6% (2015: 0.3%).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2016 RMB million	2015 RMB million
Non-current			
Long-term bank borrowings			
– secured	(d)	88,255	79,124
– unsecured	(e)	56,976	53,287
		145,231	132,411
Other borrowings			
– secured	(d)	850	700
– unsecured	(e)	670	1,451
		1,520	2,151
Corporate bonds	(f)	19,848	19,857
Non-public debt instruments	(i)	6,297	12,192
Financial lease liabilities	(j)	1,100	1,967
		27,245	34,016
Total non-current borrowings		173,996	168,578
Current			
Current portion of long-term bank borrowings			
– secured	(d)	1,123	1,965
– unsecured	(e)	11,527	13,330
		12,650	15,295
Short-term bank borrowings			
– secured	(d)	5,046	2,215
– unsecured	(e)	58,578	58,637
		63,634	60,852
Other borrowings			
– unsecured	(e)	19	221
Corporate bonds	(f)	6,372	374
Medium-term notes	(g)	–	3,989
Debentures	(h)	10,144	5,023
Non-public debt instruments	(i)	6,259	308
Finance lease liabilities	(j)	416	543
		23,210	10,458
Total current borrowings		99,484	86,605
Total borrowings		273,480	255,183

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

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

	2016 RMB million	2015 RMB million
Bank borrowings		
– Within one year or on demand	**76,274**	76,147
– In the second year	**24,019**	25,691
– In the third to fifth years, inclusive	**24,538**	21,317
– Beyond five years	**96,674**	85,403
	221,505	208,558
Others, excluding finance lease liabilities		
– Within one year or on demand	**22,794**	9,915
– In the second year	**2,813**	13,247
– In the third to fifth years, inclusive	**18,401**	14,996
– Beyond five years	**6,451**	5,957
	50,459	44,115
	271,964	252,673

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

	2016 RMB million	2015 RMB million
RMB	**248,589**	227,699
USD	**18,207**	21,918
JPY	**3,208**	2,388
EUR	**2,256**	1,565
HKD	**787**	1,141
Others	**433**	472
	273,480	255,183

(c) Borrowings of the Group, excluding corporate bonds, medium-term notes, debentures, non-public debt instruments and finance lease liabilities, bear interest at effective rates ranging from 0.30% to 8.70% per annum at the end of the reporting period (2015: 0.40% to 8.70%).

(d) As at 31 December 2016 and 2015, these borrowings were secured by the Group's property, plant and equipment (note 14), prepaid land lease payments (note 16), concession assets (note 17), trade receivables (note 25(b), properties under development and held for sale and completed properties held for sale (note 23(a)).

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

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

(f) As approved by China Securities Regulatory Commission ("CSRC") document [2009] No. 761, the Company issued domestic corporate bonds with an aggregate principal amount of RMB7.9 billion in August 2009. These corporate bonds bear interest at a rate of 5.2% per annum with maturity through 2019. These corporate bonds are guaranteed by CCCG.

As approved by CSRC document [2012] No. 998, the Company issued domestic corporate bonds with an aggregate principal amount of RMB12 billion in August 2012. RMB6 billion of such bonds bears interest at a rate of 4.4% per annum with maturity through 2017, RMB2 billion bears interest at a rate of 5.0% per annum with maturity through 2022 and RMB4 billion bears interest at a rate of 5.15% per annum with maturity through 2027. These corporate bonds are guaranteed by CCCG.

As approved by CSRC document [2016] No. 162, the Group issued domestic corporate bonds in February, July and July 2016 with principal amounts of RMB2 billion, RMB3 billion and RMB1 billion, respectively, totalling RMB6 billion, and the maturity of these corporate bonds are five years, five years and five years from the issue date, bearing interest at rates of 2.99%, 3.01% and 3.35% per annum, respectively. The Group has the right to raise the nominal interest rates and the investors also could sell back at the end of the third year from the issue date.

The corporate bonds are stated at amortised cost with effective rates ranging from 3.12% to 5.32%. Interest is payable once a year. Accrued interest is included in the current borrowings.

(g) As approved by the National Association of Financial Market Institutional Investors ("NAFMII") of the PRC, the Group issued medium-term notes with a nominal value of RMB3.8 billion in February 2011, with maturity of five years from the issue date, bearing interest at a rate of 5.85% per annum. The medium-term notes have been fully repaid during 2016.

(h) The Group issued the following debentures as approved by NAFMII:

- Two tranches of debentures were issued in October and November 2015, respectively, at nominal values of RMB3 billion and RMB2 billion, respectively, with maturity of 270 days and one year from the issue date respectively. The interest rates are 3.24% and 3.50% per annum, respectively. These debentures have been fully repaid during 2016.

- Four tranches of debentures were issued in April, May, August and October 2016, respectively, at nominal values of RMB2 billion, RMB3 billion, RMB3 billion and RMB2 billion, respectively, with maturity of 365 days, 270 days, 270 days and 270 days from the issue date respectively. The interest rates are 3.70%, 2.99%, 2.61% and 3.2% per annum, respectively. The debentures are stated at amortised cost with effective interest rates ranging from 3.00% to 3.91%.

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

(i) The Group issued the following non-public debt instruments:

– A tranche of non-public debt instrument with a nominal value of RMB1,500 million was issued in October 2012, with maturity of five years from the issue date, bearing interest at a rate of 5.80% per annum.

– Two tranches of non-public debt instruments were issued in April 2013 and one tranche of non-public debt instrument was issued in October 2013, respectively, at nominal values of RMB1,500 million, RMB800 million and RMB500 million, respectively, totalling RMB2,800 million, with maturity of five years, five years and five years from the issue date, respectively. The interest rates are 5.10%, 6.00% and 6.65% per annum, respectively.

– Ten tranches of non-public debt instruments were issued in March, May, June, August, September and December 2014, respectively, at nominal values of RMB500 million, RMB800 million, RMB800 million, RMB700 million, RMB500 million, RMB500 million, RMB500 million, RMB1,000 million, RMB500 million and RMB100 million, respectively, totalling RMB5,900 million, with maturity of three years, three years, three years, three years, three years, three years, five years, five years, three years and three years from the issue date, respectively. The interest rates are 7.10%, 6.35%, 7.00%, 6.50%, 6.60%, 6.30%, 7.00%, 6.00%, 6.15%, and 5.60% per annum, respectively.

– A tranche of non-public debt instrument with a nominal value of RMB2,000 million was issued in August 2015, with maturity of five years from the issue date, bearing interest at a rate of 4.80% per annum.

