中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

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

Stock Code: 390

ANNUAL 2015 REPORT

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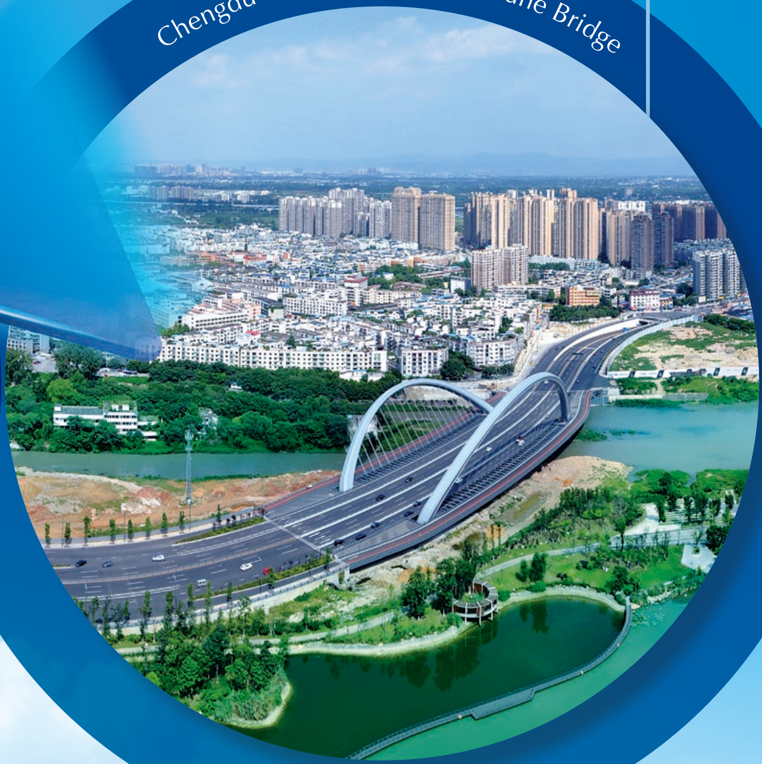
HIGHWAY CONSTRUCTION

Completed a total length of highway construction of **1,083** kilometers in 2015



Chengdu Hongxing Road Kuafuhe Bridge

Hainan Ring High Speed Railway

RAILWAY CONSTRUCTION

Completed a total track laying length of railway main lane of **7,442** kilometers in 2015

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NEW CONTRACTS

New contracts entered into in 2015 reached

RMB957.02 billion

Kunming Metro Line 6

Yujiabao High Speed Railway Station

MUNICIPAL WORKS

Completed a total civil engineering and laying length of urban metro and light rail lines of **173** kilometers and **196** kilometers respectively in 2015

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COMPANY PROFILE

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") under the Company Law of the PRC on 12 September 2007. The A shares and H shares issued by the Company were listed on the Shanghai Stock Exchange and the main board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 3 December 2007 and 7 December 2007 respectively.

We are the one of largest multi-functional integrated construction group in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 71st on the 2015 Fortune 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

We have outstanding advantages in the construction of infrastructure facilities such as railways, highways, municipal works and urban rails. In particular, we hold leading positions in the design and construction of bridges, tunnels and electrified railways, and the design and manufacturing of bridge steel structures and turnouts in the PRC, which has achieved advanced international standards. While we operate in every province across the PRC, we have also explored extensive global markets.

Adhering to the motto of "strive to challenge limits and achieve excellence", the Company is committed to continuous development of the Company to create a brighter and better future.

Longyan – Xiamen High Speed Railway

FINANCIAL SUMMARY

Summary of Consolidated Statement of Comprehensive Income

	For the year ended 31 December					Change
	2015	2014	2013	2012	2011	2015 vs 2014
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**544,207**	518,022	456,272	396,906	392,540	5.1
Survey, Design and Consulting Services	**10,711**	10,265	9,180	9,069	8,926	4.3
Engineering Equipment and Component Manufacturing	**15,782**	14,519	13,711	11,464	11,147	8.7
Property Development	**29,260**	29,255	27,566	20,175	17,135	–
Other Businesses	**40,044**	54,963	68,958	56,432	42,211	–27.1
Inter-segment Eliminations and Adjustments	**(40,062)**	(36,858)	(35,293)	(28,421)	(29,743)	N/A
Total	**599,942**	590,166	540,394	465,625	442,216	1.7
Gross Profit	**48,686**	48,515	40,340	35,561	32,253	0.4
Profit before Tax	**17,017**	16,233	14,819	11,130	10,086	4.8
Profit for the Year	**11,786**	10,676	10,075	8,069	7,310	10.4
Profit for the Year Attributable to Owners of the Company	**11,675**	10,262	9,374	7,390	6,760	13.8
Basic Earnings per Share *(RMB)*	**0.530**	0.482	0.440	0.347	0.317	10.0

Summary of Consolidated Statement of Financial Position

	As at 31 December					Change
	2015	2014	2013	2012	2011	2015 vs 2014
			RMB million			*(%)*
Assets						
Current Assets	**565,601**	545,525	503,090	434,855	360,099	3.7
Non-current Assets	**147,904**	137,353	124,940	115,806	108,602	7.7
Total Assets	**713,505**	682,878	628,030	550,661	468,701	4.5
Liabilities						
Current Liabilities	**470,447**	471,140	420,242	366,119	305,572	–0.1
Non-current Liabilities	**103,820**	102,844	111,158	96,552	82,598	0.9
Total Liabilities	**574,267**	573,984	531,400	462,671	388,170	–
Total Equity	**139,238**	108,894	96,630	87,990	80,531	27.9
Total Equity and Liabilities	**713,505**	682,878	628,030	550,661	468,701	4.5

STRIVE to CHALLENGE LIMITS and ACHIEVE EXCELLENCE

As one of the largest integrated construction groups in China and Asia, we are committed to improving construction technique, strengthening quality controls and enhancing the standard of project management to create a brighter prospect for shareholders and a better living environment for the general public.

The world's largest rectangle shield push bench

CHAIRMAN'S REPORT

Dear Shareholders,

Those who seize opportunities and work diligently reap rich rewards. The period of the "12th Five-Year Plan" was complicated and market conditions kept on changing, but the Group adapted to the new normal and demonstrated its ability to innovate. It did so by seizing opportunities while sustaining growth, by expediting its transformation through reforms, by enhancing the efficiency through better management and by controlling risks while maintaining stability. We continued to develop the market and grasp opportunities, and to push forward the development through integration of industry and finance. On the back of regional expansion and the interconnection between operations and investment, we actively developed "mega operations", generating synergies between our business segments. For the first time, the value of newly signed overseas contracts passed the US$10 billion mark. We achieved the goal of enhancing efficiency while sustaining stable growth. We strived to strengthen cost control and internal control through lean management and a combination of measures. By refining project management of the activities in our laboratories, a batch of national core projects and significant projects were completed efficiently and at high quality. This effectively increased the level of our fundamental management and improved our capacity to mitigate and control risks. We continued to allocate resources efficiently and revitalize our inventory for an efficiency lift. We successively pushed through major reforms including in respect of our overseas operating system, regionalized operations, centralized procurement, centralized funding and insurance, and restructuring of our engineering equipment and component manufacturing business segment. We were highly effective in circulating and utilizing funding, resulting in an increase in equity and a decrease of liabilities. Our corporate governance level and market value management capability improved markedly.

Battered by wind and rain, we kept up the hard work and our efforts bore fruits. In 2015, the Group won numerous national awards, including the National Advanced Science and Technology Prize, Luban Prize, Zhan Tianyou Civil Engineering Prize and National Quality Project Award. It saw an increase in the number of its patented engineering methods and national-level laboratories. It topped the list of the largest global contractors released by the Engineering News-Record (ENR) and ranked 71st among the top 500 global companies by Fortune magazine. With its key economic indicators hitting a record high in 2015, China Railway fully achieved all the development objectives of the "12th Five-Year Plan", thereby consolidating and strengthening its position as a backbone enterprise in the national economy.

Chairman and Executive Director

The competition may be fierce, but we are well prepared to take the lead. Looking ahead to the "13th Five-Year Plan", the Group is to concentrate on more profound reforms, comprehensive innovations, growth assurance and risk mitigation and control. It will push forward the implementation of an innovation-driven strategy, under which it will achieve transformation through innovation, such as technological innovation, management innovation, industry innovation and business model innovation, so as to strengthen its core competitiveness and solidify corporate strength with the enhanced ability of international operation. The Group is also committed to pursuing a strategy of improving quality and enhancing profitability and to further deepening its own reform by following in the footsteps of the reform of state-owned assets and enterprises. It will take on an inherent, precise and quality-efficient development path, with a view to optimizing the foundation of its corporate governance. The Group is equally committed to pursuing a strategy for operational leadership to seize any growth opportunities. It will consolidate its position in traditional markets, such as railways, highways, municipal works, urban rails, housing construction, hydrology and hydroelectric projects, as well as airports and docks. At the same time, it will explore newly emerging markets and overseas markets, such as new urban infrastructure, underground integrated utility tunnels and sponge cities, thereby enlarging its corporate scale in the market. These strategies will lay the foundation for a good starting point to embark on the "13th Five-Year Plan".

Undaunted by the challenges, we will proceed with a steady pace and reach far. As the strategic deployment of the Four Developing Regions and the Three Supporting Belts continue to optimize, with the industrialization of the construction industry becomes more digitalized, smarter and more ecologically aware, and as the intensification of corporate resources, the refinement of management and the standardization of operations gather pace, the Group is welcoming a new round of growth opportunities. With the pursuit of excellence, we will begin a new chapter and continue our success. In the face of the opportunities and challenges ahead, the board of directors (the "**Board**" or the "**Board of Directors**"), supervisory committee (the "**Supervisory Committee**") and management of the Company will commit to work diligently and courageously with a grave sense of responsibility and mission. We will solidify our foundation, refine our projects, innovate systems and exercise strict management to achieve further development and better results. In doing so, we can serve the society, repay our shareholders and care for our employees. Finally, I would like to take this opportunity to extend my sincere gratitude to our shareholders for their support of the Group's reform and development, to the general public for their help and care, and to our employees and their family members for their devotion and loyalty.

Li Changjin
Chairman

Beijing, China
30 March 2016

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Changes in Share Capital

1. Changes in ordinary share capital

(1) Table of changes in ordinary share capital

Unit: Shares

	Before the change		Increase/decrease during the change (+, -)		After the change	
	Number of Shares	Percentage (%)	New Issue	Sub-total	Number of Shares	Percentage (%)
I. Shares with selling restrictions	0	0	1,544,401,543	1,544,401,543	1,544,401,543	6.76
1 State-owned shares	0	0	308,880,308	308,880,308	308,880,308	1.35
2 Shares held by state-owned legal persons	0	0	0	0	0	0
3 Shares held by other domestic investors	0	0	1,235,521,235	1,235,521,235	1,235,521,235	5.41
Including: Shares held by non-state-owned domestic legal persons	0	0	0	0	0	0
II. Tradeable shares without selling restrictions	21,299,900,000	100	0	0	21,299,900,000	93.24
1 RMB-denominated ordinary shares	17,092,510,000	80.25	0	0	17,092,510,000	74.82
2 Overseas listed foreign shares	4,207,390,000	19.75	0	0	4,207,390,000	18.42
III. Total number of ordinary shares	21,299,900,000	100	1,544,401,543	1,544,401,543	22,844,301,543	100

(2) Explanation for the changes in ordinary share capital

Upon completion of the non-public issuance of A shares by the Company in July 2015, the 1,544,401,543 new shares were all subject to selling restrictions. The details of the seven investors, respective number of shares allotted and lock-up period are as follows:

No.	Name of subscribers being allotted shares	Number of shares allotted *(Shares)*	Lock-up period *(Months)*
1	CRECG	308,880,308	36
2	Beijing Zhong Shang Rong Sheng Trading Company Limited	141,570,141	12
3	Nanjing An Ci Investment Management Company Limited	141,570,141	12
4	Ping An UOB Fund Management Co. Ltd.	643,500,643	12
5	China Merchants Wealth Asset Management Limited	137,323,037	12
6	Cai Tong Fund Management Co. Ltd.	167,696,256	12
7	CIB Wealth Asset Management Company Limited	3,861,017	12
	Total	**1,544,401,543**	

2. Changes in shares with selling restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at beginning of the year	Number of shares released from selling restrictions during the year	Increase in the number of shares with selling restrictions during the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Date of releasing selling restrictions
CRECG	0	0	308,880,308	308,880,308	Selling restrictions imposed by non-public issuance of A shares	2018-07-14
Beijing Zhong Shang Rong Sheng Trading Company Limited	0	0	141,570,141	141,570,141	Selling restrictions imposed by non-public issuance of A shares	2016-07-14
Nanjing An Ci Investment Management Company Limited	0	0	141,570,141	141,570,141	Selling restrictions imposed by non-public issuance of A shares	2016-07-14
Ping An UOB Fund Management Co. Ltd.	0	0	643,500,643	643,500,643	Selling restrictions imposed by non-public issuance of A shares	2016-07-14
China Merchants Wealth Asset Management Limited	0	0	137,323,037	137,323,037	Selling restrictions imposed by non-public issuance of A shares	2016-07-14
Cai Tong Fund Management Co. Ltd.	0	0	167,696,256	167,696,256	Selling restrictions imposed by non-public issuance of A shares	2016-07-14
CIB Wealth Asset Management Company Limited	0	0	3,861,017	3,861,017	Selling restrictions imposed by non-public issuance of A shares	2016-07-14
Total	**0**	**0**	**1,544,401,543**	**1,544,401,543**		

3. Issuance of securities and listing

Unit: Shares Currency: RMB

Type of stocks and their derivative securities	Date of issuance	Issuance price (or interest rate)	Issuance size	Date of listing	Permitted size for listing and trading	Date of termination of trading
Ordinary shares						
Non-public issuance of A shares	2015-07-07	7.77	1,544,401,543	2015-07-14	1,544,401,543	–

Explanation for the issuance of securities during the reporting period:

In July 2015, the Company completed the non-public issuance of A shares. The nominal value of each A share under the non-public issuance is RMB1. The issuance size is 1,544,401,543 shares and the issuance price is RMB7.77 per share. The registration, custody and selling restriction procedures for the 1,544,401,543 new A shares under the issuance were completed by China Securities Depository and Clearing Co., Ltd., Shanghai Branch on 14 July 2015. For details of the issuance, please refer to the Report on the Non-public Share Issuance of China Railway Group Limited published on the website of the Shanghai Stock Exchange on 16 July 2015.

II. Information of Shareholders and Ultimate Controller

1. Number of Shareholders

The total number of shareholders of ordinary shares as at the end of the reporting period	875,805
The total number of shareholders of ordinary shares at the end of the month preceding the disclosure date of the annual report	864,671
The total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0
The total number of shareholders of preference shares with reinstated voting rights at the end of the month preceding the disclosure date of the annual report	0

2. Shareholdings of the top ten shareholders, top ten shareholders of tradable shares (or shareholders without selling restrictions)

Unit: Shares

		Shareholdings of the top ten shareholders						
						Number of pledged or frozen shares		
No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage (%)	Number of shares with selling restrictions	Condition of shares	Number	Nature of shareholder
1	CRECG	+310,380,308	12,260,390,308	53.67%	308,880,308	Nil	0	State-owned
2	HKSCC Nominees Limited *(Note 1)*	+19,585,704	4,168,063,909	18.25%	0	Nil	0	Other
3	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	+643,500,643	643,500,643	2.82%	643,500,643	Nil	0	Other
4	China Securities Finance Corporation Limited	+565,076,981	565,076,981	2.47%	0	Nil	0	Other
5	Central Huijin Asset Management Ltd.	+235,455,300	235,455,300	1.03%	0	Nil	0	Other
6	Xinyu City Zhongqing Brothers Investment Institution (LP) *(Note 2)*	+141,570,141	141,570,141	0.62%	141,570,141	Nil	0	Other
7	Beijing Zhong Shang Rong Sheng Trading Company Limited	+141,570,141	141,570,141	0.62%	141,570,141	Pledged	50,950,000	Other
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	+137,323,037	137,323,037	0.60%	137,323,037	Nil	0	Other
9	Huaxia Life Insurance Co. Ltd. – Universal Life Insurance Products	+124,721,939	124,721,939	0.55%	0	Nil	0	Other
10	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
11	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
12	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
13	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
14	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
15	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
16	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
17	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other
18	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	+54,496,500	54,496,500	0.24%	0	Nil	0	Other

Shareholdings of the top ten shareholders of shares without selling restrictions				
No.	Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares Type	Number
1	CRECG	11,951,510,000	RMB-denominated ordinary shares	11,951,510,000
2	HKSCC Nominees Limited *(Note 1)*	4,168,063,909	Overseas listed foreign shares	4,168,063,909
3	China Securities Finance Corporation Limited	565,076,981	RMB-denominated ordinary shares	565,076,981
4	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
5	Huaxia Life Insurance Co. Ltd. – Universal Life Insurance Products	124,721,939	RMB-denominated ordinary shares	124,721,939
6	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
7	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
8	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
9	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
10	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
11	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
12	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
13	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
14	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	54,496,500	RMB-denominated ordinary shares	54,496,500
Statement on the related relations and concerted actions between the shareholders above		CRECG, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.		
Statement on shareholders of preference shares with reinstated voting rights and their shareholdings		Not applicable		

Note 1: H shares held by HKSCC Nominees Limited are held on behalf of its various clients.

Note 2: Xinyu City Zhongqing Brothers Investment Institution (LP) is a private fund managed by Nanjing An Ci Investment Management Company Limited.

Note 3: The data shown in the table is based on the register of members of the Company as at 31 December 2015.

3. Shareholdings of top ten shareholders of shares with selling restrictions and terms of selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares held with selling restrictions	Permission for public trading for shares with selling restrictions: Permitted timing for public trading	Permission for public trading for shares with selling restrictions: Number of new shares permitted for public trading	Terms of selling restrictions
1	CRECG	308,880,308	2018-07-14	0	36 months from the date of completion of the non-public issuance
2	Beijing Zhong Shang Rong Sheng Trading Company Limited	141,570,141	2016-07-14	0	12 months from the date of completion of the non-public issuance
3	Nanjing An Ci Investment Management Company Limited	141,570,141	2016-07-14	0	12 months from the date of completion of the non-public issuance
4	Ping An UOB Fund Management Co. Ltd.	643,500,643	2016-07-14	0	12 months from the date of completion of the non-public issuance
5	China Merchants Wealth Asset Management Limited	137,323,037	2016-07-14	0	12 months from the date of completion of the non-public issuance
6	Cai Tong Fund Management Co. Ltd.	167,696,256	2016-07-14	0	12 months from the date of completion of the non-public issuance
7	CIB Wealth Asset Management Company Limited	3,861,017	2016-07-14	0	12 months from the date of completion of the non-public issuance
Statement on the related relations and concerted actions between the shareholders above		CRECG, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.			