The non-public debt instruments are stated at amortised cost with effective rates ranging from 4.95% to 7.10%. Interest is payable once a year. The accrued interest is included in current borrowings.

(j) The Group leases certain of its plant and machinery and these leases are classified as finance leases.
At 31 December 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	2016 RMB million	2015 RMB million
Minimum lease payments		
– Within one year	**474**	656
– In the second to fifth years, inclusive	**1,019**	1,806
– After five years	**199**	385
Total minimum lease payments	**1,692**	2,847
Future finance charges	**(176)**	(337)
Present value of minimum lease payments	**1,516**	2,510
Representing:		
– Within one year	**416**	543
– In the second to fifth years, inclusive	**907**	1,592
– After five years	**193**	375
	1,516	2,510

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Available-for-sale investments	Undistributed profits in subsidiaries	Property, plant and equipment	Inventories	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2015	4,145	397	549	2,114	1,398	8,603
Deferred tax charged/(credited) to profit or loss during the year (note 11)	–	122	(14)	–	272	380
Credited to other comprehensive income	(150)	–	–	–	(3)	(153)
Acquisition of subsidiaries	–	–	28	–	76	104
Exchange difference	–	–	52	–	143	195
Gross deferred tax liabilities at 31 December 2015 and at 1 January 2016	**3,995**	**519**	**615**	**2,114**	**1,886**	**9,129**
Deferred tax charged to profit or loss during the year (note 11)	**–**	**147**	**13**	**–**	**110**	**270**
Charged/(credited) to other comprehensive income	**(495)**	**–**	**–**	**–**	**1**	**(494)**
Disposal of subsidiaries	**–**	**–**	**(478)**	**(2,114)**	**(494)**	**(3,086)**
Exchange difference	**–**	**–**	**1**	**–**	**20**	**21**
Gross deferred tax liability at 31 December 2016	**3,500**	**666**	**151**	**–**	**1,523**	**5,840**

Deferred tax assets

	Provision for impairment of assets	Depreciation and amortisation	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Discount on long-term receivables	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2015	1,083	7	102	399	682	718	723	3,714
(Charged)/credited to profit or loss during the year (note 11)	656	(15)	(187)	(72)	610	(22)	(21)	949
Charged to other comprehensive income	–	–	–	6	–	–	16	22
Acquisition of subsidiaries	–	115	961	–	–	–	114	1,190
Disposal of subsidiaries	–	–	–	–	(38)	–	–	(38)
Exchange difference	–	(8)	(65)	–	–	–	(9)	(82)
Gross deferred tax assets at 31 December 2015 and 1 January 2016	**1,739**	**99**	**811**	**333**	**1,254**	**696**	**823**	**5,755**
(Charged)/credited to profit or loss during the year (note 11)	**523**	**3**	**(684)**	**(37)**	**210**	**(40)**	**518**	**493**
(Charged)/credited to other comprehensive income	**–**	**–**	**–**	**(12)**	**–**	**–**	**(27)**	**(39)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**(162)**	**–**	**(71)**	**(233)**
Exchange difference	**–**	**5**	**–**	**–**	**1**	**–**	**51**	**57**
Gross deferred tax assets at 31 December 2016	**2,262**	**107**	**127**	**284**	**1,303**	**656**	**1,294**	**6,033**

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30. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016		2015	
	Deferred tax assets RMB million	**Deferred tax liabilities RMB million**	Deferred tax assets RMB million	Deferred tax liabilities RMB million
The gross balance	**6,033**	**(5,840)**	5,755	(9,129)
Offsetting	**(1,393)**	**1,393**	(1,586)	1,586
	4,640	**(4,447)**	4,169	(7,543)

Deferred tax assets of RMB2,747 million (2015: RMB2,745 million) have not been recognised in respect of these losses amounting to RMB11,318 million (2015: RMB11,212 million) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Most of the these tax losses will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2016, the Group did not recognise deferred tax assets of RMB469 million (2015: RMB368 million) in respect of deductible temporary differences amounting to RMB1,931 million (2015: RMB1,504 million) as the directors believe it is not probable that such deductible temporary differences would be recognised.

As at 31 December 2016, the unrecognised deferred income tax liabilities were RMB35 million (2015: RMB13 million), relating to income tax that would be payable for undistributed profits of certain overseas subsidiaries, as the directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2016 amounted to RMB278 million (2015: RMB85 million).

31. RETIREMENT BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and medical benefits to its normal retired or early retired employees in Mainland China who retired prior to 1 January 2006, which are considered to be defined benefit plans, and recognised a liability for the unfunded employee benefit obligations in the consolidated statement of financial position as follows:

	2016 RMB million	2015 RMB million
Present value of defined benefit obligations	**1,499**	1,702
Less: current portion	**(155)**	(113)
Non-current portion	**1,344**	1,589

31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movements in the present value of the defined benefit obligations are as follows:

	2016 RMB million	2015 RMB million
At 1 January	**1,702**	1,949
Past service cost	**(6)**	(127)
Interest cost	**49**	69
Effect of settlements	**(12)**	(33)
	1,733	1,858
Remeasurements		
– (Gains)/losses from changes in financial assumptions	**(28)**	99
– Experience gains	**(29)**	(57)
	1,676	1,900
Payments	**(177)**	(198)
At 31 December	**1,499**	1,702

The above obligations were determined based on actuarial valuation performed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch, using the projected unit credit method. The significant actuarial assumptions are as follows:

	2016	2015
Discount rate	**3.25%**	3.00%
Medical cost growth rate	**4%–8%**	4%–8%

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Impact on defined benefit obligations	
	2016 RMB million	2015 RMB million
Discount rate:		
– 0.25% increase	**(27)**	(31)
– 0.25% decrease	**28**	33
Medical cost growth rate:		
– 1.00% increase	**26**	20
– 1.00% decrease	**(23)**	(18)

The sensitivity analysis above has been determined based on a method that is extrapolates the impact on the retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the retirement benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

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31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The following undiscounted payments are expected contributions to the defined benefit plan in future years:

	2016 RMB million	2015 RMB million
Less than 1 year	**155**	168
Between 1 and 2 years	**148**	161
Between 2 and 5 years	**402**	439
More than 5 years	**1,242**	1,414
	1,947	2,182

The average duration of the defined benefit plan obligation at the end of the reporting period was 7 years (2015: 7.5 years).

32. PROVISIONS

	Pending lawsuits RMB million	Others RMB million	Total RMB million
At 1 January 2015	297	89	386
Charged/(credited) to profit or loss:			
– Additional provisions	–	44	44
– Utilised/reversed during the year	(273)	(4)	(277)
At 31 December 2015 and at 1 January 2016	**24**	**129**	**153**
Charged/(credited) to profit or loss:			
– Additional provisions	**–**	**30**	**30**
– Utilised/reversed during the year	**(2)**	**(12)**	**(14)**
At 31 December 2016	**22**	**147**	**169**

33. SHARE CAPITAL AND PREMIUM

	2016 RMB million	2015 RMB million
Issued and fully paid:		
11,747,235,425 (2015: 11,747,235,425) A shares of RMB1.00 each	**11,747**	11,747
4,427,500,000 (2015: 4,427,500,000) H shares of RMB1.00 each	**4,428**	4,428
	16,175	16,175

The Company was incorporated on 8 October 2006, with an initial registered share capital of RMB10,800 million, divided into 10,800,000,000 domestic shares with a nominal value of RMB1.00 each which were issued to CCCG, the parent company.

In December 2006, the Company completed an H share listing on the Hong Kong Stock Exchange and 4,025,000,000 H shares with a nominal value of RMB1.00 each were issued at HKD4.6 (equivalent to approximately RMB4.63) each. The Company raised net proceeds of approximately RMB17,878 million (equivalent to HKD17,772 million) from the issuance of H shares, of which paid-up share capital was RMB4,025 million and share premium was approximately RMB13,853 million. Upon the issuance of H shares, 402,500,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

33. SHARE CAPITAL AND PREMIUM (CONTINUED)

In March 2012, the Company completed an initial public offering of A shares on the Shanghai Stock exchange. In this connection, the Company issued 1,349,735,425 A shares, of which 925,925,925 A shares were issued to domestic investors by way of public offering, and 423,809,500 A shares were issued for the purpose of implementing the merger agreement through share exchange with the non-controlling shareholders of Road & Bridge International Co., Ltd. ("Road & Bridge International"), a former A share listed company and a subsidiary of the Company. Upon the completion of this A share issuance and listing, 92,592,593 A shares (10% of the number of new A shares issued by public offering) were transferred to the National Social Security Fund.

As at 31 December 2016, the Company's share capital was RMB16,174,735,425 (2015: RMB16,174,735,425), comprising 11,747,235,425 A shares and 4,427,500,000 H shares, representing approximately 72.6% and 27.4% of the registered capital, respectively.

34. FINANCIAL INSTRUMENTS CLASSIFIED AS EQUITY

	2016 **RMB million**	2015 RMB million
Medium-term notes (note a)	**4,963**	4,963
Preference shares (note b)	**14,468**	14,468
	19,431	19,431

(a) As approved by NAFMII, a tranche of MTN was issued by the Company in 2014, with a nominal value of RMB5,000 million. There is no maturity date for the MTN and the holders have no right to receive a return of principal. The initial interest rate of the MTN was 6% per annum, which will be reset once in every five years since the issuance date. Pursuant to the terms of the MTN, the Company may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The MTN is subject to redemption in whole, at the option of the Company, five years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any distribution for the MTN, and the MTN should be classified as equity.

(b) As approved by the CSRC, two tranches of preference shares were issued in 2015, with a total number of shares of 145 million. The initial dividend rates of these tranches of preference shares were 5.1% and 4.7% respectively, which will be reset once in every five years since the issuance dates. The declaration of dividend is optional for the issuer and the undeclared dividend is non-cumulative. The subscription price of these preference shares was RMB100 per share and the total net proceeds were RMB14,468 million.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any dividend for the preference shares, and the preference shares should be classified as equity.

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35. RESERVES

	Capital reserve RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB Million	Hedging reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2016	3,463	3,768	389	(119)	12,467	(2)	1,552	417	69,527	91,462
Profit for the year	–	–	–	–	–	–	–	–	17,210	17,210
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	(1,123)	–	–	–	–	(1,123)
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	–	–	–	–	(324)	–	–	–	–	(324)
Cash flow hedges, net of tax	–	–	–	–	–	3	–	–	–	3
Share of other comprehensive income of a joint venture	–	–	–	–	75		–	–	–	75
Actuarial losses on retirement benefit obligations, net of tax	–	–	–	45	–	–	–	–	–	45
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	815	–	815
Final 2015 dividend declared	–	–	–	–	–	–	–	–	(3,079)	(3,079)
Distributions to holders of financial instruments classified as equity	–	–	–	–	–	–	–	–	(1,018)	(1,018)
Other distributions	–	–	–	–	–	–	–	–	(5)	(5)
Transfer to statutory surplus reserve	–	444	–	–	–	–	–	–	(444)	–
Transfer to general reserve	–	–	377	–	–	–	–	–	(377)	–
Transfer to safety reserve	–	–	–	–	–	–	297	–	(297)	–
At 31 December 2016	3,463	4,212	766	(74)	11,095	1	1,849	1,232	81,517	104,061

35. RESERVES (CONTINUED)

	Capital reserve RMB million	Statutory surplus reserve RMB million	General reserve RMB million	Remeasurement reserve RMB million	Investment revaluation reserve RMB million	Hedging reserve RMB million	Safety reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2015	512	3,464	108	(83)	12,796	–	1,450	(47)	57,514	75,714
Profit for the year	–	–	–	–	–	–	–	–	15,828	15,828
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	152	–	–	–	–	152
Release of investment revaluation reserve upon disposal of available-for-sale investments, net of tax	–	–	–	–	(478)	–	–	–	–	(478)
Cash flow hedges, net of tax	–	–	–	–	–	(2)	–	–	–	(2)
Share of other comprehensive income of a joint venture	–	–	–	–	(3)	–	–	–	–	(3)
Actuarial losses on retirement benefit obligations, net of tax	–	–	–	(36)	–	–	–	–	–	(36)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	464	–	464
Final 2014 dividend declared	–	–	–	–	–	–	–	–	(2,778)	(2,778)
Share of other reserves of a joint venture	3	–	–	–	–	–	–	–	–	3
Distributions to holders of financial instruments classified as equity	–	–	–	–	–	–	–	–	(300)	(300)
Cash contribution from government (note 35(a))	2,971	–	–	–	–	–	–	–	–	2,971
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	(23)	–	–	–	–	–	–	–	(50)	(73)
Transfer to statutory surplus reserve	–	304	–	–	–	–	–	–	(304)	–
Transfer to general reserve	–	–	281	–	–	–	–	–	(281)	–
Transfer to safety reserve	–	–	–	–	–	–	102	–	(102)	–
At 31 December 2015	3,463	3,768	389	(119)	12,467	(2)	1,552	417	69,527	91,462

35. RESERVES (CONTINUED)

(a) Capital reserve

Capital reserve primarily arose upon incorporation of the Company on 8 October 2006 when the Company took over the assets and liabilities relating to the principal operations and businesses (the "Core Operations") of CCCG. The net value of the Core Operations transferred to the Company from CCCG was converted into the Company's share capital of RMB10,800,000,000 of RMB1.00 each with the then existing reserves eliminated and the resulting difference dealt with in the capital reserve of the Group.