4. Strategic investors or general legal persons becoming the top ten shareholders by placing new shares

Not applicable

III. Information on Controlling Shareholder and Ultimate Controller

1. Details of controlling shareholder

(1) Legal person

Name of controlling shareholder	China Railway Engineering Corporation
Legal representative	LI Changjin
Date of establishment	7 March 1990
Principal business	Construction works, related engineering technological research, survey, design, services, manufacturing of specialised equipment and development and operation of real estates.
Details of controlling interests and investments in other domestic and overseas-listed companies during the reporting period	Nil
Other information	Nil

(2) Natural person

Not applicable

(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

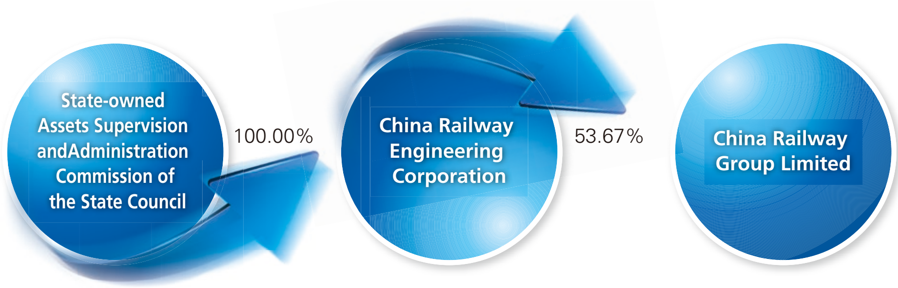
(4) Details of the index and the date of changes of the controlling shareholder during the reporting period

Not applicable

2. Details of ultimate controller

Ultimate controller – State-owned Assets Supervision and Administration Commission of the State Council, which is the ministry level institution directly under the State Council, and was set up in accordance with the institutional reform plan of the State Council and the Notice of the State Council on Establishment of Institutions passed at the First Session of the 10th National People's Congress. The State-owned Assets Supervision and Administration Commission is authorised by the State Council to perform its duties as an investor on behalf of the State. The scope of supervision of the State-owned Assets Supervision and Administration Commission extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, the State-owned Assets Supervision and Administration Commission is holding 100% of the shares of CRECG.

3. The diagram of the interests and controlling relationships between the Company and the ultimate controller



IV. Other Legal Person Shareholders with Shareholding of over 10%

As at the end of the reporting period, save for HKSCC Nominees Limited, there were no other legal person shareholders of the Company with shareholding of over 10%.

V. Information on the Restrictions on Reduction of Shareholdings

Not applicable

BUSINESS OVERVIEW

The Group is one of the largest multi-functional integrated construction groups in the PRC and even the world, which enables us to offer a full range of construction and industrial products and related services to our customers. The Group holds an industrial leading position in fields such as infrastructure construction, survey, design and consulting services, specialised engineering equipment and component manufacturing. The Group also diversifies its operations and expands its value-added services by exploiting into other businesses such as property development, merchandise trading, toll road operation, mining development and finance. After years of practice and development, the Group's business segments have established a close upstream-downstream relationship among themselves, forming a vertically integrated construction industry chain with outstanding principal operations supplemented by diversified relevant operations horizontally.

I. Industry Development Overview

In 2015, with respect to the infrastructure market, the State continued to push forward the policies on an inter-connected network of infrastructural facilities, "One Belt, One Road", co-development of Beijing-Tianjin-Hebei and Yangtze River Economic Belt, continuously improved efficiency and quality of foreign investment and promoted the international development of priority industries. The infrastructure investment model is undergoing remarkable changes, and the policies and systems in relation to PPP are under improvement. The State stepped up its efforts in the construction of key projects, and implemented and moved forward the overall planning for a number of key projects in respect of the railways in the central and western regions, railway transport, highways, urban infrastructure (such as underground integrated utility tunnels and sponge cities), irrigation works and hydroelectricity projects, municipal environmental protection projects and general aviation airports. Fixed asset investments, including railways, highways and waterways, remained at a high level. Stimulated by a series of favourable government policies including the continuation of the monetary easing policy and reduction in interest rates and deposit reserves, the property sector slowly picked up.

Executive Director and President

1. Infrastructure construction

Due to the continuous development of the national economy and the stable growth in fixed asset investment, the construction industry generally followed an uptrend during the "12th Five-Year Plan". Despite being slowed down under the new normal, the industry still kept advancing at mid to high speed. In 2015, the State sustained strong efforts to expand its fixed asset investment and took an active role in carrying out the regional strategies of the development of West China, revitalisation of Northeast China, rise of Central China and leading position of East China and the three core strategies of "One Belt, One Road", co-development of Beijing-Tianjin-Hebei and Yangtze River Economic Belt. The national infrastructure market maintained continuous growth. The investment in railways, highways and waterways for the whole year was approximately RMB2,600 billion. In particular, the fixed asset investment in railway amounted to RMB823.8 billion and the new railway operating mileage was 9,531 kilometers. Highway construction entered into a stable stage after a period of high speed development, with new highway mileage of 106,000 kilometers for the whole year, including 12,212 kilometers of expressway. The State continued to promote urbanisation construction through overall enhancement in urban infrastructure construction, in particular the construction of high-capacity public transport such as subway and light rail, which contributed to 438 kilometers of new urban rail transit lines for the whole year.

As one of the world's largest construction contractors, the Group remained as a leader of the infrastructure construction industry as well as the biggest construction group in the railway infrastructure and urban railway infrastructure sectors in China, commanding more than 45% share in the railway infrastructure market, more than 50% share in the urban railway infrastructure market and around 12% share in the highway infrastructure market.

2. Survey, design and consulting services business

Being a technology-intensive and intelligence-intensive production-based service industry, swift development is witnessed in the survey, design and consulting industry in China. In 2015, as China's infrastructure construction investment maintained at a high level, the survey, design and consulting industry became more important in the construction industry, with a growth rate higher than that of the general construction industry. Currently, new development opportunities are present in the survey, design and consulting business, which is a service-based industry providing techniques and management throughout the process for the decision-making and implementation of a construction project. With the continual rise in the technological innovation level and effective information infrastructure, the service scope has gradually been extended to cover the construction consultation industry chain over the entire lifecycle of a construction project, including investment decision-making consultation and post-assessment consultation.

As one of the key operators in the survey, design and consulting services industry in China, the Group plays a vital role in assisting in formulating the railway industry standards in respect of construction and quality inspection, with a market share of about 30% of the railway survey and design market and about 35% of the urban railway survey and design market.

3. Engineering equipment and component manufacturing business

In 2015, the State Council issued "Made in China 2025", which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. With the promotion of the "One Belt, One Road" strategy, engineering equipment manufacturers in China gradually tapped into the overseas market and international capacity collaboration was further strengthened in the high-end equipment manufacturing industry. During the year, the added value of large-scale industries recorded a year-on-year increase of 5.9%, among which added values of railway, ship, aircraft, aerospace and other transportation equipment manufacturers increased by 3.8% (2014: 12.7%), general equipment manufacturers increased by 1.2% and specialised equipment manufacturers increased by 3.2%. Construction steel structures took up 8% of the total steel consumption.

Presently, the Group is the world's largest turnout and bridge steel structure manufacturer, the country's largest and the world's second largest shield developer and manufacturer, and the country's largest railway construction equipment manufacturer. The relevant products developed and manufactured by the Group enjoy a dominant position in the domestic market. The Group occupied more than 65% of the turnout market, more than 40% of the shield manufacturing and selling market, about 65% of the large bridge steel structure market and about 90% of the electrified railway network market.

4. Property development business

In 2015, against the backdrop of the destocking situation in the property market and the continuation of the monetary easing policy, the property market recovered with a record high in property sales and the growth of property investment actually slowed down. During the year, the sales of commodity housing in China was RMB8,728.1 billion, representing a year-on-year increase of 14.4% and breaking the record high for 2015, and the sales area of commodity housing was 1,284.95 million square meters, representing a year-on-year increase of 6.5%. The investment in property development was RMB9,597.9 billion, representing a year-on-year nominal increase of 1.0% (actual increase of 2.8%, net of price factor), and a decrease in growth rate of 9.5 percentage points as compared with 2014. The investment in residential housing, office buildings and commercial housing rose by 0.4%, 10.1% and 1.8% to RMB6,459.5 billion, RMB621.0 billion and RMB1,460.7 billion, respectively. Another salient characteristic of the drastic recovery in property sales was the significant deviation among different city tiers, with first tier cities achieving growth in both sales volume and selling prices whereas second and third-tier cities experiencing a growth in volume but stagnancy in prices.

The Group is engaged in property development in 18 provinces and 40 cities in China with a gross floor area of 49.93 million square meters. Our property development business has achieved a certain scale. In 2015, the Group was ranked 20th and 33th in the "China's Real Estate Enterprises Top 100 Sales Ranking in 2015" published by CRIC ("中國房產信息集團") in terms of sales area and sales amount, respectively.

II. Business Development Overview

The Group's principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. In 2015, the Group achieved total revenue of approximately RMB599.942 billion, representing a growth of 1.7% year-on-year. The value of new contracts amounted to RMB957.02 billion, representing a year-on-year increase of 2.4%. As at 31 December 2015, the Company's contract backlog amounted to RMB1,802.094 billion.

1. Infrastructure construction business

The revenue of infrastructure construction business of the Group was RMB544.207 billion in 2015, representing a year-on-year growth of 5.1%. The value of new contracts amounted to RMB768.87 billion, representing a year-on-year increase of 8.6%. As at 31 December 2015, the Company's contract backlog of infrastructure construction business was RMB1,452.814 billion.

(1) Railway construction

The value of new contracts of railway construction of the Group amounted to RMB285.8 billion in 2015, representing a year-on-year growth of 14.8%. The market shares of tier-one railway market reached 47.4%. As at 31 December 2015, the Group's contract backlog of railway construction was RMB544.61 billion. The Group completed track laying of 7,442 kilometers of main railway line (new tracks and double tracks) and 8,220 kilometers of the main line of the electrified railway network in total. A number of the Group's key railway projects were completed and commissioned, such as Hefei-Fuzhou High Speed Railway, Harbin-Qiqihar High Speed Railway, Shenyang-Dandong High Speed Railway, Jilin-Tumen-Hunchun High Speed Railway, Dandong-Dalian High Speed Railway, Chengdu-Chongqing High Speed Railway, Tianjin-Baoding High Speed Railway and Hainan Ring High Speed Railway, making great contribution to the railway development of our country.

(2) Highway construction

The value of new contracts of highway construction of the Group amounted to RMB89.88 billion in 2015, representing a year-on-year decrease of 5.1%. As at 31 December 2015, the Group's contract backlog of highway construction was RMB176.736 billion. The Group completed 1,517 kilometers of highway construction in total, of which 1,083 kilometers were expressway. The Chongqing Wanzhou-Dazhou Expressway and Quanzhou Bay Cross-Sea Bridge were formally commissioned. The Shuangbei Jialing River Bridge in Chongqing undertaken by the Group was also completed and passed quality inspection.

(3) Municipal works and other construction

The value of new contracts of municipal works and other construction of the Group amounted to RMB393.19 billion in 2015, representing a year-on-year increase of 7.8%. The value of new contracts for urban rail construction amounted to RMB140.98 billion, representing a year-on-year growth of 9.1% and a market share of approximately 50%. As at 31 December 2015, the Group's contract backlog of municipal works and other construction reached RMB731.464 billion, among which the contract backlog for urban rail construction amounted to RMB244.22 billion. In 2015, the Group participated in the construction of urban light rail and metro lines, among which civil engineering and laying works accounted for 173 kilometers and 196 kilometers respectively. A number of key and difficult projects, such as Beijing Metro, Shenzhen Metro, Zhengzhou Metro, Chengdu Metro and Shijiazhuang Metro, constructed by the Group were in smooth progress.

2. Survey, design and consulting services business

In 2015, the revenue of survey, design and consulting services business of the Group was RMB10.711 billion, representing a year-on-year increase of 4.3%. The value of new contracts amounted to RMB15.37 billion, representing a year-on-year growth of 14.6%. As at 31 December 2015, the Group's contract backlog of survey, design and consulting services business was RMB24.01 billion. In 2015, the construction of China-Laos Railway and Lhasa-Nyingchi Railway fully commenced, whose survey and design work were undertaken by the Group. The first light rail in Ethiopia, which was also undertaken by us, was commissioned. The world's first 220kV low-loss energy-saving traction transformer with roll core developed by the Group was put into operation in Shanxi South Central Railway. The "Study on the Technical and Engineering Application of the Light Straddle-type Single Rail System", which was a key technological development project in Beijing undertaken by the Group, passed the quality inspection. In 2015, the Group also participated in the survey and design for a number of key projects, including Hutong Yangtze River Bridge, Pingtan Strait Highway & Railway Bridge, Mosco-Kazan High Speed Rail and the cross-sea bridge in Maldives, and all of them went on smoothly.

3. Engineering equipment and component manufacturing business

In 2015, the Group's revenue on engineering equipment and component manufacturing business was RMB15.782 billion, representing a year-on-year increase of 8.7%. The value of new contracts amounted to RMB24.39 billion, representing a year-on-year increase of 7.5%. As at 31 December 2015, the Group's contract backlog of engineering equipment and component manufacturing business was RMB24.72 billion. The respective market share of large bridge steel structures and high-speed turnouts was more than 65%. As the country's largest and the world's second largest shield developer and manufacturer, the Group greatly improved its production and operation capacity in shields, and equipped itself with an annual production capacity of 100 units of shields. 66 units of shields were sold and 60 were manufactured in 2015. Meanwhile, while continuing to consolidate the existing domestic market, the Group stepped further into the international market, selling its high-manganese steel turnout, steel structures and shield products to 19 countries and regions such as USA, Korea, Australia, Singapore, Malaysia and Turkey.

4. Property development business

In 2015, the Group actively responded to the negative impact of the slowdown in macroeconomy by fully leveraging on the stimulating and favourable policies launched to the property market by the State. The Group took greater effort to destock its housing inventory by consolidating development resources, slowing down property investment, accelerating construction processes and innovating new models for asset revitalisation. The completed gross floor area for the year was 3.16 million square meters, and the sales amount and sales area were RMB26.9 billion and 2.74 million square meters, respectively. The completed gross floor area, sales amount and sales area all maintained at a stable level as compared to the last year. The Group realised a revenue of RMB29.260 billion, which was generally in line with that of the previous year. Despite the generally low national real estate climate index, projects including Guiyang China Railway Yueshan Lake, Guiyang China Railway Yidu International, Wuhan Bairuijing Central Business District and Jishou Xiangxi Century View achieved satisfactory sales results. As at 31 December 2015, the Group had a total of 135 property development projects. The project area under development of the Group was 25.27 million square meters with a gross floor area of 49.93 million square meters. The land reserve area and gross floor area available for development were 11.55 million square meters and 19.47 million square meters, respectively.

5. Other businesses

In 2015, the Group's other businesses realised revenue of RMB40.044 billion, representing a year-on-year decrease of 27.1%. Affected by a continuing decline in global commodity prices and demand for energy, mining development faced great challenges. Nevertheless, mining development projects such as Congo Sicomines Copper-Cobalt Mine, MKM and Luishia Copper-Cobalt Mine, and Cobalt-Salt Mine have been operating smoothly. The overall operation of expressway BOT projects remained satisfactory with a continuous increase in revenue. The revenue scale of merchandise trading business dropped as a result of our business focusing on internal centralized procurement and stable external operations. Owing to an increase in market demand, the finance business grew at a high speed. The Group fervently promoted the integration of industry and finance, created innovative investment and financing models and set up an industry-chain financial service system in order to supplement the development of our principal operations.

III. Scientific Research Investment and Technological Achievements

In 2015, following the State's guidance on technological development of "achieving innovation and focused breakthroughs to support future development", the Group strictly implemented the technology development plans stated in the "12th Five-Year Plan" and adopted effective measures to refine the Company's innovation system. By accelerating our steps in developing our own innovation team, enhancing our innovation capability and implementing our intellectual property strategies, we made a lot of internationally advanced and domestically leading proprietary technological achievements, which effectively enhanced our core competence.

In 2015, the Group had a total of 1,520 technological research topics under its technological development plan. Based on key projects including Hutong Yangtze River Bridge, Yangsigang Yangtze River Bridge, Wufengshan Highway & Railway Bridge, Bangladesh Padma Bridge, Chongqing 101 Tower, Yangjiaping tunnel of Chengdu-Lanzhou Railway and Chongqing Rail Transit Line 5, these topics focused on studying the key techniques for the construction of a 1,000-meter level suspension highway and railway bridge, long-range information management for shield construction, large-diameter dual-mode shield, fast mechanized tunneling and smart top molding system for core piles of super high-rise buildings, etc. The operation and management of the Group's National Engineering Laboratory of High Speed Railway Construction, National Key Laboratory of Shield Tunneling and Drilling Technology, National Key Laboratory of Bridge Structural Stability and Safety Postdoctoral Work Stations, Corporate Technology Center, BIM Technology Application, Research and Development Center and professional research and development centers of bridges, tunnels, electrification, advanced engineering materials and inspection technology, railways and construction equipment ran smoothly.

In 2015, the Group won two National Advanced Science and Technology Prizes (including one Outstanding Award), eight Zhan Tianyou Civil Engineering Prizes and 245 Provincial Technological Achievement Awards. The Group was granted 1,039 patents, 336 of which were invention patents. The "processing method for the transportation and erection of large tonnage full span box girder" was awarded the Outstanding Award at the 17th China Patent Awards. It had 21 national-level engineering methods and 270 provincial-level engineering methods, and received a total of eight national consulting achievement awards, 76 provincial surveying and design awards and 6 provincial consulting achievement awards. The Group also participated in formulating 23 national standards, 65 industrial standards and 41 corporate standards for China Railway Corporation.

IV. Establishment and Implementation of Safety and Quality System

In 2015, the Group conscientiously implemented and complied with the ISO9000 quality management standards, improved its internal quality assurance system, implemented the national and industrial standards, and procured that the management process is in an orderly and controllable condition. The Group revised and improved its system and rules (including the Measures for Supervision on and Management of Construction Quality), which are effectively compatible with those currently in force in relation to construction quality control, quality assurance and management, quality incident handling, and accountability for incidents, and promoted highly effective operation of the Group's quality management system. During the year of 2015, no incident occurred which qualified as or more severe than a major construction quality incident and the Group received in total 20 national-level awards for AAA-rated safe, civil and standardised construction sites and its projects won 11 Luban Prizes and 13 national prizes for high quality constructions, thus the branding and reputation of the construction projects of the Group were further enhanced.