Including in the contributions of 2015 were a concession made by a non-controlling interest of a subsidiary amounting to RMB2,971 million. The amount was originated from the government's capital contribution to a state-owned enterprise operating a BOT project. As the enterprise encountered financial difficulties in obtaining sufficient fund for the project, the Group was invited to become the majority shareholder of the project company upon successful bidding. Based on negotiation, the non-controlling interest agreed to concede a portion of the government's contribution to the Group. As there is no transaction involved in this concession, such amount was treated as transaction between the equity owners and is recorded in equity. Such amount cannot be converted into shares of the Company.

(b) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to owners. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2016, the board of directors proposed an appropriation of 10% (2015: 10%) of the Company's profit after tax as determined under PRC GAAP, of RMB444 million (2015: RMB304 million) to the statutory surplus reserve.

(c) General reserve

CCCC Finance, one of the subsidiaries of the Company, is required by the Ministry of Finance to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year-end balance of its risk assets.

The general reserve balance of CCCC Finance as at 31 December 2016 amounted to RMB766 million (2015: RMB389 million).

(d) Safety reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside an amount to a safety reserve at different rates ranging from 1.5% to 2% of the total construction contract revenue recognised for the year. The reserve can be utilised for improvements of safety on the construction work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

(a) Details of the Group's subsidiaries that have material non-controlling interests are set out in note 1.

The total non-controlling interests as at 31 December 2016 amounted to RMB27,247 million (2015: RMB22,282 million), of which RMB8,169 million was for ZPMC (2015: RMB7,868 million), RMB3,000 million was for CCCC (Beijing) Equity Investment Fund LLP (2015: RMB3,000 million), and RMB6,754 million (2015: RMB6,754 million) was for a tranche of USD-denominated perpetual securities of USD1,100 million classified as equity, with an initial interest rate of 3.5% per annum, issued by CCCI Treasure Limited (a subsidiary of CCCI) in 2015.

In addition, as approved by NAFMII, a tranche of non-public debt instrument was issued in 2016 by CFHEC, a subsidiary of the Company, with a nominal value of RMB1,500 million. There is no maturity date for the non-public debt instrument and the holders have no right to receive a return of principal. The initial interest rate of the non-public debt instrument was 4.5% per annum, which will be reset once in every three years since the issuance date. Pursuant to the terms of the non-public debt instrument, CFHEC may elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The non-public debt instrument is subject to redemption in whole, at the option of CFHEC, three years after the issue date, at its principal amount together with accrued interest.

The directors of the Company are of the opinion that the Group has no contractual obligations to repay the principal or to pay any distribution for the non-public debt instrument, and the non-public debt instrument should be classified as equity.

(b) The following tables illustrate the summarised financial information of ZMPC and CCCC (Beijing) Equity Investment Fund LLP in which there are non-controlling interests with voting rights that are material to the Group. The amounts disclosed are before any inter-company eliminations:

	ZMPC RMB million	CCCC (Beijing) Equity Investment Fund LLP RMB million
2016		
Profit for the year allocated to non-controlling interests	121	160
Dividends paid to non-controlling interests	(2)	(160)
Accumulated balances of non-controlling interests	8,169	3,000
Revenue	24,348	212
Profit before tax	369	201
Profit for the year	307	201
Total comprehensive income	430	201
Current assets	29,586	6
Non-current assets	31,238	3,750
Current liabilities	37,889	4
Non-current liabilities	6,448	–
Net cash flows from operating activities	1,660	202
Net cash flows used in investing activities	(726)	–
Net cash flows from/(used in) financing activities	151	(202)
Exchange gains on cash and cash equivalents	74	–
Net increase in cash and cash equivalents	1,159	–

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36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	ZMPC RMB million	CCCC (Beijing) Equity Investment Fund LLP RMB million
2015		
Profit for the year allocated to non-controlling interests	51	221
Dividends paid to non-controlling interests	–	(276)
Accumulated balances of non-controlling interests	7,868	3,000
Revenue	23,272	303
Profit before tax	272	276
Profit for the year	194	276
Total comprehensive income	87	276
Current assets	28,673	3,756
Non-current assets	30,348	–
Current liabilities	40,057	2
Non-current liabilities	3,177	–
Net cash flows (used in)/from operating activities	(1,832)	276
Net cash flows from investing activities	2,582	–
Net cash flows used in financing activities	(335)	(276)
Exchange gains on cash and cash equivalents	41	–
Net increase in cash and cash equivalents	456	–

37. CONTINGENT LIABILITIES

	2016 RMB million	2015 RMB million
Pending lawsuits (note a)	**4,173**	3,091
Outstanding loan guarantees (note b)	**1,282**	895
	5,455	3,986

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

Pending lawsuits included, inter alia, the below:

(i) A subsidiary of the Company was involved in a product quality dispute arising from the ordinary course of the business in prior years. In September 2014, the contractor instituted a proceeding against the subsidiary to claim a compensation for breach of contract arising from related product quality totalling GBP250 million (equivalent to approximately RMB2,125 million). In February to March, April and June 2016, a British High Court proceeded with the first hearing in respect of the part of the responsibility of the case. The quantitative part of first court hearing was planned to be held in May 2017 in the United Kingdom. Currently the subsidiary is in preparation for the readiness of such quantitative part of court hearing. Currently the directors of the Company cannot reliably estimate the financial impact to the Group arising from the case.