V. Implementation of Environmental Protection Measures

During the reporting period, the Group carried out on a full-scale green construction demonstration projects for the national construction industry and the construction of work sites with standardised energy conservation and emission reduction measures. In 2015, there was no material contravention by the Group of regulations or disciplinary rules on energy conservation and emission reduction. The emission of pollutants was all in compliance with corresponding national and local emission standards. In terms of environmental control, the Group manifested the harmony between man and nature in every project and established a green environmental management system featuring top-down, all-round monitoring and control. It strived to protect the ecological system and the environment. By consistently adhering to the principles of "stressing on project quality and using civilised approaches", the various project departments of the Group applied a high standard to the Group's environmental protection and water and soil conservation measures as they worked for the target of "achieving excellence in project quality, environmental protection and water and soil conservation" and strived to achieve the harmony between building quality projects and maintaining a beautiful environment. Moreover, the Group made consistent efforts in the protection of the environment and ecological system. Before work was commenced on a construction project, it always arranged for professionals to do an in-depth assessment of the environment and ecological system and draw up practical and effective plans for their protection. Special efforts were made to protect the water and soil, bio-diversity and vegetation in and of construction areas which were ecologically vulnerable through the simultaneous planning and implementation of environmental protection measures and construction works. In the course of the works, increased investment was made for ecological protection, environmentally friendly equipment was used, work processes were improved and construction plans were optimised in order to reduce the impact on water, air, vegetation and organisms. Not a single ecological or environmental event occurred in the entire year.

VI. Compliance with Laws and Regulations

As a company dually listed on Shanghai Stock Exchange and the main board of the Hong Kong Stock Exchange, during the reporting period, the Group strictly complied with laws and regulations including the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, and the various rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, continuously enhanced the corporate governance structure, brought forth new ideas to the operational mechanism of corporate governance, thus continuously enhanced the scientificity and effectiveness of corporate governance. During the reporting period, there was no material breach of laws and regulations by the Group.

VII. Maintenance of Relationship with Stakeholders

During the reporting period, the Group always maintained a cooperation relationship of harmony, mutual trust and mutual benefit with stakeholders such as employees, customers and investors, and insisted on putting it in the shoes of the stakeholders to consider issues and proactively responded to the important issues of the stakeholders' concern, had in place a smooth, standardized and distinctive system of communication with the stakeholders, and made efforts to achieve the common development, harmony and a win-win with the stakeholders.

VIII. Prospects

The State's integrated implementation of the strategies of Four Developing Regions and Three Supporting Belts will continue to bring new growth points and development opportunities for the infrastructure market. In respect of railway construction, the fixed asset investment in 2016 will stay over RMB800 billion, with newly operated mileage over 3,200 kilometers. During the "13th Five-Year Plan", the scale of railway investment in China is expected to achieve RMB3,500 billion to RMB3,800 billion, with an operating mileage of 150,000 kilometers. Propelled by the city cluster development in the Beijing-Tianjin-Hebei region, Yangtze River Delta and Pearl River Delta and on the basis of the "Four Vertical and Four Horizontal" high speed rail network, the market capacity for the construction of high speed railway, intercity railway and heavy haul railway will still be immense. With regard to highway construction, as the country's highway network continues to improve, the country will keep pushing forward the National Highway Network Planning (2013-2030) in a rational and orderly manner, placing emphasis on the construction of the national highway network with the guidance of investment policies. Meanwhile, more efforts will be put in the construction of national and provincial highways in order to speed up the construction of roads with dead-end and overly narrow width. There will still be certain room for the development in terms of highway construction in China. As for city infrastructure, the New Urbanisation Plan (2014-2020), Guidance on Promoting the Construction of Sponge Cities and Guidance Opinions on Promoting the Construction of Underground Integrated Utility Tunnels issued by the State clearly stated that the new urbanization process will need to be promoted in a quick and orderly manner to improve city functions. Urban development plans or comprehensive transportation development plans were laid out to facilitate the construction of urban infrastructures, such as urban roads, public transport, water supply and drainage, sewage treatment, waste treatment and underground public facilities to increase the overall carrying capacity of cities and towns. With respect to urban railways, the Notice on Strengthening the Planning, Construction and Management of Urban Railway Network (the "Notice") promulgated by the National Development and Reform Commission encouraged the systematic development of metro as well as elevated or ground-level rail transport, such as light rail and tram. The Notice also streamlined the plan approval procedures for urban railway construction so as to further accelerate the approval process for rail transport construction plans and projects. Urban rail transport will proliferate into more and more second- and third-tier cities. We anticipate that there will be up to 40 cities with urban rail transport in operation by 2020, with a total planned mileage of 7,000 kilometers. With the interconnectivity of infrastructures and the numerous investment opportunities stemming from certain new technologies, new products, new types of operations and new commercial patterns, the country's investment and financing system for key innovation areas has encouraged investment from all circles of the society. Investment projects encouraging the participation of social capital have been rolled out to promote the key function of investment. All these indicate a positive prospect for China's infrastructure market in 2016 and even during the "13th Five-Year Plan", which will provide a favorable policy environment and ample business opportunities for the Group's development.

On the other hand, during the "13th Five-Year Plan", the development of the construction industry in China will still face a complicated situation in view of the growing pile of local government debt and the slow progress of PPP projects. The road to the restructuring and reform of state-owned enterprises will still be bumpy, while the replacement of business tax with value-added tax may increase our tax burden in the short term. Therefore, severe challenges will still linger around construction enterprises in the future.

Generally, the fundamentals for the continuous development of the construction market remains unchanged. We will still be undergoing a critical period in terms of strategies and opportunities. We are confident and determined in promoting the sustainable development of the Group.

IX. Operation Plan

In 2016, the Group plans to achieve total revenue of approximately RMB619.5 billion, costs of operation of approximately RMB551.7 billion, aggregate of selling, administrative and finance expenses of approximately RMB32.0 billion. It is estimated that the new contracts to be entered into will amount to approximately RMB850.0 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

MANAGEMENT DISCUSSION AND ANALYSIS

Board Meeting

I. Overview

In the year of 2015, the Group achieved revenue of RMB599.942 billion, representing a year-on-year increase of 1.7%. Net profit for the year increased by 10.4% year-on-year to RMB11.786 billion while profit for the year attributable to owners of the Company increased by 13.8% year-on-year to RMB11.675 billion.

A comparison of the financial results for 2015 and 2014 is set forth below.

II. Consolidated Results of Operations

Revenue

The Group is mainly engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. The Group's total revenue increased year-on-year by 1.7% to RMB599.942 billion for 2015.

Cost of sales and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2015, the Group's cost of sales recorded a year-on-year increase of 1.8% to RMB551.256 billion while gross profit of the Group increased year-on-year by 0.4% to RMB48.686 billion. The overall gross profit margin for 2015 was 8.1%, basically remained stable as compared to 8.2% for 2014.

Other income

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government, and other income. In 2015, the Group's other income was RMB2.475 billion, increased by 11.5% from RMB2.220 billion of last year. The increase of other income was primarily due to the increase in revenue from sales of materials.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. In 2015, other expenses increased by 5.9% from RMB9.710 billion of last year to RMB10.281 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capabilities and enhanced energy saving and emission reduction efforts.

Other gains and losses

The Group's other gains and losses mainly include impairment loss on assets, foreign exchange gains/losses, increase/decrease in the fair value of available-for-sale financial assets, gains/losses on disposal of fixed assets and subsidiaries. The other losses of RMB1.088 billion in 2015 (2014: Other losses of RMB1.247 billion) primarily included impairment loss on assets of RMB3.198 billion and net foreign exchange gain of RMB1.746 billion.

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2015, the Group's selling and marketing expenses amounted to RMB2.342 billion, representing a year-on-year increase of 0.3%. The selling and marketing expenses as a percentage of the total revenue for 2015 was 0.4%, same as that for 2014.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2015, the Group's administrative expenses increased year-on-year by 1.8% to RMB17.509 billion. Administrative expenses as a percentage of revenue for 2015 was 2.9%, same as that for 2014.

Interest income

In 2015, the interest income was RMB3.012 billion, representing an increase of 19.7% from 2014. It was mainly due to the increase in average cash balances resulted from improvement in the Group's operating cashflow position, which set off against the impact brought by the reduction in national interest rate.

Interest expenses

In 2015, the interest expenses was RMB6.184 billion, representing a decrease of 8.9% from 2014. It was mainly due to the decrease in total interest-bearing liabilities from last year as well as the 5 times reduction in national interest rate during 2015, which made the interest rate decrease to a lower level.

Profit before tax

As a result of the foregoing factors, the profit before tax for 2015 increased by RMB0.784 billion, or 4.8% to RMB17.017 billion from RMB16.233 billion for 2014.

Income tax expense

In 2015, the income tax expense decreased year-on-year by 5.9% to RMB5.231 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group decreased by 2.0 percentage points from 28.6% for 2014 to 26.6% for 2015. It was mainly due to the fact that the Group strengthened its tax management effort through tax preferential treatments, application of high and new technology enterprises and super deduction treatment of research and development expenses.

Profit for the year attributable to owners of the Company

As a result of the foregoing factors, profit for the year attributable to owners of the Company for 2015 increased by 13.8% to RMB11.675 billion from RMB10.262 billion for 2014.

Profit for the year attributable to holders of perpetual notes

As at 31 December 2015, the Company issued perpetual notes with a total principal amount of RMB12 billion (31 December 2014: RMB3 billion). In 2015, the profit for the year attributable to holders of perpetual notes amounted to RMB0.583 billion (2014: RMB0.098 billion).

III. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2015 are set forth in the table below.

Business segment	Segment revenue *RMB million*	Growth rate *(%)*	Profit/(loss) before tax *RMB million*	Growth rate *(%)*	Profit/(loss) before tax margin[1] *(%)*	Segment revenue as a percentage of total *(%)*	Profit/(loss) before tax as a percentage of total *(%)*
Infrastructure Construction	544,207	5.1	14,193	21.9	2.6	85.0	76.5
Survey, Design and Consulting Services	10,711	4.3	1,131	11.1	10.6	1.7	6.1
Engineering Equipment and Component Manufacturing	15,782	8.7	1,050	(3.6)	6.7	2.5	5.7
Property Development	29,260	–	2,616	(40.2)	8.9	4.6	14.1
Other Businesses	40,044	(27.1)	(450)	271.9	(1.1)	6.2	(2.4)
Inter-segment Elimination and Adjustments	(40,062)		(1,523)				
Total	**599,942**	**1.7**	**17,017**	**4.8**	**2.8**	**100.0**	**100.0**

1 *Profit/(loss) before tax margin is the profit/(loss) before tax divided by the segment revenue.*

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from railway, highway and municipal works construction. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2015, the revenue from the infrastructure construction business accounted for 85.0% of the total revenue of the Group (2014: 82.6%). In 2015, segment revenue from the Group's infrastructure construction business increased by 5.1% year-on-year to RMB544.207 billion. It was mainly due to the significant growth in the revenue from highways, housing construction and urban rail businesses in 2015. Profit before tax margin of the infrastructure construction segment for 2015 was 2.6%, representing an increase from 2.2% of last year. It was mainly due to the decrease in operating expenses brought by the Group's strengthened control on management and increase in management efficiency.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. In 2015, benefiting from the stable growth of infrastructure construction business, segment revenue of survey, design and consulting services business increased year-on-year by 4.3% to RMB10.711 billion. The profit before tax margin for the segment for 2015 was 11.1%, representing an increase from 9.9% for 2014. It was mainly due to the increase in dividend income and interest income.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. In 2015, due to the increase in sale of steel structures and shields, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 8.7% year-on-year to RMB15.782 billion. Profit before tax margin was 6.7% for 2015, representing a decrease from 7.5% for 2014. The decrease in profit before tax margin was mainly due to increase in sale of steel structures as a percentage of total which have lower gross profit margin and decrease in selling price of certain products as a result of intense market competition.

Property development business

Revenue from the Group's property development business primarily derives from the development, sale and management of a wide range of residential properties targeting middle and upper-middle income purchasers and commercial properties in the PRC. In 2015, impact of adjustment and control on property market continued that revenue from property development business recorded RMB29.260 billion, same as that for 2014. Profit before tax margin was 8.9% for 2015, a decrease from 14.9% for 2014. It was mainly attributable to the Group opted to decrease the selling price of certain projects in second and third-tier cities to speed up fund recovery in view of the severe property market sentiment.

Other businesses

The Group has progressively implemented the "limited and interrelated" diversification strategy. Revenue from other businesses decreased year-on-year by 27.1% to RMB40.044 billion in 2015. Among which, (1) revenue from expressway operation was RMB2.321 billion, year-on-year increase of 5.7%; (2) revenue from mining was RMB2.032 billion, year-on-year decrease of 13.8%; (3) revenue from merchandise trading was RMB18.611 billion, year-on-year decrease of 49.5% and (4) revenue from financial business was RMB3.016 billion, a year-on-year increase of 35.2%. In 2015, loss before tax of other businesses was RMB0.450 billion (2014: loss before tax was RMB0.121 billion), primarily due to the impairment loss on assets of RMB2.818 billion.

As at 31 December 2015, the Group's mining resources information is shown below.

No	Project name	Type	Grade	Resource/Reserve Unit	Resource/Reserve Quantity	Group's share (%)	Planned total investment (billion)	Accumulated investment (billion)	Investment in the reporting period (billion)	Planned completion date	Project progress
1	Sunite-ZuoQi Manglai Coal Mine, Inner Mongolia	Lignite	N/A	Billion tonne	0.92	46	1.363	0.542	–	Completed	Commenced production
2	Muli Coal Mine, Haixizhou of Qinghai	Coking Coal	N/A	Billion tonne	0.248	80	2.34	0.458	0.015	–	Construction in progress
3	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.09%	Thousand tonne	728.6	83	4.217	4.131	–	Completed	Commenced production
4	Luishia Copper-Cobalt Mine, Congo	Cooper	2.55%	Thousand tonne	779.9	72	1.657	1.657	–	Completed	Commenced production
		Cobalt	0.201%		66.8						
5	MKM Copper-Cobalt Mine, Congo	Cooper	3.36%	Thousand tonne	178.9	80.2	1.195	1.135	0.013	Completed	Commenced production
		Cobalt	0.22%		18.8						
6	Sicomines Copper-Cobalt Mine, Congo	Cooper	2.55%	Thousand tonne	8,537.3	41.72	24.915	11.049	1.677	2018.01	Phase I commenced production
		Cobalt	0.20%		571						
7	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	1.67%	Thousand tonne	287.9	100	–	–	–	–	Commenced production
		Zinc	4.80%		825.2						
		Silver	80.2g/t	Tonne	1,379						
8	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	0.75%	Thousand tonne	81.7	100	–	–	–	–	Exploration and feasibility study in progress
		Zinc	3.50%		382.6						
		Silver	108.33g/t	Tonne	1,184.6						
9	Gold mine, Guoxinxin Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Exploration in progress
10	Lead and Zinc Mine, Xianglong Company, Mongolia	Lead	6.28%	Thousand tonne	151.5	100	–	–	–	–	Commenced production
		Zinc	3.81%		91.9						
		Silver	234.67g/t	Tonne	866						

IV. Cash Flow

In 2015, the net cash inflow from operating activities of the Group amounted to RMB30.557 billion, representing a significant improvement in net cash inflow from operating activities of RMB19.447 billion for 2014, which was primarily attributable to the significant achievement on the recoverability of trade receivables and inventory through the Group's active implementation of cash flow management plan. In 2015, the net cash outflow from investing activities of the Group amounted to RMB15.552 billion, representing an increase from net cash outflow from investing activities of RMB12.332 billion for 2014, which was mainly due to the increase in capital expenditures on fixed assets and intangible assets. In 2015, the net cash inflow from financing activities of the Group amounted to RMB9.424 billion while there was a net cash outflow from financing activities of RMB14.067 billion for 2014. It was mainly because the Group raised RMB12 billion through non-public issuance of A shares and RMB9 billion through issuance of perpetual notes in 2015.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure (excluding acquisition of subsidiaries) for 2015 was RMB13.766 billion (2014: RMB11.870 billion).

The following table sets forth the Group's capital expenditure by business segment in 2015.

For the year ended 31 December 2015	Infrastructure construction *RMB million*	Survey, design and consulting services *RMB million*	Engineering equipment and component manufacturing *RMB million*	Property development *RMB million*	Other businesses *RMB million*	Total *RMB million*
Property, plant and equipment	6,521	153	671	177	1,040	8,562
Land use rights	81	26	283	202	13	605
Investment properties	1	1	–	2	–	4
Intangible assets	32	8	198	7	3,500	3,745
Mining assets	–	–	–	–	850	850
Total	**6,635**	**188**	**1,152**	**388**	**5,403**	**13,766**

Working capital

	As at 31 December	
	2015	2014
	RMB million	*RMB million*
Inventories	**30,110**	44,955
Properties under development for sale	**66,064**	70,986
Trade and bills receivables	**146,647**	158,515
Trade and bills payables	**258,879**	245,447
Turnover of inventory (days)	**25**	30
Turnover of trade and bills receivables (days)	**92**	89
Turnover of trade and bills payables (days)	**165**	150

At the end of 2015, due to the Group's strengthened effort in destocking, the balance of the Group's inventories and properties under development for sale was decreased by 33.0% and 6.9% respectively from the end of 2014. The Group's inventory turnover days was 25 days in 2015, decreased by 5 days as compared to 30 days in 2014. The Group's trade and bills receivables decreased by 7.5% from the end of 2014 to RMB146.647 billion as at the end of 2015, which was mainly due to the significant achievement on the recoverability of trade receivables through the Group's strengthened effort on recovery of trade receivables. The turnover days of trade and bills receivables was 92 days as the end of 2015, a slight increase of 3 days as compared to that at the end of 2014.

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 31.6% (31 December 2014: 33.1%) of the total receivables, which reflected the sound receivables management capability of the Group.

Trade and bills receivables

	As at 31 December	
	2015	2014
	RMB million	*RMB million*
Less than six months	**75,435**	79,673
Six months to one year	**24,802**	26,318
One year to two years	**26,098**	30,220
Two years to three years	**11,326**	12,582
More than three years	**8,986**	9,722
Total	**146,647**	158,515

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 5.5% from end of 2014 to RMB258.879 billion as at the end of 2015. It was mainly due to the increase in payables of raw materials and labour services. The turnover days of trade and bills payables was 165 days in 2015, representing an increase from 150 days in 2014. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 11.7% (31 December 2014: 12.2%) of the total payables.

Trade and bills payables

	As at 31 December	
	2015	2014
	RMB million	*RMB million*
Less than one year	**228,672**	215,448
One year to two years	**18,432**	18,811
Two years to three years	**6,224**	5,764
More than three years	**5,551**	5,424
Total	**258,879**	245,447

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2015 and 2014. 46.7% of the Group's borrowings were short-term borrowings (31 December 2014: 48.8%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2015	2014
	RMB million	*RMB million*
Bank borrowings		
Secured	**34,442**	37,261
Unsecured	**92,503**	93,522
	126,945	130,783
Short-term debentures, unsecured	**3,000**	–
Long-term debentures, unsecured	**34,015**	36,091
Other short-term borrowings, unsecured	**8,755**	8,348
Other short-term borrowings, secured	**72**	500
Other long-term borrowings, unsecured	**7,635**	7,120
Other long-term borrowings, secured	**–**	72
Total	**180,422**	182,914
Non-current	**96,213**	93,655
Current	**84,209**	89,259
Total	**180,422**	182,914

As at 31 December 2015, the Group's average cost of borrowing was 6.05%. Among which, bank borrowings carry interest rates ranging from 0.92% to 10.05% per annum (31 December 2014: 1.53% to 10%). Short-term debentures carry fixed interest rates ranging from 3.58% to 4.5% per annum (31 December 2014: Nil).Long-term debentures carry fixed interest rates ranging from 3.85% to 7.2% per annum (31 December 2014: 3.85% to 7.2%). Other short-term borrowings carry interest rates ranging from 1.38% to 10.5% (31 December 2014: 5.0% to 11.5%) per annum. Other long-term borrowings carry interest rates ranging from 6.28% to 13.92% per annum (31 December 2014: 6.15% to 10.5%).