37. CONTINGENT LIABILITIES (CONTINUED)

(a) (continued)

(ii) In 2015, a subsidiary of the Company was involved in a construction contract dispute. In October 2015, a contractor has notified the subsidiary in writing to terminate the contract based on the serious delay in the project had fulfilled the contract cancellation terms, and drawdown an amount of USD45 million (equivalent to approximately RMB312 million) from a bank under a letter of performance guarantee of the subsidiary. In January 2016, the subsidiary applied to the London Court of International Arbitration for arbitration to claim for the refund of the above amount drawdown under a letter of performance guarantee, and compensation totalling USD224 million (equivalent to approximately RMB1,552 million) from the contractor. After the receipt of the subsidiary's arbitration application, the contractor filed a counterclaim arbitration against the subsidiary for compensation of USD182 million or USD213 million (equivalent to approximately RMB1,261 million or RMB1,476 million), depending on whether the contract will be continued or discontinued. Currently the arbitration court hearing has not yet commenced and the directors of the Company cannot reliably estimate the outcome of the arbitration and its consequential financial impact to the Group.

(b) The Group has acted as the guarantors for various external borrowings made by certain joint ventures and associates of the Group and a third party.

38. DISPOSAL OF SUBSIDIARIES

(a) In prior years, the Group held 45% equity interests and voting rights in Phoenix Island (note 17(b)), as well as 10% voting rights being conferred by another shareholder who held 10% equity interests in Phoenix Island, which was based on the agreement entered into between the Group and such shareholder. As the Group held 55% voting rights in aggregate, the Group controlled and included Phoenix Island in the Group's consolidation scope. In 2016, the above voting right arrangement in business matters of Phoenix Island was changed, thereafter the Group no longer have the control over Phoenix Island, which were deconsolidated since then, and treated as an interest in joint venture using equity accounting method.

(b) In 2016, the Group entered into certain agreements with a joint venture (a fund engaged in infrastructure investment), to dispose of 85% equity interests in four subsidiaries which held concession assets (toll roads), for an aggregate consideration of RMB2,655 million. Furthermore, the Group entered into certain forward equity contracts (note 26(c)) with the joint venture to repurchase these equity interests in future with discount to the consideration under some conditions. The cost of these forward equity contracts will be paid by instalments in five years, with a discounted present value of RMB462 million. The fair value of these forward equity contracts was RMB310 million as at trade date and 31 December 2016.

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38. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) The aggregate financial information of the subsidiaries disposed of by the Group, at the date of disposal in 2016, is as follows:

	2016 RMB million
Net assets disposed of:	
Property, plant and equipment	3,183
Concession assets	18,371
Goodwill	1,080
Other non-current assets	317
Inventories	8,667
Trade and other receivables	820
Cash and bank balances	716
Trade and other payables	(4,896)
Tax payable	(238)
Interest-bearing bank and other borrowings	(17,253)
Deferred tax liabilities	(3,086)
Other non-current liabilities	(3,672)
Non-controlling interests	(734)
	3,275
Investments in joint ventures and associates	(1,260)
Adjustment in the price of forward equity contracts (note 38(b))	152
Gain on disposal of subsidiaries	511
	2,678
Satisfied by:	
Cash	2,678

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 RMB million
Cash consideration	2,678
Cash and bank balances disposed of	(716)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,962

39. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in notes 14, 16, 17, 23(a), 25(b), 29, respectively, to the financial statements.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group rents out various offices, machinery, vessels and vehicles and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016 RMB million	2015 RMB million
Within one year	253	201
In the second to fifth year, inclusive	297	229
After five years	143	363
	693	793

(b) As lessee

The Group leases certain of its offices, warehouses, residential properties, machinery and vessels under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB million	2015 RMB million
Within one year	737	971
In the second to fifth year, inclusive	1,025	1,503
After five years	206	171
	1,968	2,645

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB million	2015 RMB million
Intangible assets – concession assets	105,331	104,154
Property, plant and equipment	3,153	3,819
	108,484	107,973

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42. RELATED PARTY TRANSACTIONS

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

	2016 **RMB million**	2015 RMB million
CCCG:		
– Rental expenses	**44**	58
– Property maintenance expenses	**55**	55
– Deposits placed with CCCC Finance	**8,093**	10,611
– Interest expense from deposits placed with CCCC Finance	**38**	1
Fellow subsidiaries:		
– Revenue from the provision of construction services	**658**	142
– Revenue from rental income	**35**	34
– Deposits placed with CCCC Finance	**23,443**	13,407
– Interest expense from deposits placed with CCCC Finance	**12**	17
– Services charges	**17**	–
Joint ventures and associates:		
– Revenue from the provision of construction services	**8,246**	9,321
– Sales of goods	**188**	54
– Subcontracting fee charges	**694**	350
– Purchase of materials	**310**	124
– Services charges	**10**	28
– Revenue from rental income	**177**	3
– Deposits placed with CCCC Finance	**2,514**	762
– Interest expense from deposits placed with CCCC Finance	**2**	–
– Lending funds	**2,321**	416
– Interest income from loans	**168**	–

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

(b) Other transactions with related parties:

CCCG has guaranteed certain bonds made to the Group of up to RMB20,242 million (2015: RMB20,231 million) as at the end of the reporting period, as further detailed in note 29(f) to the financial statements.

The Group has acted as the guarantors for various external borrowings up to RMB1,267 million (2015: RMB876 million) made by certain joint ventures and associates of the Group as at the end of the reporting period.

The Group has secured a subscription of USD400 million (2015: Nil) in the form of total return swap (note 26(b)) as at the end of the reporting period, which was in relation to senior perpetual securities issued by a subsidiary of Greentown.

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Commitments with related parties:

	2016 RMB million	2015 RMB million
Provision of construction services		
– Fellow subsidiaries, joint ventures and associates	**39,877**	27,503
Purchase of services		
– Joint ventures and associates	**56**	1,108
Operating lease		
– CCCG	**99**	269

(d) Outstanding balances with related parties:

	2016 RMB million	2015 RMB million
Trade and other receivables		
Trade receivables due from		
– Fellow subsidiaries	**524**	514
– Joint ventures and associates	**701**	486
Long-term trade receivables due from		
– Fellow subsidiaries	**549**	106
– Joint ventures and associates	**6,719**	343
– Fellow subsidiaries' joint ventures	**146**	–
Prepayments to		
– Joint ventures and associates	**5**	11
Other receivables due from		
– Fellow subsidiaries	**2**	–
– Joint ventures and associates	**5,434**	2,451
	14,080	3,911

The current receivables are unsecured in nature and bear no interest. No provisions are made against receivables from related parties during 2016 and 2015.

Long-term receivables are expected to be received beyond one year. The remaining trade and other receivables are expected to be received within one year.

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42. RELATED PARTY TRANSACTIONS (CONTINUED)

	2016 RMB million	2015 RMB million
Trade and other payables		
Trade and bills payables due to		
– Fellow subsidiaries	**9**	–
– Joint ventures and associates	**956**	730
Long-term trade payables due to		
– Fellow subsidiaries	**36**	–
– Joint venture	**129**	–
– Fellow subsidiaries' joint venture	**23**	–
Advances from customers		
– Fellow subsidiaries	**114**	220
– Joint ventures and associates	**1,504**	513
Deposits from		
– CCCG	**3,223**	4,219
– Fellow subsidiaries	**4,498**	3,018
– Joint ventures and associates	**408**	–
Other payables due to		
– Joint ventures and associates	**450**	24
	11,350	8,724

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

	2016	2015
Amounts due from contract customers		
– Joint ventures and associates	**1,145**	2,114
– Fellow subsidiaries	**66**	–
	1,211	2,114
Amounts due to contract customers		
– Joint ventures and associates	**262**	225
– Fellow subsidiaries	**–**	286
	262	511

42. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Compensation of key management personnel of the Group:

	2016	2015
	RMB'000	RMB'000
Short term employee benefits	**12,697**	12,156
Post-employment benefits	**664**	601
	13,361	12,757

Further details of directors' and supervisors' emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items with CCCG and fellow subsidiaries mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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

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

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

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

	Financial assets at fair value through profit or loss RMB million	Loans and receivables RMB million	Held to maturity investment RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale investments	–	–	–	21,679	21,679
Held to maturity investment	–	–	131	–	131
Derivative financial instruments	381	–	–	–	381
Other financial assets at fair value through profit or loss	116	–	–	–	116
Trade and other receivables excluding prepayments	–	263,419	–	–	263,419
Cash and bank balances	–	114,637	–	–	114,637
Total	497	378,056	131	21,679	400,363

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB million	Financial liabilities at amortised cost RMB million	Total RMB million
Borrowings (excluding finance lease liabilities)	–	271,964	271,964
Finance lease liabilities	–	1,516	1,516
Derivative financial instruments	16	–	16
Trade and other payables excluding statutory and non-financial liabilities	–	236,584	236,584
Total	16	510,064	510,080

43. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

2015

Financial assets

	Financial assets at fair value through profit or loss RMB million	Loans and receivables RMB million	Held to maturity investment RMB million	Available-for-sale financial assets RMB million	Total RMB million
Available-for-sale investments	–	–	–	22,368	22,368
Held to maturity investment	–	–	280	–	280
Derivative financial instruments	9	–	–	–	9
Other financial assets at fair value through profit or loss	143	–	–	–	143
Trade and other receivables excluding prepayments	–	225,200	–	–	225,200
Cash and bank balances	–	98,077	–		98,077
Total	152	323,277	280	22,368	346,077

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB million	Financial liabilities at amortised cost RMB million	Total RMB million
Borrowings (excluding finance lease liabilities)	–	252,673	252,673
Finance lease liabilities	–	2,510	2,510
Derivative financial instruments	134	–	134
Trade and other payables excluding statutory and non-financial liabilities	–	197,638	197,638
Total	134	452,821	452,955

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44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB million	RMB million	**RMB million**	RMB million
Financial assets				
Available-for-sale investments	**19,379**	20,713	**19,379**	20,713
Held to maturity investments	**131**	280	**131**	280
Other financial assets at fair value through profit or loss	**116**	143	**116**	143
Derivative financial instruments	**381**	9	**381**	9
Total	**20,007**	21,145	**20,007**	21,145
Financial liabilities				
Derivative financial instruments	**16**	134	**16**	134
Bank borrowings	**145,231**	132,411	**145,638**	133,352
Other borrowings	**1,520**	2,151	**1,548**	1,987
Corporate bonds	**19,848**	19,857	**20,048**	20,418
Non-public debt instruments	**6,297**	12,192	**6,549**	13,048
Finance lease liabilities	**1,100**	1,967	**1,100**	1,967
Total	**174,012**	168,712	**174,899**	170,906

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

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

The fair values of the non-current portion of finance lease payables, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 31 December 2016 and 2015 was assessed to be insignificant.

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

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

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Other financial assets at fair value through profit or loss	116	–	–	116
Derivative financial instruments				
– Forward foreign exchange contracts	–	21	–	21
– Total revenue swap	–	–	50	50
– Forward equity contracts	–	–	310	310
Available-for-sale investments				
– Equity securities and other investments	18,853	–	27	18,880
– Other unlisted instruments	–	449	–	499
	18,969	520	387	19,876
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	–	(16)	–	(16)

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Other financial assets at fair value through profit or loss	143	–	–	143
Derivative financial instruments				–
– Forward foreign exchange contracts	–	9	–	9
Available-for-sale investments				
– Equity securities and other investments	20,253	–	414	20,667
– Other unlisted instruments	–	46	–	46
	20,396	55	414	20,865
Liabilities				
Derivative financial instruments				
– Forward foreign exchange contracts	–	(134)	–	(134)
	–	(134)	–	(134)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Bank borrowings	–	145,638	–	145,638
Other borrowings	–	1,548	–	1,548
Corporate bonds	20,048	–	–	20,048
Finance lease liabilities	–	1,100	–	1,100
Non-public debt instruments	–	6,549	–	6,549
	20,048	154,835	–	174,883

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Bank borrowings	–	133,352	–	133,352
Other borrowings	–	1,987	–	1,987
Corporate bonds	20,418	–	–	20,418
Finance lease liabilities	–	1,967	–	1,967
Non-public debt instruments	–	13,048	–	13,048
	20,418	150,354	–	170,772

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under policies approved by the board of directors. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign currency risk

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

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

As at 31 December 2016, net assets of RMB5,077 million in aggregate of the Group, including trade and other receivables, cash and bank balances, trade and other payables and borrowings, were denominated in foreign currencies, mainly USD.

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

As at 31 December 2016, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would had been decreased/increased by approximately RMB107 million, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Market risk (Continued)

(ii) Price risk

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

The table below summarises the impact of increases/decreases of quoted price in open markets on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity price had increased/decreased by 10% with all other variables held constant:

	2016	2015
Increases/decreases in quoted price in open markets	**10%**	10%

	2016	2015
	RMB million	RMB million
Impact on post-tax profit for the year	**12**	14
Impact on equity attributable to owners of the parent for the year	**1,888**	2,067

(iii) Interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2016 and 2015, the Group's borrowings at variable rates were mainly denominated in RMB, USD, Euro, Hong Kong Dollars ("HKD") and JPY.