The following table sets forth the maturity of the Group's borrowings as at 31 December 2015 and 2014.

	As at 31 December	
	2015	2014
	RMB million	*RMB million*
Less than one year	**84,209**	89,259
One year to two years	**19,783**	26,946
Two years to five years	**45,616**	22,869
More than five years	**30,814**	43,840
Total	**180,422**	182,914

As at 31 December 2015 and 2014, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB1.449 billion and RMB1.310 billion and floating-rate bank borrowings amounting to RMB125.496 billion and RMB129.473 billion, respectively.

The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in USD and Euro. The following table sets forth the carrying amounts of the Group's borrowings denominated in currencies other then Renminbi as at 31 December 2015 and 2014.

	As at 31 December	
	2015	2014
	RMB million	*RMB million*
USD	**3,238**	3,949
Euro	**122**	145
Others	**163**	431
Total	**3,523**	4,525

The following table sets forth the details of the Group's secured borrowings as at 31 December 2015 and 2014.

	As at 31 December			
	2015		2014	
	Secured borrowings *RMB million*	**Carrying amount of pledged assets and contract value of certain rights** *RMB million*	Secured borrowings *RMB million*	Carrying amount of pledged assets and contract value of certain rights *RMB million*
Property, plant and equipment	**192**	**166**	294	521
Land use rights	**–**	**–**	275	1,912
Intangible assets	**21,103**	**35,792**	19,100	31,560
Properties under development for sale	**11,329**	**22,609**	10,621	23,175
Bills receivable	**37**	**37**	25	25
Accounts receivable	**1,503**	**2,333**	2,241	3,129
Rights to collect cash flows in relation to certain construction projects	**350**	**525**	5,277	10,325
Total	**34,514**	**61,462**	37,833	70,647

As at 31 December 2015, the Group's unused short-term credit line facility from banks was RMB142.031 billion (31 December 2014: RMB136.139 billion).

As at 31 December 2015, the Group's gearing ratio (total liabilities/total assets) was 80.5%, representing a decrease of 3.5 percentage points as compared with 84.0% for 2014. It was because the Group completed the issuance of perpetual notes of RMB9 billion and non-public issuance of 1,544,401,543 A shares with net proceeds of RMB11.879 billion in 2015. The Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and mainly through borrowings in case of any deficiencies.

VI. Contingent Liabilities

The contingent liabilities related to legal claims in the Group's ordinary course of business are set forth in the table below:

	As at 31 December	
	2015 *RMB million*	2014 *RMB million*
Pending lawsuits:		
– arising in the ordinary course of business *(Note 1 & Note 2)*	**1,458**	680
– overseas lawsuits *(Note 3 & Note 4)*	**854**	854
Total	**2,312**	1,534

Note 1: The Group has been named 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 those pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovoked claims is disclosed in the table above.

*Note 2: On 26 August 2011, China Railway Resources Haixi Coal Co., Ltd. ("**CRRH**"), an indirectly owned subsidiary of the Company, entered into a project construction contract (the "**Construction Contract**") with Xining Haoxin Mechanize Co., Ltd. and Xining North Longsheng Highway Project Co., Ltd. ("**Longsheng**") respectively for the earthwork of certain sections of the Muli Coalfield, Qinhai Province. On 24 August 2012, Xining Haoxin Mechanize Co., Ltd. was renamed as Tianjun Haoxin Mechanize Service Co., Ltd. ("**Haoxin**"), with which CRRH renewed the Construction Contract.*

In August 2014, Qinghai government started to carry out the comprehensive improvement of Muli Coalfield and issued Notice on Implementation Plan of Comprehensive Improvement of Muli Coalfield (Qingzhengban[2014] No.143), pursuant to which all companies operating in the Muli mining area were required to suspend construction work and to conduct the comprehensive environmental remediation of their own mining instead. Since the early construction work could not be proceeded, CRRH started negotiation with Longsheng and Haoxin about exiting construction site and settlement of the Construction Contract. In December 2014, the two constructors exited, then CRRH settled with each of them, respectively. During the settlement, the two constructors required CRRH to make compensation on the increased labour and machinery costs caused by the suspension.

On 25 August 2015 and 26 August 2015, Longsheng and Haoxin filed an arbitration application to Xining Arbitration Commission respectively for invalidating the Construction Contract and for the payment in an aggregate amount of RMB602.507 million including construction costs as well as the compensation of their corresponding loss, among which, Haoxin required CRRH to pay an aggregate amount of RMB230.048 million including construction costs of RMB19.775 million, compensation of corresponding loss of RMB184.788 million and penalty interests of RMB25.485 million, and Longsheng requires CRRH to pay an aggregate amount of RMB372.459 million including construction costs of RMB60.438 million and compensation of corresponding loss of RMB312.021million. According to the arbitration arrangements, these two cases were heard for the first time on 12 January 2016 and 13 January 2016 respectively, and the second hearing was carried on 28 January 2016 and 29 January 2016 respectively. The trials were in the process of cross-examination and have not yet entered into the debate process. The view of arbitral court about the basic facts of the cases remains unclear, and the proportion of responsibility of the three parties in these two cases could not be clarified.

Given this case is still pending, the Group considers it premature to assess the outcome of this case at this stage.

*Note 3: Exploitations Artisanales Au Congo ("**EXACO**") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("**MKM**"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO no longer held any share interest in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited ("**CRRG**") (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (equivalent to approximately RMB829 million). MKM and CRRG had raised objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 2013, although MKM and CRRG did not receive the verdict, MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 26 November 2013 due to prudent consideration and the needs to push the case on. And when the Lubumbashi Count of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to MKM and CRRG for a total of USD31 million compensation (equivalent to approximately RMB189 million) on 8 February 2013. MKM and CRRG appealed to the Supreme Court for the fraud of the presiding judge of the local court existing in the above case. On 23 July 2014, the Supreme Court convicted and cancelled the above judgment amounting to USD31 million compensation made by the local court on 8 February 2013.*

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (equivalent to approximately RMB671 million), and for taking protective measures against MKM. On 20 January 2014, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. MKM and CRRG have appealed to the Supreme Court for the fraud of the presiding judge of the Commercial Court of Lubumbashi in the above case. On 5 June 2015, the Supreme Court convicted and consequently cancelled the above judgment on protective measures made by the local court on 20 January 2014.

On 1 September 2015, EXACO filed an arbitration application to the International Court of Arbitration of the International Chamber of Commerce on the ground of MKM's failure of fulfilling its contractual obligation, and claimed for a compensation from MKM amounting to USD54.77 million (equivalent to approximately RMB356 million) including the loss caused by the share transfer transaction in relation to 43.5% share interest held by EXACO and the forced sale of 11.5% share interest held by EXACO as well as any interests incurred due to relevant delayed payment since the commencement of litigation in November 2012, and all arbitration fees and other expenses EXACO had paid for the arbitration proceedings. And claimed that China Railway Resources Group Limited and CRRG shall bear joint liabilities as to the obligations of above compensations. As at the disclosure date of this annual report, the case has not yet been substantive hearing. Therefore, no judgement has been made.

Given this case is still pending, the Group considers it premature to assess the outcome of this case at this stage.

*Note 4: Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. ("**COVEC**") and China Railway Tunnel Group Co., Ltd., established a consortium (the "**Consortium**") with another two independent parties in 2009 for the design and construction of certain sections of the A2 motorway Stryków – Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland ("**PGDNRM**"). The Group's share of the total contract amount and performance bond are approximately Polish Zloty ("**PLN**") 1,160 million (equivalent to approximately USD402 million or RMB2,741 million) and PLN116 million (equivalent to approximately USD40 million or RMB274 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the Consortium.*

On 29 September 2011, PGDNRM applied to the Poland Warsaw District Court for a payment order demanding COVEC, Poland branch of COVEC and one of the third-party companies in the Consortium collectively or individually for penalties and interests of an aggregate amount of PLN129 million (equivalent to approximately USD42 million or RMB263 million), whereas all parties in the Consortium bear joint liabilities. The lawyer of the Consortium then raised an objection to the payment order and the payment order became void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures.

In 2014, the Consortium began to settle the above case through the negotiation with PGDNRM by coordination of relevant parties. The Consortium withdrew the protective measures of the performance bond and agreed the banks to pay the Group's performance bond of PLN 116 million (equivalent to approximately RMB209 million) to PGDNRM at the beginning of 2015, which loss has been recognised in the Group's consolidated financial statements for the year ended 31 December 2014, and made several payments in 2015 in respect of the interests incurred amounting to PLN52 million (equivalent to approximately RMB93 million), which was recognised in profit or loss during the year ended 31 December 2015.

In view of intention of settlement between the Consortium and PGDNRM, the Poland Warsaw District Court made the verdict on 25 February 2015 to adjourn the trial of the case. Since the postponement of the case expired, PGDNRM applied to the court on 26 February 2016 to resume the trial. After the Consortium proactively communicated with PGDNRM, the parties have agreed to apply to the court for suspending the trial of the case lest the legal procedures produce any impact on the progress in the settlement negotiation. There is no significant progress up to the disclosure date of this annual report. At this stage, the Group considers it premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilized by certain related companies and third parties resulting in certain contingent liabilities. The following table sets forth the maximum exposure of these guarantees to the Group.

	As at 31 December			
	2015		2014	
	Amount *RMB million*	Expiry period	Amount *RMB million*	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	4,011	2016-2025	2,940	2015-2025
Joint ventures	2,230	2016-2020	230	2017-2018
Other government-related enterprises	57	2016	54	2015
Property purchasers	17,920	2016-2021	17,149	2015-2019
An investee of the Group	5	2016	12	2016
A former subsidiary	541	2021-2022	650	2021-2023
Total	24,764		21,035	

VII. Business Risks

The Group is exposed to a variety of business risks, including market risk, operation risk, management risk, policy risk, financial risk, investment risk, exchange rate risk and commodity price fluctuation risk in the ordinary course of business.

(1) **Market risk:** Various expectations from the government could have adverse impact on the market where the Group operates, such as expectation on growth level of both national and regional economy, usage of infrastructure and expectation on future expansion of demand and expectation on the overall growth level of related industries. In addition, the instability of political and economic environment of overseas market could bring uncertainties to the Group's overseas market development, which may affect the normal project implementation.

(2) **Operation risk:** For infrastructure construction business, the bidding prices of construction contracting projects are largely affected by market competition. Meanwhile, there are also certain operation risks for the Group to control the cost and to engage labour subcontractors.

(3) **Management risk:** With the Group's incapability to fully control all the actions of its non-wholly owned subsidiaries, plus high risk of the construction industry, and the rapid growth in the business scale of the Group in recent years as well as the gradually wider span of its operation, project management becomes more and more difficult, posing a severe challenge to the safety and quality management for the projects, cadre ethics and enterprise stability, which could result in management risks.

(4) **Policy risk:** Changes in the foreign exchange administration system, preferential taxation policies and policies for real estates industry in the PRC could have certain adverse impacts on the Group.

(5) **Financial risk:** Delay in payment by its customers could affect the Group's working capital and cash flow, and the failure to obtain sufficient funding could also affect the expansion plan and development prospects of the Group.

(6) **Investment risk:** Investment risk mainly includes relevant advance payments for projects, decrease in investment of infrastructural projects by non-governmental investment institutions resulted from changes in policies, and significant outlay of working capital over extended periods.

(7) **Exchange rate risk:** Due to the uncertainties of the exchange rate in the foreign exchange market, the Group may incur loss on certain overseas projects where settlements and payments of contracts are denominated in local currencies.

(8) **Commodity price fluctuation risk:** The domestic and international macroscopic economy may cause significant fluctuations in market prices of commodities relating to the Group, which in turn may affect the Group's control on its production and operating costs.

To guard against the occurrence of various types of risks, the Group makes various types of risks correspond to the business process through the establishment and operation of the internal control system, pursuant to which the Group can decompose and identify the critical control point of business processes, develop specific control measures, establish procedures critical control documents, implement the responsibilities of the various types of risks and critical control point, work closely with the day-to-day management and control, and control risk factors and elements. In addition, the Group strictly supervises the important control aspects of earlier stage of research, planning, reviewing, auditing, approval and decision-making; enhances process control and post-assessment work; and makes measures to deal with risks and contingency plans, aiming to guarantee overall controllability of the Group's various types of risk.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, aged 57, professor-level senior engineer, is an executive director, Chairman, Secretary to the Communist Party Committee, Chairman of the Strategy Committee and Chairman of the Nomination Committee of the Board of the Directors of the Company. Mr. LI is also the Chairman, Deputy Secretary to the Communist Party Committee of CRECG and the Chairman of the Listed Companies Association of Beijing. Mr. LI was the General Manager of CRECG from June 2010 to March 2013. He has been the Chairman, Deputy Secretary to the Communist Party Committee of CRECG and the Chairman, an executive director and Secretary to the Communist Party Committee of the Company since June 2010. Mr. LI assumed the responsibilities of the President of the Company from January 2014 to March 2014.

YAO Guiqing
(Vice Chairman and Executive Director)

YAO Guiqing, aged 61, senior economist, is an executive director, Vice Chairman, Deputy Secretary to the Communist Party Committee of the Company. He is also a director, General Manager and Deputy Secretary to the Communist Party Committee of CRECG. Mr. YAO was the Chairman of the Labor Union of the Company from September 2007 to March 2014, and Vice Chairman and a director of CRECG from June 2010 to March 2013. He has been an executive director and Vice Chairman of the Company since August 2010 and the General Manager and a director of CRECG since March 2013.

ZHANG Zongyan
(Executive Director and President)

ZHANG Zongyan, aged 52, professor-level senior engineer, is an executive director, President, Chairman of the Safety, Health and Environmental Protection Committee of the Board of the Directors of the Company, and is a director and Secretary to the Communist Party Committee of CRECG. Mr. ZHANG was the Vice President of China Railway Construction Corporation Limited from April 2009 to March 2013. Mr. ZHANG was the President and Deputy Secretary to the Communist Party Committee of China Railway Construction Corporation Limited and concurrently a director and Secretary to the Communist Party Committee of China Railway Construction Corporation from March 2013 to July 2015, and an executive director of China Railway Construction Corporation Limited from June 2013 to July 2015. Mr. ZHANG has been a director and Secretary to the Communist Party Committee of CRECG since July 2015, the President of the Company since July 2015 and an executive director of the Company since January 2016.

GUO Peizhang
(Independent Non-executive Director)

GUO Peizhang, aged 66, senior economist, is an independent non-executive director and Chairman of the Remuneration Committee of the Board of the Directors of the Company, and is also an independent non-executive director of China Shenhua Energy Company Limited. Mr. GUO was the Chairman of the Supervisory Committee of GD Power Development Co., Ltd. from November 2007 to April 2011, and has been an independent non-executive director of China Shenhua Energy Company Limited since June 2010, an external director of China Dongfang Electric Corporation from December 2010 to September 2015. Mr. GUO has been an independent non-executive director of the Company since June 2014.

WEN Baoman
(Independent Non-executive Director)

WEN Baoman, aged 64, senior administration engineer, is an independent non-executive director of the Company and an external director of China Telecom Group. Mr. WEN was Deputy Secretary of the Party Committee with concurrent position as Headmaster of Party School of Ansteel Group, Chairman of Supervisory Committee of Angang Steel Company Limited and a Standing Committee Member of Anshan Municipal Committee from July 2007 to December 2011. Mr. WEN has been an external director of China Telecom Group since March 2012. He has been an independent non-executive director of the Company since June 2014.

ZHENG Qingzhi
(Independent Non-executive Director)

ZHENG Qingzhi, aged 63, senior accountant, is an independent non-executive director of the Company, Chairman of the Audit and Risk Management Committee of the Board of the Directors of the Company and Vice Chairman and Secretary-General of China Agriculture Industrialisation Association. Mr. ZHENG was a director, General Manager and Deputy Secretary of the Party Committee of China National Agricultural Development Group Co., Ltd. from October 2004 to April 2013 with concurrent position as Chairman of the Board of Directors of China Animal Husbandry (group) General Corporation, and has been the Deputy Chairman and Secretary-General of China Agriculture Industrialisation Association since April 2013. Mr. ZHENG has been an external director of Wuhan FiberHome Technologies Group since October 2015 and an independent non-executive director of the Company since June 2014.

NGAI Wai Fung
(Independent Non-executive Director)

NGAI Wai Fung, aged 53, is an independent non-executive director of the Company, and is the chief executive officer of SW Corporate Services Group Limited, the managing director of MNCOR Consulting Limited, a director and General Manager of MNCOR Limited, a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, the Adjunct Professor of Law of Hong Kong Shue Yan University and a member of The Chamber of Hong Kong Listed Companies, a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Certified Accountant Association, a senior member of Institute of Chartered Secretaries and Administrators, a senior member of The Hong Kong Institute of Chartered Secretaries, a senior member of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. He was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of Work Group on Professional Services under the Economic Development Commission, and is an independent non-executive director of China Coal Energy Company Limited and BBMG Corporation, as well as the independent non-executive director of the following Hong Kong listed companies, namely BaWang International (Group) Holding Limited, Biostime International Holdings Limited, Bosideng International Holdings Limited, Beijing Capital Juda Limited, Powerlong Real Estate Holdings Limited, SITC International Holdings Company Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, TravelSky Technology Limited and LDKSolar Co., Ltd. He was the independent non-executive director of Franshion Properties (China) Limited, China Life Insurance Company Limited and China Railway Construction Corporation Limited. He has been an external director of Sinochem Group since March 2016 and an independent non-executive director of the Company since June 2014.

II. Supervisors

LIU Chengjun
(Chairman of Supervisory Committee)

LIU Chengjun, aged 53, professor-level senior engineer entitled to government special allowance from State Council, is the Chairman of the Supervisory Committee of the Company. He was the Deputy Chief Engineer, Head of Scientific Design Division of the Company from January 2008 to June 2014. He was the General Manager of the design and consulting branch company from December 2001 to July 2014; a shareholder representative and Vice Chairman of China Railway Eryuan Engineering Group Co., Ltd. from December 2006 to October 2007; Chairman of the Supervisory Committee of China Railway South Investment & Development Co., Ltd. from December 2007 to September 2012; and Chairman of China Railway Northwest Research Institute Co., Ltd. from December 2009 to July 2014. He also served as the Chairman of China Railway Major Bridge Survey and Design Institute Group Co., Ltd. from December 2010 to March 2013. Mr. LIU has been Chairman of Supervisory Committee and a shareholder representative supervisor of the Company since June 2014.

LIU Jianyuan
(Supervisor)

LIU Jianyuan, aged 54, senior economist and senior political engineer, is an employee representative supervisor, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company, with concurrent position as an employee director and Chairperson of the Labour Union of CRECG. She was Vice Chairperson of the Labour Union of the Company from January 2008 to June 2014. Ms. LIU has been an employee director of CRECG since August 2012, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company since June 2014, Vice Chairperson of Female Staff Committee of All-China Federation of Railway Labour Union since December 2015 and Executive Committee Member of All-China Federation of Labour Unions since January 2016.

WANG Hongguang
(Supervisor)

WANG Hongguang, aged 56, senior lecturer and senior political engineer, is an employee representative supervisor, Vice Secretary to the Disciplinary Committee and Head of Supervision Department of the Company, with concurrent position as Deputy Secretary to the Disciplinary Committee of CRECG. Mr. WANG has been Deputy Secretary to the Disciplinary Committee and Head of Supervision Department of the Company since November 2009 with concurrent position as Deputy Secretary to the Disciplinary Committee of CRECG. Mr. WANG has been an employee representative supervisor of the Company since June 2014.

CHEN Wenxin
(Supervisor)

CHEN Wenxin, aged 52, senior economist, is a shareholder representative supervisor of the Company. Mr. Chen was a supervisor of China Railway South Investment & Development Co., Ltd. from December 2007 to August 2012 and the Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He has been a director of Lince Railway Co., Ltd. from December 2010 to June 2015, a director and Vice Chairman of Lince Railway Co., Ltd. since June 2015 as well as a shareholder representative supervisor of the Company since January 2011.

FAN Jinghua
(Supervisor)

FAN Jinghua, aged 50, senior auditor and senior accountant, is an employee representative supervisor and Head of Audit Department of the Company. He was a supervisor and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from October 2005 to May 2011, a supervisor, Deputy Chief Accountant and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from June 2011 to June 2013, Deputy Head of Audit Department of the Company from July 2013 to November 2013. Mr. FAN has been Head of Audit Department of the Company since November 2013 and an employee representative supervisor of the Company since June 2014.

III. Senior Management

The biography of Mr. ZHANG Zongyan, who is a director of the Company and concurrently a member of the senior management, please refer to the above disclosure.

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, aged 56, professor-level senior engineer, is a state registered consulting engineer and first-grade state-registered architect, Vice President and Chief Engineer of the Company and concurrently Vice Chairman of the Third Railway Survey and Design Institute Group Corporation and Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd.. Mr. LIU has been Vice Chairman of the Third Railway Survey and Design Institute Group Corporation since January 2007, Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd. since June 2011 and the Vice President and Chief Engineer of the Company since September 2007.

MA Li
(Vice President)

MA Li, aged 58, professor-level senior engineer, is a Vice President of the Company. He has been a Vice President of the Company since September 2007.

ZHOU Mengbo
(Vice President)

ZHOU Mengbo, aged 51, professor-level senior engineer, is a Vice President of the Company. He has been a Vice President of the Company since September 2007.

ZHANG Xian
(Vice President)

ZHANG Xian, aged 55, professor-level senior engineer, is a Vice President of the Company. He has been a Vice President of the Company since August 2010.

XU Tingwang
(Vice President)

XU Tingwang, aged 60, senior economist, is a Vice President of the Company. Mr. XU was the Chief Economist of the Company from July 2010 to March 2014. He has been a Vice President of the Company since March 2014.

YANG Liang
(Chief Financial Officer)

YANG Liang, aged 47, senior accountant, is the Chief Financial Officer of the Company. Mr. YANG was a supervisor of China Railway Resources Company Limited from April 2008 and March 2014, Director of the Finance Department of the Company from September 2007 to March 2014 and the Director of China Railway Trust Co., Ltd. from November 2013 to March 2014. He has been the Chief Financial Officer of the Company since March 2014.

YU Tengqun
(Secretary to the Board of Directors, General Legal Advisor and the spokesperson of the Company)

YU Tengqun, aged 46, senior economist, is the Secretary to the Board of Directors, General Legal Advisor and the spokesperson of the Company. Mr. YU is also the Deputy Secretary of the Listed Companies Association of Beijing. Mr. YU was the Secretary to the Board of Directors and the spokesperson of the Company from September 2010 to March 2014, and has been the Secretary to the Board of Directors, General Legal Advisor and the spokesperson of the Company since March 2014.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant of the Company)

TAM Chun Chung, aged 43, is the Joint Company Secretary and Qualified Accountant of the Company and also an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd. and Lap Kei Engineering (Holdings) Limited. Mr. TAM joined the Company in November 2007. Prior to joining the Company, Mr. TAM served as a Qualified Accountant and Joint Company Secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. TAM worked for a large international accounting firm as an assistant manager. Mr. TAM has over 20 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

REPORT OF THE DIRECTORS

Business Review

1. Business review of the financial year

We are one of the strongest and largest multifunctional integrated construction groups in the PRC and even in the world. We are primarily engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses.

In the year of 2015, the management of the Group seized the opportunity to conduct courageous business exploration; closely focused on the central task of "seizing opportunities while sustaining growth, expediting transformation through reforms, enhancing the efficiency through better management and controlling risks while maintaining stability"; comprehensively promoted the enterprise reform with great determination and forceful measures; accelerated institutional innovation and mechanism conversion; proactively changed business philosophy and carried out business model innovation; improved management quality; strictly controlled business risks; promoted the coordinated development of the "top three operations", namely domestic business, international business and industrial investment; further enhanced the enterprise's market competitiveness; and exceeded all the annual business targets.

In the year of 2015, the Group achieved revenue of RMB599.942 billion, representing a year-on-year increase of 1.7%. In the year of 2015, the Group achieved net profit of RMB11.786 billion, representing a year-on-year increase of 10.4%. The annual profit attributable to the owner of the Company was RMB11.675 billion, representing a year-on-year increase of 13.8%.

Further details of the Group's business review of the financial year are set out in Parts I to VII of "Business Overview" on pages 15 to 21 and Parts I to VI of Management Discussion and Analysis on pages 23 to 35.

2. Principal risks and uncertainties

The Group is exposed to a variety of business risks, including market risk, operation risk, management risk, policy risk, financial risk, investment risk, exchange rate risk and commodity price fluctuation risk in the ordinary course of business.

Further details of the Group's principal risks are set out in Part VII of "Management Discussion and Analysis" on page 36.

3. Important events occurred after the reporting period

Approved by the State Council in March 2016, the replacement of business tax with value added tax (the "**Taxation Replacement**") will be extended to construction, real estate, finance and consumer industries since 1 May 2016.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Cai Shui [2016] No. 36 "Notice on Tax Policy Concerning Nationwide Implementation of VAT Pilot Program" (the "**Notice**"). Pursuant to the Notice, the tax rate of 11% and 6% will be applied to construction and real estate industries respectively, and 6% to finance industry.

The Directors are of the view that the Taxation Replacement will have material impact on the Group's financial performance and positions, especially on segment revenues and results of infrastructure construction, property development and finance business.

As at the disclosure date of the annual report, the Group has not completed its assessment of the full impact of the Taxation Replacement on the consolidated financial statements.

4. Future development of businesses

In 2015, the Group started to prepare the "13th Five-Year Plan" in a scientific way according to the objective situation of the new normal of China's social and economic development, based on the overall summarisation of the implementation of "12th Five-Year Plan", and concurrently taking into consideration the characteristics of the Group itself. During the period of "13th Five-Year Plan", the Group will attach more importance to the leading role of strategic planning, the direction of transformation and upgrading and the enhancement of quality and efficiency, striving to make breakthroughs by deepening reform and innovation in system and mechanism, and to strengthen its basic management, with a view to realize the coordinated, sustainable and healthy development of the Group in all aspects.

Details of the Group's expectations to and plans of businesses future development are set out in Parts VIII and IX of "Business Overview" on page 22.

Financial Statements

The profits of the Group for the year ended 31 December 2015 and the financial positions of the Company and the Group as at such date are set out in the Financial Statements on pages 78 to 201.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.086 per share (including tax), totalling approximately RMB1.965 billion for the financial year ended 31 December 2015 (2014: RMB0.078 per share (including tax) totalling approximately RMB1.661 billion). The distribution plan will be implemented upon approval at the 2015 annual general meeting of the Company and is expected to be paid to the shareholders of the Company in around August 2016.

Donations

Donations made by the Group during the financial year amounted to RMB4.306 million (2014: RMB1.797 million).

Property, Plant and Equipment

Changes in property, plant and equipment of the Group and the Company during the financial year are set out in note 16 to the Financial Statements.

Share Capital

Details of the Company's share capital are set out in note 33 to the Financial Statements.

Distributable Reserves

As at 31 December 2015, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB20.67 billion.

Use of Proceeds from the Initial Public Offering

Save as disclosed below, the proceeds raised from A share offering and H share offering of the Company, being RMB22.440 billion and HK$22.108 billion, respectively, were used in accordance with the purposes disclosed in the A share prospectus of the Company dated 30 November 2007 and the H share prospectus of the Company dated 23 November 2007, respectively.

In accordance with the disclosure in the A share prospectus of the Company in respect of the use of proceeds from the offering, an amount of RMB1.04 billion of the A share proceeds was to be used for a residential property development project of the Company referred to as "An Qing Xin Cheng Dong Yuan". Given the situation of the project, the Company changed the use of an amount of RMB540 million of the proceeds from the A share offering which had not been invested in the project to supplement the Company's working capital, which was approved at the 2008 annual general meeting of the Company held on 25 June 2009.

In addition, given that a substantial amount of proceeds from the H share offering designated for purchase of equipment from abroad remained unused and that the developments of the Company's businesses and equipment manufacturing technology requires a significant amount of working capital, the Company changed the use of the remaining balance of the proceeds from H share offering for the "purchase of equipment from abroad" of RMB3,035,989,900 as at 31 July 2010 to "additional working capital and others", which was approved at the first extraordinary general meeting in 2011 of the Company held on 27 January 2011.

As at 31 December 2012, the proceeds raised from A share offering of the Company had been used up.

During the financial year, approximately RMB116 million raised from the H share offering of the Company was used for additional working capital and for other purposes. As at 31 December 2015, the proceeds raised from the H share offering of the Company had been used up.

Results of the Non-public Issuance of A Shares by the Company

In order to increase investment in the infrastructure construction sector, enhance the Company's capability of building urban rail transport and expressways, further consolidate market position, enhance the Company's core competitiveness, improve the Company's profitability and reduce financial risks, the Company completed the non-public issuance of 1,544,401,543 A shares on 14 July 2015 with the approval at the 2015 first extraordinary general meeting held on 31 March 2015. The results of the non-public issuance of A shares are as follows:

Type of shares	:	A shares
Nominal value	:	RMB1.00
Number of A shares issued	:	1,544,401,543 shares
Issue price	:	RMB7.77 per A share
		On 30 January 2015 (i.e. one trading day immediately prior to the date of resolution of the Board of Directors approving the issuance of A shares according to the relevant terms), the closing price of A share and H share of the Company was RMB8.14 per A share and HK$5.69 per H share, respectively.

Target subscribers	:	In total seven investors including CRECG (the controlling shareholder of the Company) with orders matched on the price-quantity-time priority basis save for CRECG.
Total net proceeds raised	:	The total proceeds raised through the issuance amounted to RMB12 billion. After deducting the issuance expenses (including expenses for underwriters, sponsors, lawyers and capital verification work) of RMB121 million, the net proceeds from the issuance amounted to RMB11.879 billion (equivalent to approximately RMB7.69 per share)
Use of proceeds	:	Primarily to be used for certain infrastructure investment projects, partly to be used for repayment of bank loans. At the 13th meeting of the third session of the Board of Directors held on 31 August 2015, the *Proposal on the Temporal Use of Partial Idle Proceeds Raised to Supplement the Working Capital of the Company* was considered and approved, under which the Company was approved to temporarily use the proceeds raised (not exceeding RMB2 billion) to supplement its working capital within a period of 12 months commencing from the date of approval of the Board of Directors and it would fully repay the money to the Company's special account for proceeds raised prior to the expiration of the said period.
Results of using of proceeds	:	During the financial year, RMB11.472 billion of the proceeds from the issuance has been used for the following purposes: • Approximate RMB6.033 billion used for BT and BOT projects construction and development; • Approximate RMB3.6 billion used to repay bank loans; and • Approximate RMB1.839 billion used to supplement working capital. RMB407 million of the proceeds from the issuance remains unused, which is deposited in the special bank account of the Company.

Results of the Non-public Issuance of A Shares by a Subsidiary of the Company

On 2 December 2015, the Company and China Railway Erju Co., Ltd. (the "**China Railway Erju**") entered into an asset swap agreement, pursuant to which the Company agreed to sell to China Railway Erju 100% equity interests held by the Company in China Railway Shanhaiguan Bridge Group Co., Ltd., China Railway Baoji Bridge Group Co., Ltd., China Railway Science & Industry Group Co., Ltd. and China Railway Engineering Equipment Group Co., Ltd., and China Railway Erju agreed to swap with the Company all of its assets and liabilities (by first injecting them into its wholly-owned subsidiary China Railway Erju Engineering Co., Ltd., and then transferring the 100% equity interests in China Railway Erju Engineering Co., Ltd.) for equal value, the difference in the price of assets shall be paid by China Railway Erju by issuance of 368,698,800 new A shares of par value of RMB1.00 each to the Company by means of a non-public offering. China Railway Erju also resolved to issue no more than 513,698,630 new A shares to no more than ten qualified designated investors at the issue price of no less than RMB11.68 per share by way of a non-public offering to raise proceeds of no more than RMB6,000,000,000 in aggregate. As at the date of this report, the Company and China Railway Erju are making active progress in the restructuring work.

Reserves

Changes in reserves of the Group and the Company during the financial year are set out in the consolidated statement of changes in equity on pages 82 to 83 of this annual report.

Major Customers and Suppliers

China Railway Corporation, which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2015, sales to China Railway Corporation accounted for approximately 32.0% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including China Railway Corporation) in aggregate accounted for approximately 35.8% of the total revenue of the Group. At no time during the financial year have the directors, their associates or any shareholder of the Company (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2015, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 1.4% of the total cost of sales of the Group in 2015.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2015 are set out in note 47 and note 22, respectively, to the Financial Statements.

Directors, Supervisors and Senior Management of the Company

The directors of the Company during the financial year were as follows:

Name	Position
LI Changjin	Chairman and Executive Director
YAO Guiqing	Vice Chairman and Executive Director
DAI Hegen (resigned on 2 July 2015)	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
NGAI Wai Fung	Independent Non-executive Director

The Supervisors of the Company during the financial year were as follows:

Name	Position
LIU Chengjun	Chairman of the Supervisory Committee
LIU Jianyuan	Supervisor
WANG Hongguang	Supervisor
CHEN Wenxin	Supervisor
FAN Jinghua	Supervisor

The senior management of the Company during the financial year were as follows:

Name	Position
ZHANG Zongyan (appointed on 13 July 2015)	President
DAI Hegen (resigned on 2 July 2015)	President
LIU Hui	Vice President and Chief Engineer
MA Li	Vice President
ZHOU Mengbo	Vice President
ZHANG Xian	Vice President
XU Tingwang	Vice President
YANG Liang	Chief Financial Officer
YU Tengqun	Secretary to the Board of Directors, General Legal Advisor and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant

On 2 July 2015, the Board of Directors received the resignation letter form Mr. DAI Hegen, an executive director and President of the Company. Due to change of job assignments, Mr. DAI Hegen resigned from the positions as (among others) executive director and President of the Company. In accordance with the recommendation of the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") and the nomination from CRECG, Mr. ZHANG Zongyan was put forward as a candidate for executive director and President of the Company. At the 12th meeting of the third session of the Board of Directors held on 13 July 2015, Mr. ZHANG Zongyan was appointed as the President of the Company, the term of office of which commenced from the date of the relevant board resolution until the expiry of the term of office of the third session of the Board of Directors, and was nominated as a candidate for the executive director of the Company. At the 2016 first extraordinary general meeting of the Company held on 28 January 2016, Mr. ZHANG Zongyan was elected as an executive director of the Company, the term of office of which commenced from the date of passing of the resolution at the extraordinary general meeting until the expiry of the term of office of the third session of the Board of Directors.

The biographical details of the current directors, supervisors and senior management of the Company are set out in "Biography of Directors, Supervisors and Senior Management".

Directors' and Supervisors' Interests in Contracts

No transaction, arrangement or contract of significance to which the Company, or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

Emoluments of the Directors, Supervisors and Senior Management of the Company

Details of the emoluments of the directors, supervisors and senior management of the Company in 2015 are set out in note 13 to the audited Financial Statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2015, none of the Company or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Company has entered into a service contract with the Company or its subsidiary that is not terminable within one year without payment of compensation (in addition to statutory compensation).

Permitted Indemnity Provisions

The Company has not entered into any agreement with permitted indemnity provisions with directors or supervisors of the Company to provide indemnity to a director or a supervisor of the Company against liability incurred by the director or the supervisor to third parties or other types of liabilities.

However, during the financial year, the Company has arranged appropriate liability insurance coverage for the directors, supervisors and senior management of the Company.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 31 December 2015, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of director/ supervisor	Capacity	Number of A shares held (long position) *(Shares)*	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
Directors				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Mr. YAO Guiqing	Beneficial owner	100,112	0.0005	0.0004
Mr. DAI Hegen *(Note)*	Beneficial owner	106,000	0.0006	0.0005
Supervisors				
Ms. LIU Jianyuan	Beneficial owner	1,200	0.000006	0.000005

Note: Mr. DAI Hegen resigned on 2 July 2015 and ceased to be a director of the Company from the same date.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2015, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holder of A shares

Name of substantial shareholder	Capacity	Number of A shares held *(Shares)*	Nature of interest	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
CRECG	Beneficial owner	12,260,390,308	Long position	65.79	53.67

Holder of H shares

Name of substantial shareholder	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
BlackRock, Inc.	Interest of controlled corporations	300,655,765	Long position	7.15	1.32
Deutsche Bank Aktiengesellschaft	Interest of controlled corporations *(Note 1)*	229,803,271 123,424,962 10,406,000	Long position Short position Lending Pool	5.46 2.93 0.25	1.01 0.54 0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560 94,560,550	Long position Short position	5.00 2.25	0.92 0.41

Notes:

1 *According to the Corporate Substantial Shareholder Notice filed by Deutsche Bank Aktiengesellschaft with the Hong Kong Stock Exchange dated 13 January 2014, the interests held by Deutsche Bank Aktiengesellschaft were held in the following capacities:*

Capacity	Number of H shares (Long position)	Number of H shares (Short position)
Beneficial owner	139,171,310	123,424,962
Person having a security interest in shares	17,515,361	–
Interest of controlled corporations	54,042,600	–
Custodian corporation	10,406,000	–
Others	8,668,000	–

2 *The interests or short positions include the underlying shares as follows:*

	Long position				Short position			
Name of substantial shareholders	Listed equity derivative payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash	Listed equity derivatives payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash
BlackRock, Inc.	–	–	–	1,424,000	–	–	–	–
Deutsche Bank Aktiengesellschaft	–	–	–	17,624,000	–	–	–	10,166,000
Lehman Brothers Holdings Inc.	–	–	10,000,000	–	–	–	60,000	–

Apart from the foregoing, as at 31 December 2015, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

None of the Company's directors held any interest in any business that competes or may compete, either directly or indirectly, with the Group.