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

Increases in interest rates will increase the cost of new borrowings and the interest expense with respect to the Group's outstanding floating rate borrowings, and therefore could have an adverse effect on the Group's financial position. Management continuously monitors the interest rate position of the Group, and makes decisions with reference to the latest market conditions. From time to time, the Group may enter into interest rate swap agreements to mitigate its exposure to interest rate risks in connection with the floating rate borrowings, although the directors did not consider it was necessary to do so in 2016 and 2015.

As at 31 December 2016, the Group's borrowings of approximately RMB150,979 million (2015: RMB134,970 million) were at variable rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 29. As at 31 December 2016, if interest rates on borrowings had been 1.00 percentage-point higher/lower with all other variables held constant, profit attributable to the owners of the parent for the year would have been decreased/increased by RMB1,510 million (2015: 1.00 percentage point higher/lower, RMB1,350 million decreased/increased), mainly as a result of higher/lower interest expense on floating rate borrowings.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, derivative financial instruments, and the nominal value of the guarantees provided on liabilities represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group holds substantially all of the bank deposits in major financial institutions located in the PRC and certain overseas banks with proper credit ratings. Management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets. The Group has policies that limit the amount of credit exposure to any financial institutions.

The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for a substantial amount of the Group's total operating revenue during the year. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluation of its customers. With regard to overseas companies of inadequate creditworthiness, the Group usually demands letters of guarantee or letters of credit.

Moreover, impairment losses are recognised for the credit risk that is inherent in trade receivables from the domestic and overseas businesses. The maximum exposure to loss of trade receivables is equal to their total carrying amounts. The carrying amounts of trade receivables, showing separately those receivables that are past due or impaired, are disclosed in note 25(a).

Transactions involving derivative financial instruments that hedge foreign exchange exposures are with counterparties that have good credit ratings, and the Group does not use derivative financial instruments for purposes other than risk management. The maximum exposure to credit risk at the reporting date is equal to the carrying amount of those derivatives classified as financial assets. Given their good credit ratings, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations in full.

The Group's maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in note 29.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the capital intensive nature of the Group's business, the Group ensures that it maintains flexibility through keeping sufficient cash and cash equivalents and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and banks and other borrowings.

The table below analyses the Group's non-derivative financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates, and the amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

2016	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
Borrowings (excluding finance lease liabilities)	**109,128**	**34,744**	**59,944**	**147,255**	**351,071**
Finance lease liabilities	**474**	**423**	**596**	**199**	**1,692**
Trade and other payables (excluding statutory and non-financial liabilities)	**228,336**	**6,203**	**3,514**	**98**	**238,151**
Financial guarantee contracts	**1,282**	**–**	**–**	**–**	**1,282**
Net-settled derivative financial instruments	**3**	**–**	**–**	**–**	**3**
Gross-settled derivative financial instruments outflows	**711**	**17**	**–**	**–**	**728**
Gross-settled derivative financial instruments inflows	**(719)**	**(16)**	**–**	**–**	**(735)**
	339,215	**41,371**	**64,054**	**147,552**	**592,192**
2015					
Borrowings (excluding finance lease liabilities)	94,779	44,667	56,529	151,928	347,903
Finance lease liabilities	656	626	1,180	385	2,847
Trade and other payables (excluding statutory and non-financial liabilities)	190,517	8,668	–	–	199,185
Financial guarantee contracts	895	–	–	–	895
Net-settled derivative financial instruments	8	7	–	–	15
Gross-settled derivative financial instruments outflows	2,388	–	–	–	2,388
Gross-settled derivative financial instruments inflows	(1,756)	–	–	–	(1,756)
	287,487	53,968	57,709	152,313	551,477

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

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management

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

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

	2016 **RMB million**	2015 RMB million
Total borrowings (note 29)	**273,480**	255,183
Less: cash and cash equivalents (note 27)	**(108,720)**	(94,960)
Net debt	**164,760**	160,223
Total equity	**186,570**	169,006
Total capital	**351,330**	329,229
Gearing ratio	**46.9%**	48.7%

The gearing ratio as at 31 December 2016 decreased by 1.8% compared with that in 2015.

46. EVENTS AFTER THE REPORTING PERIOD

On 28 March 2017, the board of directors of the Company resolved that a final dividend of RMB0.19444 per share is to be distributed to the shareholders, subject to approval of the shareholders at the forthcoming annual general meeting. Such final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB million	2015 RMB million
Non-current assets		
Property, plant and equipment	148	81
Intangible assets	99	62
Investments in subsidiaries	115,431	114,820
Investments in joint ventures	1,015	62
Investments in associates	3,088	2,094
Available-for-sale investments	12,239	13,540
Trade and other receivables	6,574	2,652
Total non-current assets	138,594	133,311
Current assets		
Inventories	393	341
Trade and other receivables	21,022	22,443
Loans to subsidiaries	26,686	24,186
Amounts due from subsidiaries	12,049	9,854
Amounts due from contract customers	7,650	5,334
Restricted bank deposits	23	26
Cash and cash equivalents	38,828	28,875
Total current assets	106,651	91,059
Current liabilities		
Trade and other payables	28,135	24,779
Amounts due to subsidiaries	55,729	42,901
Amounts due to contract customers	1,355	1,640
Tax payables	21	17
Interest-bearing bank and other borrowings	27,212	20,179
Retirement benefit obligations	3	5
Total current liabilities	112,455	89,521
Net current (liabilities)/assets	(5,804)	1,538
Total assets less current liabilities	132,790	134,849
Non-current liabilities		
Trade and other payables	4,161	2,265
Interest-bearing bank and other borrowings	22,958	25,967
Deferred tax liabilities	2,363	2,770
Retirement benefit obligations	57	63
Total non-current liabilities	29,539	31,065
Net assets	103,251	103,784
Equity		
Equity attributable to owners of the parent		
Share capital	16,175	16,175
Share premium	19,656	19,656
Financial instruments classified as equity	19,431	19,431
Reserves (note)	47,989	48,522
Total equity	103,251	103,784