Connected Transactions

1. Continuing connected transactions defined under the Listing Rules

CRECG is the Company's controlling shareholder and is therefore one of the Company's connected persons under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "**Listing Rules**"). Transactions between the Company and/or its subsidiaries and CRECG and/or its associates constitute connected transactions.

(1) the Comprehensive Services Agreement between the Company and CRECG

Reference is made to the prospects of the Company dated 23 November 2007 in relation to, among other things, the comprehensive services agreement (the "**Comprehensive Services Agreement**") entered into between the Company and CRECG. The term of the Comprehensive Services Agreement commenced on the date of the agreement and expired on 31 December 2009, which was renewed for an another term of three years on 1 January 2010 and expired on 31 December 2012.

On 28 March 2013, the Company entered into a comprehensive services renewal agreement (the "**Comprehensive Services Renewal Agreement**") with CRECG which took effect from 1 January 2013 till 31 December 2015, in relation to the mutual provision of comprehensive services between CRECG and the Group. Pursuant to the Comprehensive Services Renewal Agreement, CRECG and/or its associates will provide social services to the Group, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational disease and other special medical services to employees of the Group as well as training to the Group's employees.

The annual caps for the year of 2013, 2014 and 2015 under the Comprehensive Services Renewal Agreement are as follows:

	For the financial year ended 31 December		
	2013	2014	**2015**
	RMB	*RMB*	***RMB***
Provision of comprehensive services by CRECG Group to the Group	78,200,000	78,200,000	**78,200,000**
Provision of comprehensive services by the Group to CRECG Group	4,500,000	4,500,000	**4,500,000**

The above annual caps were determined by reference to the historical transaction amount under the Comprehensive Services Agreement and the estimated value of transactions under the Comprehensive Services Renewal Agreement that are expected to be entered into in 2013, 2014 and 2015. The Company has made announcement in respect of the Comprehensive Services Renewal Agreement on 28 March 2013.

On 30 December 2015, the Company entered into a second comprehensive services renewal agreement with CRECG, effective from 1 January 2016 to 31 December 2018. As all the relevant percentage ratios of the transactions under the second comprehensive services renewal agreement do not exceed 0.1%, the transactions are exempt from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules.

(2) the Financial Services Framework Agreement between China Railway Finance Company Limited ("China Railway Finance") and CRECG

On 29 April 2014, China Railway Finance (a subsidiary of the Company, with 95% of its equity interest being held by the Company and 5% of its equity interest being held by CRECG) executed a financial services framework agreement with CRECG (the "**Financial Services Framework Agreement**"), which took effect upon the completion of relevant statutory procedures, being 16 March 2014, till 31 December 2015. Pursuant to the Financial Services Framework Agreement, China Railway Finance agreed to provide deposit services, loan services and other financial services to CRECG in accordance with the terms and conditions stipulated in the agreement.

The annual caps for the year of 2014 and 2015 under the Financial Services Framework Agreement are as follows:

	For the financial year ended 31 December	
	2014 *RMB*	**2015** ***RMB***
(i) deposit service The maximum of daily deposit balance in China Railway Finance by CRECG (including interest accrued)	20,000,000,000	**20,000,000,000**
(ii) loan service The maximum of daily loan balance from China Railway Finance to CRECG (including interest accrued)	2,000,000,000	**2,000,000,000**
(iii) other financial services The aggregate annual amount of maximum service fees for financial services provided by China Railway Finance to CRECG	40,000,000	**80,000,000**

The factors in determining the above annual caps include: (1) historical transaction amount; (2) the strategy of financial management of the Company by taking into account the cash flow and capital needs as required by the business expansion plan of the Group; and (3) the effective and reasonable control of financial risks. The Company has made announcement in respect of the Financial Services Framework Agreement on 29 April 2014.

On 29 December 2015, China Railway Finance and CRECG entered into a financial services framework renewal agreement (the "**Financial Services Framework Renewal Agreement**"), effective from 1 January 2016 to 31 December 2018, to renew the Financial Services Framework Agreement. The Company has made announcement in respect of the Financial Services Framework Renewal Agreement on 29 December 2015.

The independent non-executive directors of the Company are of the opinion that, during the financial year, the above continuing connected transactions between the Group and the CRECG were entered into:

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

(ii) either on normal commercial terms or, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Board of Directors has engaged the auditor of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions of the Group in the financial year. The auditors of the Company have reported the factual findings on these procedures to the Board of Directors.

The Board of Directors has received a letter from the auditors of the Company confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(i) have not been approved by the Board of Directors;

(ii) were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and;

(iii) have exceeded their respective maximum aggregate annual value set out above for the financial year ended 31 December 2015.

In respect of the above continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

2. Significant related party transactions as defined under PRC laws and regulations

Details of the significant related party transactions as defined by PRC laws and regulations are set out on pages 208 to 210 of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

During the financial year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights pursuant to the Company's Articles of Association (the "**Articles of Association**") and the relevant laws and regulations of the PRC.

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the financial year, or existed as at 31 December 2015.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2015 are set out in note 36 to the Financial Statements.

Management Contract

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year.

Financial Summary

The summary of the audited results and of the audited statements of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

Emolument Policy

Ever since listing, the Company has been devoted to establishing a remuneration management scheme that is scientific and reasonable, fair and equitable, normative and orderly, in accordance with the requirements of the modern enterprise system, focused on the incentive and constraint functions that of remuneration distribution may serve, and aimed to attract and retain the core talents of the Company and maintain the reasonable and orderly growth in remuneration. In respect of remuneration policies, the Company formulated the *Guiding Opinion on Remuneration Management*, which set out guidance and goals of remuneration distribution, adopted a grading and classification mechanism for remuneration management, and rationalised the remuneration distribution relationships within the enterprise. In order to motivate the staff working abroad and promote the healthy development of the overseas businesses of the Company, the Company formulated the *Guiding Opinion regarding Strengthening Remuneration Management Overseas*, which set out the principles for remuneration management overseas of legal compliance, emphasising on domestic growth balanced with expansion overseas and grade-based management, whereby reinforcing and regulating the management of aggregate amount of salary overseas, performance evaluation and welfare benefits taking into account the special nature of overseas remuneration arrangements. In respect of safeguarding employees' lawful benefits, the Company formulated the *Guiding Opinion on Establishing and Improving the Mechanism for Assuring Normal Growth and Payment of Employees' Salary* in 2009 to effectively ensure the coordinated growth of employees' salary and the enterprise economic performance and achieve scientific and harmonious development. In respect of the management of the aggregate amount and rate of salary, the Company formulated the *Interim Measures for Budgetary Management of Aggregate Salary* and *the Rules for Implementing Interim Measures for Budgetary Management of Aggregate Salary* in 2013 in accordance with the relevant regulations of the SASAC on budgetary management of aggregate salary. In 2014, the Company was selected by the SASAC as the pilot unit of filing-based regulatory scheme for budgetary management of aggregate salary. As such, the Company further strengthened the internal management of aggregate salary by issuing the *Notice Regarding Further Regulating the Budgetary Management of Aggregate Salary*, which refined the salary setting mechanism tying salary to economic efficiency and the floating solution for salary increase control, based on the principles under which salary are tied to and distribution is dependent on economic efficiency, with an aim to ensure a reasonable and orderly growth in aggregate salary and employee wage so as to facilitate the scientific development of the Company.

Employee remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. Particulars of the employee remuneration of the Company are set out in note 13 to the Financial Statements.

In accordance with applicable regulations, the Group makes contributions to the employee pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to employee housing provident fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans for both current and retired employees, and annuities for current employees.

In 2015, the Group deeply implemented the "12th Five-year Plan" of talent training and set the objective to build "six talents" teams, i.e. team of operating management, specialists with professional skills, team of professional project management, personnel in ideological and political promotion, and technicians with specialised skills. In this regard, the Company formulated the *2015 Training Plan*, under which it stepped up its efforts in educational training, explored new model of training, paid additional attention to exchanges and studies in learning and teaching, which resulted in an increase in capacity and quality of employees.

In 2016, the Group will continue to strengthen its employee training with a focus on developing the awareness of the leaders at all levels with the political integrity, keeping in mind the bigger picture, following the CPC as the core of the Chinese leadership and acting consistently with CPC Central Committee policy and their capability and quality of promoting scientific development of the enterprise. The Group will also continue strengthening the development of the international talents, promote the successful implementation of "go-abroad" strategy, and develop a top-notch professional team with international competitiveness to ensure sufficient talents for enterprise development.

The remuneration of executive directors of the Company is on an annual basis and consists of base salary and performance-based bonus. The revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the independent non-executive directors of the Company is a fixed salary depending on position. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 13 to the Financial Statements.

The personnel expenses of the Company for the year ended 31 December 2015 were RMB42.163 billion. As at 31 December 2015, the number of employees hired by the Group was 291,149. The following table sets forth a breakdown of the Group's employees by division as at 31 December 2015:

Division	Number of employees as at 31 December 2015
Production	140,915
Sales and Marketing	21,415
Engineering and Technology	98,068
Financing	13,864
Administration	16,887
Total	**291,149**

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 13 and note 39 to the Financial Statements.

Public Float

As at the date of this annual report, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company.

Compliance with the Corporate Governance Code

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 59 to 76 of this annual report.

Auditors

The 2015 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by Deloitte Touche Tohmatsu CPA LLP.

All references in this part of the annual report (Report of the Directors) to other parts, sections of or notes in the annual report, form part of the Report of the Directors.

By order of the Board of Directors

Li Changjin
Chairman

Beijing, the PRC
30 March 2016

REPORT ON CORPORATE GOVERNANCE PRACTICES

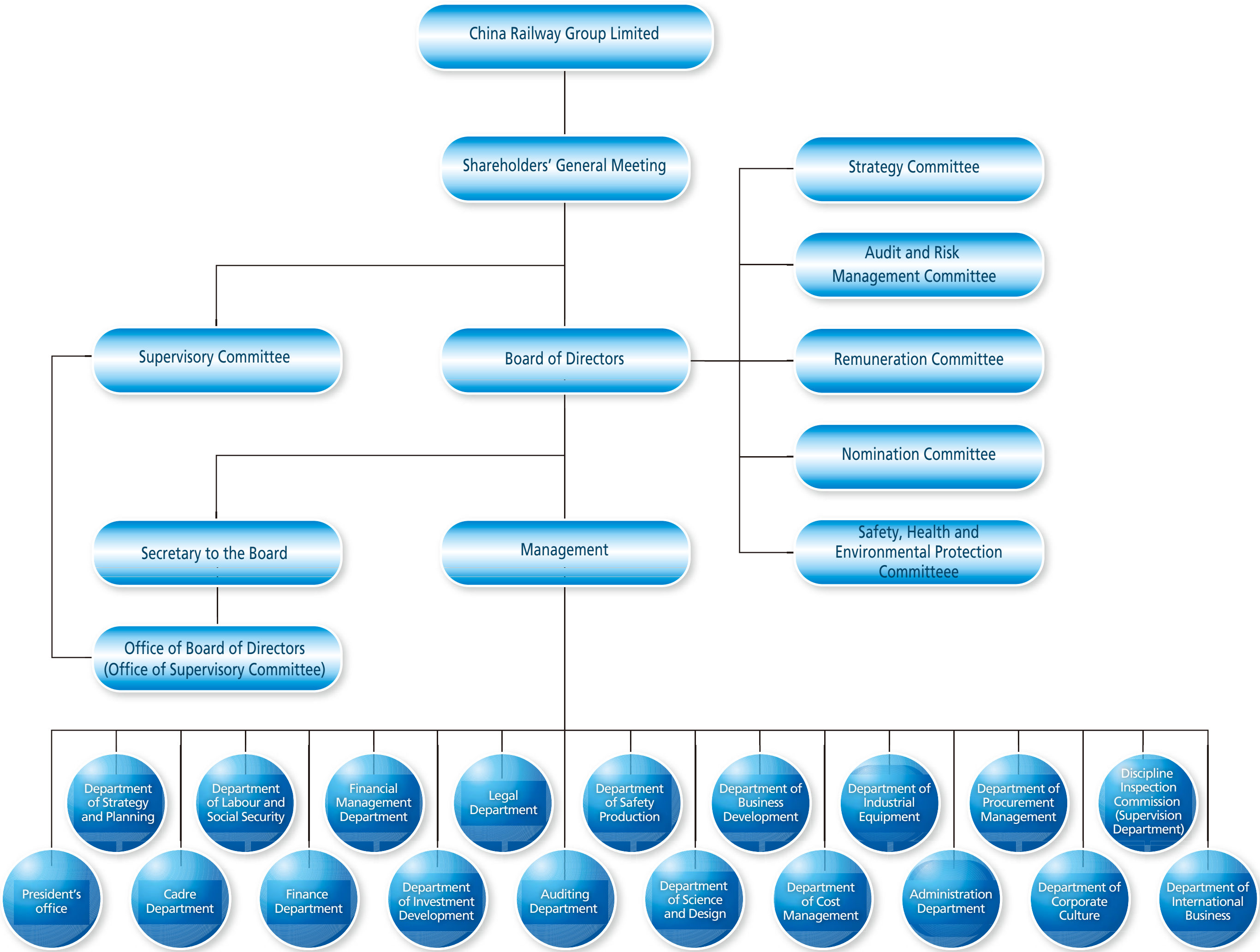
Shareholders' General Meeting

Overview

During the reporting period, the Company has complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines prescribed by regulatory authorities such as the China Securities Regulatory Commission, the Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The goals of the Company are to ensure the sustainable long-term development of the Company and generate greater returns for its shareholders. The Board believes that, in order to achieve these goals, the Company must implement and maintain corporate governance principles of and structures consistent with integrity, transparency, openness and effectiveness. For this reason, we have taken various measures to achieve an effective Board of Directors, including the creation of five board committees, i.e. the Strategy Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee, and setting up 20 functional departments. We have adopted internal working procedures to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules as well as the requirements under relevant PRC laws and regulations. The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance practices in corporate governance standards in light of the actual circumstances of the Company.

Corporate Governance Framework

Pursuant to the requirements of the Company Law, the Securities Law, the Listing Rules and other relevant laws and regulations, the Company established a corporate governance framework comprising the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and senior management.



Compliance with the Code Provisions of the Corporate Governance Code

As a company listed on the main board of the Hong Kong Stock Exchange, the Company is committed to comply with the principles of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Company has complied with all provisions of the Corporate Governance Code during the reporting period.

Shareholders' General Meeting

The Shareholders' General Meeting is an organ of power of the Company. In accordance with the requirements of the Company Law, the Securities Law and other relevant laws and regulations, the Company formulated the Articles of Association and the Procedural Rules for Shareholders' General Meeting to regulate the convening, approval and voting procedures for shareholders' general meetings.

During the reporting period, the Company convened and held two shareholders' general meetings and two shareholders' class meetings, being the 2014 annual general meeting held on 18 May 2015, and the 2015 first extraordinary general meeting, the 2015 first A shareholders' class meeting and the 2015 first H shareholders' class meeting held on 31 March 2015. At the 2014 annual general meeting, a total of 11 ordinary resolutions were considered and approved, including the 2014 report of the Board of Directors, the 2014 report of the Supervisory Committee, the 2014 work report of independent directors of the Company, the 2014 audited consolidated financial statements of the Company, the 2014 profit distribution plan of the Company, the re-appointment of the external auditors of the Company, the re-appointment of internal control auditors, and the provision of total amount of external guarantee by the Company for the second half of 2015 and the first half of 2016, the special self-inspection report of real estate business of the Company, the letter of undertaking on real estate business by the directors, supervisors and senior management of the Company and the letter of undertaking on the real estate business by the controlling shareholder of the Company and two special resolutions were also considered and approved, including granting a general mandate to issue new shares to the Board of Directors and the extension of the validity period of the resolution of the 2011 annual general meeting regarding the issue of corporate bonds with a principal amount not exceeding RMB10 billion. At the 2015 first extraordinary general meeting, a total of four ordinary resolutions were considered and passed, including the proposal on the fulfilment of the conditions for the non-public issuance of A shares by the Company, the reports on the use of proceeds from previous fund raising exercise of the Company, the feasibility analysis report on use of proceeds from the non-public issuance of A shares of the Company and the proposal regarding the plan for shareholders' return for 2015-2017 of the Company, and eight special resolutions were also considered and approved, including granting a general mandate to issue new shares to the Board of Directors, the proposed non-public issuance of A shares of the Company to target investors, the plan of the non-public issuance of A shares of the Company, the entering into a conditional subscription agreement by the Company with CRECG, the proposal on the matters relating to the connected transaction in respect of the non-public issuance of A shares of the Company, the proposal to authorise the Board of Directors, the Chairman and the relevant authorised persons to deal with at their sole discretion matters in connection with the non-public issuance of A shares of the Company, the amendment to the Articles of Association, and the amendments to the Procedural Rules for Shareholders' Meeting. At the 2015 first A shareholder' class meeting and first H shareholder's class meeting, a total of three resolutions were considered and approved respectively, including approving the proposed non-public issuance of A shares of the Company to target investors, the proposal on the plan of the non-public issuance of A shares of the Company, and the entering into a conditional subscription agreement by the Company with CRECG. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

The table below sets out the details of general meetings attendance of each director during the reporting period:

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	2	2	–
YAO Guiqing	2	2	–
DAI Hegen (resigned on 2 July 2015)	2	2	–
GUO Peizhang	2	2	–
WEN Baoman	2	2	–
ZHENG Qingzhi	2	2	–
NGAI Wai Fung	2	2	–

The Board of Directors

1. Composition of the Board of Directors

During the reporting period, the members of the Board of the Company were as follows:

LI Changjin	Chairman and Executive Director
YAO Guiqing	Vice Chairman and Executive Director
DAI Hegen (resigned on 2 July 2015)	Executive Director and President
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
NGAI Wai Fung	Independent Non-executive Director

On 2 July 2015, the Board of Directors received the resignation letter form Mr. DAI Hegen, an executive director and President of the Company. Due to change of job assignments, Mr. DAI Hegen resigned from the positions as executive director and President of the Company, the Chairman and a member of the Safety, Health and Environmental Protection Committee of the Board of Directors, and a member of each of the Strategy Committee and the Nomination Committee of the Board of Directors. In accordance with the recommendation of the SASAC and the nomination from CRECG, Mr. ZHANG Zongyan was put forward as a candidate for executive director and President of the Company. At the 12th meeting of the third session of the Board of Directors held on 13 July 2015, Mr. ZHANG Zongyan was appointed as the President of the Company, the term of office of which commenced from the date of the relevant board resolution until the expiry of the term of office of the third session of the Board of Directors, and was nominated as a candidate for the executive director of the Company. At the 2016 first extraordinary general meeting of the Company held on 28 January 2016, Mr. ZHANG Zongyan was elected as an executive director of the Company, the term of office of which commenced from the date of passing of the resolution at the extraordinary general meeting until the expiry of the term of office of the third session of the Board of Directors. At the 18th meeting of the third session of the Board of Directors held on the same date, Mr. ZHANG Zongyan was elected as the Chairman and a member of the Safety, Health and Environmental Protection Committee of the Board of Directors, and a member of each of the Strategy Committee and the Nomination Committee of the Board of Directors.