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve	Statutory surplus reserve	Remeasurement reserve	Investment revaluation reserve	Safety reserve	Retained earnings	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2015	21,170	3,468	50	9,244	6	15,249	49,187
Profit for the year	–	–	–	–	–	3,009	3,009
Changes in fair value of available-for-sale investments, net of tax	–	–	–	(601)	–	–	(601)
Actuarial gains on retirement benefit obligations, net of tax	–	–	5	–	–	–	5
Final 2014 dividend declared	–	–	–	–	–	(2,778)	(2,778)
Distributions to holders of financial instruments classified as equity	–	–	–	–	–	(300)	(300)
Transfer to statutory surplus reserve	–	304	–	–	–	(304)	–
At 31 December 2015	21,170	3,772	55	8,643	6	14,876	48,522
Profit for the year	–	–	–	–	–	4,644	4,644
Changes in fair value of available-for-sale investments, net of tax	–	–	–	(1,077)	–	–	(1,077)
Actuarial gains on retirement benefit obligations, net of tax	–	–	2	–	–	–	2
Final 2015 dividend declared	–	–	–	–	–	(3,079)	(3,079)
Distributions to holders of financial instruments classified as equity	–	–	–	–	–	(1,018)	(1,018)
Other distributions	–	–	–	–	–	(5)	(5)
Transfer to statutory surplus reserve	–	444	–	–	–	(444)	–
Transfer to safety reserve	–	–	–	–	14	(14)	–
At 31 December 2016	21,170	4,216	57	7,566	20	14,960	47,989

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2017.

TERMS & GLOSSARIES

"AGM"	The annual general meeting of the Company for the year 2016 to be held on 16 June 2017
"A Shares"	domestic shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"A Share Issue"	the issue of an aggregate of 1,349,735,425 A Shares by the Company, which were listed on the Shanghai Stock Exchange on 9 March 2012
"Articles of Association"	the articles of associations of the Company, approved on 8 October 2006, and as amended thereafter
"Board"	the board of Directors of the Company
"BOT"	build, operate and transfer
"BT"	build and transfer
"Company" or "CCCC"	China Communications Construction Company Limited, a joint stock limited company with limited liability incorporated under the laws of the PRC on 8 October 2006, and except where the context requires otherwise, all of its subsidiaries
"CCCC Dredging"	CCCC Dredging (Group) Co., Ltd., a subsidiary of the Company
"CCCC Finance"	CCCC Finance Company Limited, a limited liability company incorporated under the laws of the PRC
"CCCC Real Estate"	CCCC Real Estate Company Limited, a wholly-owned subsidiary of CCCG
"CCCG"	China Communications Construction Group (Limited), a wholly state-owned company incorporated on 8 December 2005 in the PRC which currently holds approximately 63.84% equity interest in the Company
"CCCG Overseas Real Estate"	CCCG Overseas Real Estate Pte. Ltd. (中交海外房地產有限公司), a company established in Singapore with limited liabilities
"CCCI"	CCCC International Holding Limited, a wholly-owned subsidiary of the Company
"CHEC"	China Harbour Engineering Company Ltd., a wholly-owned subsidiary of the Company
"CHEC Group"	China Harbour Engineering Company (Group), one of the predecessors of the Company
"CRBC"	China Road & Bridge Corporation, a wholly-owned subsidiary of the Company

TERMS & GLOSSARIES

"CRBC Group"	China Road and Bridge Corporation, one of the predecessors of the Company
"CSRC"	China Securities Regulatory Commission
"Director(s)"	The director(s) of the Company
"EPC"	Engineer-Procure-Construct, being the general contracting of design-procurement-construction
"experts in five areas"	the strategy of being "experts in five areas", is the optimisation and re-building of the Company based on our existing businesses, markets and resources. That is, to build the Company to be a world-famous engineering contractor, an urban complex developer and operator, a distinctive real estate developer, an integrated infrastructure investor and a general contractor of offshore heavy equipment and port machinery manufacturing and system integration
"F&G"	Friede Goldman United, Ltd.
"GDP"	gross domestic product
"Group"	the Company itself and all of its subsidiaries
"Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standard Board ("IASB"). IFRS includes International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations
"Ministry of Finance"	the Ministry of Finance of the PRC
"PPP"	Public-Private-Partnership, the cooperative model between governments and private sector, which refers to the mechanisms through which governments build profit sharing, risk pooling and long-term cooperating relationship with the private sector, such as granting exclusivity rights, services purchasing and co-investment, so as to enhance the availability of public products and services and improve supplying efficiency

TERMS & GLOSSARIES

"PRC" or "China" or "Mainland China"	the People's Republic of China excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan
"RMB" or "Renminbi"	the lawful currency of the PRC
"SASAC"	State-owned Assets Supervisor and Administration Commission of the State Council
"SFO"	the Securities and Future Ordinance
"Shanghai Listing Rules"	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shareholders"	the shareholders of the Company
"State Council"	the State Council of the PRC
"Supervisor(s)"	Supervisor(s) of the Company
"terminal"	an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
"Thirteenth Five-Year Plan"	the Thirteenth Five-Year Plan for National Economic and Social Development (2016-2020) expected to be proposed at the National People's Congress and the Chinese People's Political Consultative Conference in 2016 for implementation
"U.S."	United States of America
"U.S. dollars" or "USD"	United States dollars, the lawful currency of the U.S.
"ZPMC"	Shanghai Zhenhua Heavy Industry Co., Ltd, a company incorporated on 14 February 1992 in the PRC and listed on the Shanghai Stock Exchange, which the Company owns, directly and indirectly, a controlling equity interest of approximately 46.2%

Note: Any discrepancies between the amounts herein and the amounts set out in the tables herein are due to rounding

CORPORATE INFORMATION

I. CORPORATE INFORMATION

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

II. CONTACT PERSON AND CONTACT DETAILS

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

III. BASIC INFORMATION

Registered address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Office address of the Company:
85 De Sheng Men Wai Street, Xicheng District, Beijing, China
Postal code: 100088

Company website: http://www.ccccltd.cn
E-mail: ir@ccccltd.cn

IV. INFORMATION DISCLOSURE AND PLACE AVAILABLE FOR INSPECTION

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

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

CORPORATE INFORMATION

V. BASIC INFORMATION ON SHARES OF THE COMPANY

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

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

VI. OTHER INFORMATION OF THE COMPANY

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

International Auditors:
Ernst & Young
22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Sponsor performing continuous supervisory duty during the reporting period:
CITIC Securities Co., Ltd.
CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, China
Signing representative of sponsor: LIU Yan and YE Jianzhong
Period of continuous supervision: 16 March 2016 to 31 December 2017

Hong Kong legal advisors:
Baker & Mckenzie
14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong

PRC legal advisors:
Deheng Law Offices
12/F, Tower B, Focus Place, No 19 Finance Street, Xicheng District, Beijing, China

Authorised representatives of H Shares:
FU Junyuan, LIU Wensheng

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

中國交通建設股份有限公司
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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