There was no financial, business, family or other material relationship among the Directors of the Company.

During the reporting period, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules which require the Company to maintain at least three independent non-executive directors and have an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

Majority of the members of the Board of Directors are independent non-executive directors, in compliance with Rule 3.10A of the Listing Rules which requires independent non-executive directors of the Company must represent at least one-third of the Board of Directors. The Company has received confirmation of independence from the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules and the Company considered each independent non-executive director as independent.

Pursuant to the Articles of Association, the term of office of each director of the Company (including the non-executive directors and the independent non-executive directors) is three years which is renewable upon re-election and each independent non-executive director shall not serve for more than six consecutive years in order to ensure his independence.

2. Board Meetings

In 2015, the Company held 12 board meetings. Proposals considered and passed at these board meetings include proposals for the consideration of the periodical reports, change of accounting policies and the working plan for the assessment of internal control and briefings heard include management reports, meeting reports and work evaluations.

The table below sets out the details of board meeting attendance of each director during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	12	11	1
YAO Guiqing	12	11	1
DAI Hegen (resigned on 2 July 2015)	6	5	1
GUO Peizhang	12	12	–
WEN Baoman	12	11	1
ZHENG Qingzhi	12	12	–
NGAI Wai Fung	12	11	1

3. Responsibilities and Operation of the Board

The responsibilities of the Board of Directors are, among other things, convening shareholders' general meetings and reporting its work to shareholders at such meetings, implementing resolutions of the shareholders' general meeting, making decisions on its business strategies, business plans and major investment plans of the Company, formulating proposed annual financial budgets and final accounts, formulating profit distribution plans and (where applicable) plans for making up losses previously incurred, formulating plans relating to the increase or reduction of the Company's registered capital, the issue of corporate bonds or other securities, and (where applicable) the listing of such securities, deciding the Company's internal management scheme, developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board of Directors, reviewing and monitoring the training and continuous professional development of the directors and the senior management, reviewing and monitoring the Company's policies and practices on the compliance with law and regulatory requirements, developing, formulating, reviewing and monitoring the code of conduct and compliance manual applicable to the employees and the directors, reviewing the Company's compliance with corporate governance, and the disclosures made in the Corporate Governance Report, and exercising any other powers conferred by the shareholders' general meeting or under the Articles of Association.

There are currently five committees under the Board of Directors, being the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee. Each committee has its own term of reference.

The offices of the Chairman and President of the Company are held by different persons and division of power between the Board of Directors and the senior management strictly complies with the Articles of Association and the relevant regulations. The Board of Directors formulates the overall strategy of the Company and monitors its financial performance. The management of the Company implements the strategic plans as determined by the Board of Directors and is responsible for the daily operations and management of the Company. The Chairman is responsible for convening and presiding over board meetings, supervising the implementation of the board's resolutions and coordinating the operation of the Board of Directors. Pursuant to the Articles of Association, the President is delegated with the authority to, among other things, oversees the operation and management of the Company, implement the decisions of the Board of Directors, carry out investment plans and formulate the basic management policies of the Company.

4. Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by its directors and supervisors. After specific enquiries to all directors and supervisors, the Company confirms that the directors and supervisors complied with the standards set out in the Model Code during the reporting period.

5. Directors' Training

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills in order to ensure that they continue to be equipped with all necessary information to contribute to the Board of Directors. The Company has devised a training record in order to assist the directors of the Company to record the training courses they have taken.

A summary of the trainings received by the directors of the Company during the reporting period is set out below.

	Trainings				
Director	Training for directors of listed company delivered by CSRC Beijing Branch	Directors communication meeting with SASAC	Thematic training for directors of enterprise owned by central government delivered by SASAC	Thematic training on the investment and finance of company infrastructure	Thematic training for directors and supervisors of the Company
LI Changjin	1	–	–	–	1
YAO Guiqing	1	–	–	–	–
DAI Hegen (resigned on 2 July 2015)	–	–	1	–	–
GUO Peizhang	2	3	3	1	1
WEN Baoman	2	3	1	1	1
ZHENG Qingzhi	3	4	2	1	1
NGAI Wai Fung	2	3	–	1	1

6. Committees under the Board

During the reporting period, the composition of the committees under the Board of Directors is as follows: Mr. LI Changjin, Mr. YAO Guiqing, Mr. DAI Hegen (Mr. DAI Hegen resigned on 2 July 2015), Mr. GUO Peizhang and Mr. ZHENG Qingzhi were appointed as members and Mr. LI Changjin was appointed as Chairman of the Strategy Committee of the Board of Directors, Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. NGAI Wai Fung were appointed as members and Mr. ZHENG Qingzhi was appointed as Chairman of the Audit and Risk Management Committee of the Board of Directors, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. GUO Peizhang was appointed as Chairman of the Remuneration Committee of the Board of Directors, Mr. LI Changjin, Mr. DAI Hegen (Mr. DAI Hegen resigned on 2 July 2015), Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. LI Changjin was appointed as Chairman of the Nomination Committee of the Board, and Mr. DAI Hegen (Mr. DAI Hegen resigned on 2 July 2015), Mr. YAO Guiqing, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. NGAI Wai Fung were appointed as members and Mr. DAI Hegen was appointed as Chairman of the Safety, Health and Environmental Protection Committee of the Board. At the 18th meeting of the third session of the Board of Directors held on 28 January 2016, Mr. ZHANG Zongyan was elected as the Chairman and a member of the Safety, Health and Environmental Protection Committee of the Board of Directors, and a member of each of the Strategy Committee and the Nomination Committee of the Board of Directors.

(a) Strategy Committee

The primary responsibilities of the Strategy Committee include, among other things, reviewing proposals and making recommendations to the Board of Directors regarding the Company's strategic development plans, annual budget, capital allocation plan, major merges and acquisitions, major investment and financing plans and material internal reorganisation. Currently the Strategy Committee comprises Mr. LI Changjin, Mr. YAO Guiqing, and Mr. ZHANG Zongyan, who are executive directors, and Mr. GUO Peizhang and Mr. ZHENG Qingzhi, who are independent non-executive directors, and is chaired by Mr. LI Changjin.

During the reporting period, the Strategy Committee held one meeting and heard the *Report on the Execution of Company's Development Strategy for 2014 and the Key Working Arrangement for 2015* and the *Analysis Report on Capital Markets for 2014*.

The table below sets out the details of meeting attendance of each member of the Strategy Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	1	1	–
YAO Guiqing	1	1	–
DAI Hegen (resigned on 2 July 2015)	1	1	–
GUO Peizhang	1	1	–
ZHENG Qingzhi	1	1	–

(b) Audit and Risk Management Committee

The primary responsibilities of the Audit and Risk Management Committee are:

(1) making recommendations to the Board of Directors on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(2) reviewing and overseeing the external auditors' independence and objectivity and the effectiveness of the audit process;

(3) overseeing the integrity of the financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports, and reviewing significant financial reporting judgments contained in such reports;

(4) overseeing the Company's financial reporting system and risk management and internal control procedures, including but not limited to, reviewing the financial control, risk management and internal control systems, deliberating on actions to be taken in respect of any findings of major investigations of risk management and internal control matters as delegated by the Board of Directors or at its own initiative and management's response thereto, and reviewing the Group's financial and accounting policies and practices; and

(5) reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit and Risk Management Committee's terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The Audit and Risk Management Committee currently comprises Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. NGAI Wai Fung who are independent non-executive directors of the Company, and is chaired by Mr. ZHENG Qingzhi.

During the reporting period, the Audit and Risk Management Committee held seven meetings, at which a total of 31 proposals were considered, including the periodical reports, financial statements, and proposals on internal auditing, internal control assessment, and risk management and heard 14 briefings including briefings in relation to the internal control and auditing of the Company for 2015.

The table below sets out the details of meeting attendance of each member of the Audit and Risk Management Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHENG Qingzhi	7	7	–
Wen Baoman	7	7	–
Ngai Wai Fung	7	7	–

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

(1) making recommendations to the Board of the Directors on the Company's policy and structure for remuneration of directors and senior management and on the formulation of a formal and transparent process for developing policy on such remuneration;

(2) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives set by the Board of Directors;

(3) determining, as authorised by the Board of Directors the specific remuneration packages of individual 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 to the Board of Directors in relation to the remuneration of non-executive directors;

(4) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; and

(5) ensuring that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee's terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee currently comprises Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi who are independent non-executive directors, and is chaired by Mr. GUO Peizhang.

During the reporting period, the Remuneration Committee held five meetings, at which a total of 14 proposals were considered, including the proposals on performance contract with senior management, remuneration assessment and determination for senior management, assessment management of Company's business performance and management of gross salary.

The table below sets out the details of meeting attendance of each member of the Remuneration Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GUO Peizhang	5	5	–
WEN Baoman	5	5	–
ZHENG Qingzhi	5	5	–

The emolument payable to directors, supervisors and members of senior management of the Company are determined in accordance with the contractual terms under their respective employment contracts. Details of the remuneration of directors and supervisors are set out in note 13 to the financial statements.

(d) Nomination Committee

The primary responsibilities of the Nomination Committee are:

(1) formulating the standards, procedures and methods for election of directors and senior management of the Company and submitting the same to the Board of Directors for consideration;

(2) identifying individuals suitably qualified to become board members and select and nominate individuals for directorship or make recommendations to the Board of Directors in this regard; reviewing the candidates for directors and President and make recommendations;

(3) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors at least annually and making recommendations on any changes to the Board of Directors proposed to support the Company's corporate strategy;

(4) making proposals regarding candidates for directors, shareholder representative supervisors and general managers of wholly owned subsidiaries; making proposals regarding candidates for directors, shareholder representative supervisors and general managers of subsidiaries controlled by the Company and subsidiaries in which the Company has equity participation;

(5) assessing the independence of independent non-executive directors of the Company; and

(6) making recommendations to the Board of Directors on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the President.

The Nomination Committee's terms of reference are available on the websites of the Company and the Hong Kong Stock Exchange.

The Nomination Committee currently comprises Mr. LI Changjin and Mr. ZHANG Zongyan, who are executive directors and Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi who are independent non-executive directors, and is chaired by Mr. LI Changjin.

The Nomination Committee shall nominate director candidates for election in accordance with the formalities and procedures stipulated in the Articles of Association and the terms of reference of the Nomination Committee, and consider candidates for directorship based on qualification, ability and experience of the individual candidates.

During the reporting period, the Nomination Committee held one meeting, at which a total of two proposals were considered, including the *Proposal on the Appointment of Mr. ZHANG Zongyan as the President of the Company* and *the Proposal on the Nomination of Mr. ZHANG Zongyan as the Candidate of Executive Director of the Company*.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	1	1	–
DAI Hegen (resigned on 2 July 2015)	–	–	–
GUO Peizhang	1	1	–
WEN Baoman	1	1	–
ZHENG Qingzhi	1	1	–

The Board of Directors has adopted the board diversity policy, which sets out the approaches to achieve diversity among members of the Board of Directors and is available on the website of the Company. When selecting Board members, the Company gives full consideration to the benefits of all aspects of board diversity, including but not limited to gender, race, age, territory, cultural and educational background, professional experience and length of service. All the members of the Board of Directors are appointed based on meritocratic principles and finally decided by considering their strengths and contributions they can make to the Board of Directors.

(e) Safety, Health and Environmental Protection Committee

The primary responsibilities of the Safety, Health and Environmental Protection Committee include, among other things, providing guidance, inspecting and evaluating the implementation of the Company's plans on safety, employees' health and environmental protection, making recommendations to the Board of Directors regarding material matters relating to safety, health and environmental protection.

The Safety, Health and Environmental Protection Committee currently comprises of Mr. ZHANG Zongyan and Mr. YAO Guiqing who are executive directors, and Mr. GUO Peizhang, Mr. WEN Baoman and Mr. NGAI Wai Fung who are independent non-executive directors, and is chaired by Mr. ZHANG Zongyan.

During the reporting period, the Safety, Health and Environmental Protection Committee held one meeting, at which management work report on safety quality, health and environmental protection of the Company for 2014 and the key working arrangement for 2015 were heard.

The table below sets out the details of meeting attendance of each member of the Safety, Health and Environmental Protection Committee during the reporting period.

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
DAI Hegen (resigned on 2 July 2015)	1	1	–
Yao Guiqing	1	1	–
GUO Peizhang	1	1	–
WEN Baoman	1	1	–
NGAI Wai Fung	1	1	–

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

(1) supervising the performance by directors and senior management of their duties, and proposing removal of directors or senior management who have violated laws and regulations, the Articles of Association or resolutions of shareholders' general meetings;

(2) requesting directors and senior management to rectify any actions damaging the Company's interests;

(3) examining the Company's financial matters;

(4) making proposals to convene extraordinary general meetings of shareholders, and convene and preside over shareholders' general meetings in case the Board of Directors fails to perform its duty of convening and presiding over shareholders' general meetings under the Company Law;

(5) making proposals for shareholders' general meetings;

(6) making proposals to convene extraordinary meetings of the Board of Directors other than regular meetings;

(7) supervising the establishment and implementation of internal controls by Board of Directors; and

(8) supervising the review of, voting on, disclosure and performance of connected transactions, and providing comments in the annual report.

During the reporting period, the members of the Supervisory Committee of the Company were as follows:

Mr. LIU Chengjun	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
Ms. LIU Jianyuan	Employee Representative Supervisor
Mr. WANG Hongguang	Employee Representative Supervisor
Mr. CHEN Wenxin	Shareholder Representative Supervisor
Mr. FAN Jinghua	Employee Representative Supervisor

The Supervisory Committee has detailed terms of reference that specify its responsibilities, ensuring that the Supervisory Committee operates in a compliant and efficient manner. The term of office for each supervisors of the Company is three years which is renewable upon re-election.

During the reporting period, the Supervisory Committee held nine meetings, considered a total of 38 proposals and heard 23 briefings.

The table below sets out the details of meeting attendance of each member of the Supervisory Committee during the reporting period.

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. LIU Chengjun	9	9	–
Ms. LIU Jianyuan	9	8	1
Mr. WANG Hongguang	9	9	–
Mr. CHEN Wenxin	9	9	–
Mr. FAN Jinghua	9	9	–

Joint Company Secretaries

The Joint Company Secretaries of the Company are Mr. YU Tengqun and Mr. TAM Chun Chung. Mr. YU and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional training during the reporting period.

Shareholders' Rights

1. Convening of extraordinary general meeting

According to the Articles of Association, the shareholders of the Company who individually or jointly hold more than 10% of the voting shares at such proposed meeting may propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting. The procedures for shareholders to convene an extraordinary general meeting or a class shareholders' meeting are stated as below:

(1) The proposing shareholder(s) shall execute one or several copies of written request with the same form and contents to propose to the Board of Directors to convene an extraordinary general meeting of shareholders or a class shareholders' meeting and set out the topics of the meeting.

(2) If the Board of Directors agrees to convene an extraordinary general meeting or a class shareholders' meeting, a notice of the meeting shall be issued within five days after the resolution of the Board of Directors is passed.

(3) In case the Board of Directors refuses, or does not give any response within ten days upon receipt of the request, the shareholders who individually or jointly hold more than 10% of the voting shares at such proposed meeting shall have the right to propose to the Supervisory Committee for convening of such meeting, and shall make such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene an extraordinary general meeting or a class shareholders' meeting, a notice of the meeting shall be issued within five days upon receipt of the request. Changes made to the original request in the notice shall be approved by relevant shareholders. If the Supervisory Committee fails to give the notice of such a meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the meeting, in which case, the shareholders who either individually or jointly hold more than 10% of the Company's shares for more than ninety consecutive days may convene and preside over the meeting by themselves.

(4) When the Supervisory Committee or the shareholders decide to convene a general meeting of shareholders by themselves, they must notify the Board of Directors in writing and at the same time file the notice with the local branch of CSRC and the stock exchange where the Company is domiciled. Before the resolutions of general meeting of shareholders are publicly announced, the proportion of shares held by the convening shareholder should be not less than 10%. When issuing the notice of general meeting of shareholders and the public announcement of the resolutions of general meeting of shareholders, the convening shareholder shall submit relevant supporting materials to the local branch of CSRC where the Company is domiciled and the stock exchange.

(5) For the general meeting of shareholders convened by the Supervisory Committee or the shareholders themselves, the Board of Directors and the Secretary to the Board of Directors shall provide cooperation. The Board of Directors shall provide the register of shareholders as at the date of record.

2. Putting forward proposals in the Shareholders' General Meeting

The procedures for putting forward proposals in the shareholders' general meeting are stated as below:

(1) When the Company holds a general meeting of shareholders, the Board of Directors, Supervisory Committee and shareholders who individually or jointly hold more than 3% of shares of the Company shall have the right to prepare a proposal to the Company. Shareholders who hold more than 3% of shares of the Company, either individually or jointly, may prepare an interim proposal and submit it in writing to the person(s) convening the meeting ten days before the general meeting of shareholders convenes. The person(s) convening the meeting shall issue a supplementary notice of the general meeting of shareholders within two days upon receipt of the proposal and publicly announce the contents of such proposal.

(2) When the Company holds a general meeting of shareholders, it shall send a written notice to the shareholders forty-five days prior to the meeting. Shareholders intending to be present in the general meeting of shareholders shall send a written reply of attendance to the Company twenty days before the meeting convenes.

3. Enquiries to the Board

Shareholders who intend to put forward their enquires about the Company to the Board of Directors could email their enquires to ir@crec.cn.

Amendment to the Articles of Association

The Company approved at the 2015 first extraordinary general meeting held on 31 March 2015 the proposed certain amendments to the Articles of Association in accordance with the Guidelines for the Articles of Association of Listed Companies (as amended in 2014), the Listed Companies Regulatory Guidance No. 3 – Cash Dividends of Listed Companies issued by the CSRC, the Guidelines on Cash Dividends Distribution of Listed Companies published by Shanghai Stock Exchange, and relevant laws, administrative regulations and other regulatory documents, taking into account the actual situation of the Company. In addition, in accordance with the results of the non-public issuance of A shares completed on 14 July 2015, the Company made certain amendments to the Articles of Association in connection with the changes of the share capital and the registered capital and published such amendments on 15 July 2015. Other than that, there have been no changes in the Company's Articles of Association during the reporting period.

At the 2016 first extraordinary general meeting held on 28 January 2016, the Company approved, confirmed and rectified the amendments to the Articles of Association dated 15 July 2015, and also approved amendments to the Articles of Association based on the amendments to the Rules of Procedures for the Audit and Risk Management Committee of the Board of Directors approved by the Board of Directors and made pursuant to the amendments to the Code Provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Report of the Corporate Governance (which became effective from the accounting period after 1 January 2016), and to further reflect the relevant content of the Guidelines for the Articles of Association of Listed Companies (as amended in 2014). The latest version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Relationship with the Controlling Shareholder

CRECG is the Company's controlling shareholder. The Company is independent from CRECG in respect of its staff, assets, finance, organisational structure and operation. During the reporting period, except for the Chairman and executive director of the Company, Mr. LI Changjin, who also served as the chairman of CRECG, the Vice Chairman and executive director of the Company, Mr. YAO Guiqing, who also served as the vice chairman of CRECG, the executive director and President, Mr. DAI Hegen (Mr. DAI Hegen resigned on 2 July 2015), and the President of the Company, Mr. ZHANG Zongyan (Mr. ZHANG Zongyan was elected as the President of the Company on 13 July 2015 and the executive director of the Company at the shareholders' general meeting on 28 January 2016), who also served as a director of CRECG, and supervisor Ms. LIU Jianyuan who also served as a director of CRECG, none of the directors, supervisors or senior management of the Company held any positions with CRECG or received any salary from CRECG and/or its associates. Notwithstanding the fact that Mr. LI Changjin, Mr. YAO Guiqing, Mr.DAI Hegen and Mr. ZHANG Zongyan (collectively the "**Overlapping Directors**") and Ms. LIU Jianyuan act as directors of CRECG and directors or supervisors of the Company respectively, they have the capacity to commit to the daily management of the Company because there was less day-to-day management work of CRECG. Moreover, the Overlapping Directors represent a minority in the Board of Directors. During the reporting period, the Board of Directors also had four independent non-executive directors, which ensured that the interests of the Company and shareholders were protected. The Company also has its own financial management system and related personnel who are independent from CRECG.

On 28 March 2013, the Company entered into the Comprehensive Services Renewal Agreement with CRECG in relation to the mutual provision of comprehensive services between the CRECG and the Group, effective from 1 January 2013 to 31 December 2015. Pursuant to the Comprehensive Services Renewal Agreement, CRECG and/or its associates will provide social services, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational diseases and other special medical services to employees of the Group as well as training to the Group's employees. On 30 December 2015, the Company entered into a second comprehensive services renewal agreement with CRECG, effective from 1 January 2016 to 31 December 2018.

On 29 April 2014, China Railway Finance (a subsidiary of the Company, with 95% of its equity interest being held by the Company and 5% of its equity interest being held by CRECG) executed the Financial Services Framework Agreement with CRECG, effective form 16 March 2014 to 31 December 2015. Pursuant to the Financial Services Framework Agreement, China Railway Finance agreed to provide deposit services, lending services and miscellaneous financial services to CRECG. On 29 December 2015, China Railway Finance and CRECG entered into the Financial Services Framework Renewal Agreement, effective from 1 January 2016 to 31 December 2018, to renew the Financial Services Framework Agreement.

Auditors' Remuneration

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA LLP (collectively the "**External Auditors**") are appointed as the international and domestic auditors of the Company, respectively.

Fees paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2015 are approximately RMB43 million.

Information Disclosure

The Secretary to the Board of Directors and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company actively studied and reacted to new changes in regulatory policies in the Chinese capital market and domestic and overseas securities markets, and continuously adapted itself to the new requirements on information disclosure by regulatory authorities; it continued to advocate for voluntary information disclosure as a supplement to statutory disclosure requirements, intensified its efforts in internal report and approval on material matters, strengthened targetedness and effectiveness of content of periodical reports, and effectively increased transparency in information disclosure by the Company. The Company published 288 announcements and circulars in total, among which announcements for A shares totalled 122 and announcements and circulars for H shares totalled 166. All of the announcements are published through the Shanghai Stock Exchange, Hong Kong Stock Exchange and designated websites.

Internal Control

In accordance with the Basic Standards for Internal Control of Enterprises and its Implementation Guidance issued by five ministries including the Ministry of Finance and the CSRC and the Internal Control of Listed Companies issued by the Shanghai Stock Exchange, subject to the working discipline of 'step-by-step promotion, horizontal and vertical expansion and comprehensive coverage', the Company established the framework for internal control at both headquarters and subsidiary and branch levels, covering various aspects including operation, production, management and control, and prepared the working standard and procedural documents in relation to corporate governance, strategic management, production and operation, operation supervision, information disclosure, legal matters, safety quality and environmental protection, human resources, finance management, international business, procurement management and information management, stipulated management measures on internal control system in order to ensure the internal control management of the Company and its subsidiaries and branches has rules in place. Meanwhile, controlling measures have been proactively taken to manage any potential risk factors and ensure the smooth production and operation of the Company.

In addition, the Company carefully complied with regulatory rules and prepared 2015 annual social responsibility report and appraisal report on internal control in relation to the financial statement, engaged Deloitte Touche Tohmatsu CPA LLP to audit the effectiveness of the Company's internal control in relation to financial statements and Deloitte Touche Tohmatsu CPA LLP issued standard clean opinions in this respect.

Accountability of the Directors in Relation to Financial Statements

The directors of the Company are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2015, the directors of the Company have selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimation so as to give a true and fair view of the financial position, results and cash flow of the Group for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 77 of this annual report.

Investors Relations

To further enhance and improve the mechanism for investor relation management of the Company, and strengthen the interaction and communication between different parties of the capital market, in 2015 the Company has adopted a variety of approaches and channels to deepen the communication with the shareholders and investors, including holding results briefings by on-site meeting and phone conference, investors' visits, investors' hotlines, Shanghai Stock Exchange e-interaction platform, internet briefings on cash dividends, investors relation email and investment summits, which have achieved satisfactory effects for fostering credit and clearing up doubts and obtained the recognition by shareholders and the capital market.

During this year, the Company has held four large results briefings, two results promoting phone conferences, five telephone communication meetings; picked 2,172 hotlines from investors, received 18,956 emails of all kinds, forwarded and replied 8,326 important emails and information; has received more than 45 visits by investors, and more than 326 visits by individual investors; was present in 20 foreign and domestic prestigious investment forums and investment strategy conferences; organised 65 roadshows, interacted and exchanged with fund managers and analysts for 732 times.

During the reporting period, the Company received the honour's of, including but not limited to, "Golden Bauhinia Awards – Best Board of Directors of Listed Company", "Top 100 Most Respected Listed Company of China" awarded by China Association for Public Companies, "Top 100 Golden Bull Listed Company" awarded by China Securities Journal, "the Award for Special Contribution to Board Construction" and "Top 100 H-share Company".

Social Responsibility Commitment

As the leading enterprise of construction industry, the Company has always been taking the responsibility of acting as the practitioner, promoter and leader of social responsibility of companies. Since 2008, China Railway has started setting up a scientific, regular, systematic and efficient mechanism for enterprise social responsibility management, making social responsibility planning from the seven aspects of benefiting society, scientific development, safety supervision and environmental protection, employee development, public good and global responsibility, and has undertaken a series of corporate social responsibility activities in the headquarter and subsidiaries of the Company, with an aim to achieve the goal of social responsibility with complete coverage, full performance, gradual improvement and industry leadership, and make continuous and irreplaceable contribution to the society.

Continuous Evolvement of Corporate Governance

The Company will continue to closely study the development of corporate governance practices by the world's leading corporations and the requirements of the investors. We will also review and strengthen our corporate governance procedures and practices on a regular basis so as to ensure the long-term sustainable development of the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA RAILWAY GROUP LIMITED
(a joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 201, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2015

	NOTES	2015 RMB million	2014 RMB million
Revenue	6 & 7	**599,942**	590,166
Cost of sales and services		**(551,256)**	(541,651)
Gross profit		**48,686**	48,515
Other income	8	**2,475**	2,220
Other expenses	8	**(10,281)**	(9,710)
Other gains and losses	9	**(1,088)**	(1,247)
Selling and marketing expenses		**(2,342)**	(2,334)
Administrative expenses		**(17,509)**	(17,195)
Interest income	10	**3,012**	2,516
Interest expenses	10	**(6,184)**	(6,791)
Share of profits of joint ventures		**88**	127
Share of profits of associates		**160**	132
Profit before tax		**17,017**	16,233
Income tax expense	11	**(5,231)**	(5,557)
Profit for the year	12	**11,786**	10,676
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(159)**	(24)
Income tax relating to remeasurement of defined benefit obligations that will not be reclassified to profit or loss		**36**	12
		(123)	(12)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**120**	10
Reclassification adjustments for the cumulative exchange differences included in profit or loss upon disposal of foreign operation		**–**	11
Fair value gain on available-for-sale financial assets		**157**	397
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		**(76)**	(106)
Fair value loss on cash flow hedging instrument		**(3)**	–
Share of other comprehensive expense of joint ventures and associate		**–**	(20)
Income tax relating to items that may be reclassified to profit or loss subsequently		**(29)**	(42)
		169	250
Other comprehensive income for the year, net of income tax		**46**	238
Total comprehensive income for the year		**11,832**	10,914

For the Year Ended 31 December 2015

	NOTES	2015 RMB million	2014 RMB million
Profit (loss) for the year attributable to:			
Owners of the Company		**11,675**	10,262
Holders of perpetual notes	*34*	**583**	98
Non-controlling interests		**(472)**	316
		11,786	10,676
Total comprehensive income for the year attributable to:			
Owners of the Company		**11,716**	10,522
Holders of perpetual notes	*34*	**583**	98
Non-controlling interests		**(467)**	294
		11,832	10,914
		RMB	RMB
Earnings per share			
Basic	*15*	**0.530**	0.482

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	31/12/2015 RMB million	31/12/2014 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	16	51,765	48,166
Deposits for acquisition of property, plant and equipment		1,280	732
Lease prepayments	17	9,290	8,795
Deposits for land use rights		1,251	178
Deposits for investment		–	221
Investment properties	18	3,722	2,688
Intangible assets	19	37,547	34,621
Mining assets	20	5,454	5,228
Interests in joint ventures	21	2,640	2,206
Interests in associates	22	5,249	4,184
Goodwill	23	829	829
Available-for-sale financial assets	24	8,351	8,787
Other loans and receivables	25	8,813	8,100
Deferred tax assets	41	4,367	4,281
Other prepayments		209	202
Trade and other receivables	28	7,137	8,135
		147,904	137,353
Current assets			
Lease prepayments	17	192	223
Properties held for sale	26	28,205	23,376
Properties under development for sale	26	66,064	70,986
Inventories	27	30,110	44,955
Available-for-sale financial assets	24	3,886	1,733
Trade and other receivables	28	206,253	219,758
Amounts due from customers for contract work	29	122,379	102,200
Current income tax recoverable		1,030	701
Other loans and receivables	25	6,620	4,130
Held-for-trading financial assets	30	144	109
Restricted cash	31	7,414	8,675
Cash and cash equivalents	32	93,304	68,679
		565,601	545,525
Total assets		713,505	682,878
EQUITY			
Share capital	33	22,844	21,300
Share premium and reserves		95,456	74,170
Equity attributable to owners of the Company		118,300	95,470
Perpetual notes	34	12,123	3,080
Non-controlling interests		8,815	10,344
Total equity		139,238	108,894

At 31 December 2015

	NOTES	31/12/2015 RMB million	31/12/2014 RMB million
LIABILITIES			
Non-current liabilities			
Other payables	35	**631**	782
Borrowings	36	**96,213**	93,655
Obligations under finance lease	37	**492**	1,690
Retirement and other supplemental benefit obligations	39	**3,779**	3,972
Provisions	40	**248**	260
Deferred government grant and income		**1,537**	1,382
Deferred tax liabilities	41	**920**	1,103
		103,820	102,844
Current liabilities			
Trade and other payables	35	**365,245**	355,193
Amounts due to customers for contract work	29	**14,857**	20,957
Current income tax liabilities		**4,065**	3,861
Borrowings	36	**84,209**	89,259
Obligations under finance lease	37	**1,346**	756
Financial guarantee contracts	38	**–**	1
Retirement and other supplemental benefit obligations	39	**494**	551
Provisions	40	**46**	258
Held-for-trading financial liabilities	30	**185**	304
		470,447	471,140
Total liabilities		**574,267**	573,984
Total equity and liabilities		**713,505**	682,878
Net current assets		**95,154**	74,385
Total assets less current liabilities		**243,058**	211,738

The consolidated financial statements on pages 78 to 201 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

LI Changjin
DIRECTOR

YAO Guiqing
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

	Equity attributable to owners of the Company										
	Share capital RMB million *(Note 33)*	Share premium RMB million	Capital reserve RMB million *(note (b))*	Statutory reserve RMB million *(note (a))*	Foreign currency translation reserve RMB million	Investment revaluation reserve RMB million	Retained profits RMB million	Total RMB million	Perpetual notes RMB million *(Note 34)*	Non-controlling interests RMB million	Total RMB million
At 1 January 2014	21,300	33,647	(3,089)	9,196	(688)	299	25,798	86,463	–	10,167	96,630
Profit for the year	–	–	–	–	–	–	10,262	10,262	98	316	10,676
Other comprehensive (expense) income for the year	–	–	(32)	–	45	247	–	260	–	(22)	238
Total comprehensive income (expense) for the year	–	–	(32)	–	45	247	10,262	10,522	98	294	10,914
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(453)	(453)
Acquisition of additional interests in subsidiaries	–	–	(116)	–	–	–	–	(116)	–	(584)	(700)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	937	937
Disposal of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	–	(17)	(17)
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	–	(1,406)	(1,406)	–	–	(1,406)
Issuance of perpetual notes *(Note 34)*	–	–	–	–	–	–	–	–	2,982	–	2,982
Transfer to reserves *(note (a))*	–	–	–	2,958	–	–	(2,958)	–	–	–	–
Others	–	–	7	–	–	–	–	7	–	–	7
At 31 December 2014	21,300	33,647	(3,230)	12,154	(643)	546	31,696	95,470	3,080	10,344	108,894
Profit for the year	–	–	–	–	–	–	11,675	11,675	583	(472)	11,786
Other comprehensive (expense) income for the year	–	–	(123)	–	77	87	–	41	–	5	46
Total comprehensive income (expense) for the year	–	–	(123)	–	77	87	11,675	11,716	583	(467)	11,832
Dividend declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(347)	(347)
Acquisition of subsidiaries *(Note 42)*	–	–	–	–	–	–	–	–	–	100	100
Acquisition of additional interests in subsidiaries	–	–	(109)	–	–	–	–	(109)	–	(90)	(199)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	90	90
Disposal of partial interests in subsidiaries without losing control	–	–	620	–	–	–	–	620	–	127	747
Disposal of subsidiaries *(Note 43)*	–	–	–	–	–	–	–	–	–	(942)	(942)
Non-proportional capital contribution from other shareholders of an associate	–	–	345	–	–	–	–	345	–	–	345
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	–	(1,661)	(1,661)	–	–	(1,661)
Issuance of perpetual notes *(Note 34)*	–	–	–	–	–	–	–	–	8,958	–	8,958
Issuance of shares upon non-public offering *(Note 33)*	1,544	10,456	–	–	–	–	–	12,000	–	–	12,000
Share issuance expenses	–	(121)	–	–	–	–	–	(121)	–	–	(121)
Dividend declared to perpetual notes holders	–	–	–	–	–	–	–	–	(498)	–	(498)
Transfer to reserves *(note (a))*	–	–	–	3,078	–	–	(3,078)	–	–	–	–
Others	–	–	40	–	–	–	–	40	–	–	40
At 31 December 2015	22,844	43,982	(2,457)	15,232	(566)	633	38,632	118,300	12,123	8,815	139,238

For the Year Ended 31 December 2015

Notes:

(a) *The statutory reserves comprise:*

	Statutory surplus reserve RMB million	Trust compensation reserve RMB million	General risk reserve RMB million	Total RMB million
At 1 January 2014	8,901	140	155	9,196
Transfer from retained profits	2,516	119	323	2,958
At 31 December 2014	11,417	259	478	12,154
Transfer from retained profits	2,614	97	367	3,078
At 31 December 2015	14,031	356	845	15,232

The statutory reserves comprise principally the statutory surplus reserve. According to the relevant laws and regulations of the People's Republic of China (the "PRC"), an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of that entity. The statutory reserve can only make up losses or use to increase the registered capital of that entity and is not distributable.

(b) *The balance of capital reserve mainly comprises the difference between the par value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to China Railway Group Limited (the "Company") as part of the reorganisation in September 2007, capital contribution by China Railway Engineering Corporation ("CRECG") as an equity participant, certain items dealt with directly in the capital reserve of the Company and its subsidiaries (collectively referred to as the "Group") in the Company's statutory consolidated financial statements prepared in accordance with the relevant PRC accounting standards, reserve generated from the acquisition of subsidiaries under common control and the actuarial gains or losses arising from the remeasurement of defined benefit obligations.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015

	NOTES	2015 RMB million	2014 RMB million
Operating activities			
Profit for the year		**11,786**	10,676
Adjustments for:			
Income tax		**5,231**	5,557
Interest income		**(3,012)**	(2,516)
Dividend income from unlisted investments		**(184)**	(111)
(Gains) losses on disposal and/or write-off of:			
Property, plant and equipment		**(91)**	14
Land use rights		**(82)**	(12)
Investment properties		**(3)**	–
Mining assets		**–**	22
Available-for-sale financial assets		**(93)**	(127)
Interests in associates		**(1)**	(3)
Interests in a joint venture		**(3)**	207
Subsidiaries	43	**(83)**	(11)
Foreign exchange losses, net		**65**	58
Fair value (increase) decrease on held-for-trading financial assets/ liabilities		**(3)**	233
Waiver of trade and other payables		**(33)**	(19)
Excess of fair value of the previously-held investment	42	**(5)**	(4)
Bargain purchase gain on acquisition	42	**(8)**	–
Impairment losses recognised (reversed) on:			
Available-for-sale financial assets		**18**	10
Trade and other receivables		**1,897**	2,456
Other loans and receivables		**562**	(249)
Allowance for foreseeable losses on construction contracts		**76**	114
Inventories		**17**	50
Mining assets		**401**	54
Properties held for sale		**166**	32
Properties under development for sale		**13**	–
Property, plant and equipment		**12**	107
Interests in associates		**308**	–
Unrealised profit from internal sales to associates		**28**	49
Interest expenses		**6,184**	6,791
Share of profits of joint ventures		**(88)**	(127)
Share of profits of associates		**(160)**	(132)
Charge to retirement benefit obligations		**135**	209
Government grants credited to income		**(440)**	(521)
Depreciation and amortisation		**7,813**	6,971
Operating cash flows before movements in working capital		**30,423**	29,778
Movements in working capital:			
Increase in other prepayments		**(7)**	(131)
Increase in properties held for sale		**(6,098)**	(6,716)
Decrease in properties under development for sale		**11,282**	2,903
Decrease in inventories		**14,900**	1,325
Decrease (increase) in trade and other receivables		**12,653**	(28,713)
Increase in amounts due from customers for contract work		**(27,795)**	(12,146)
Decrease in retirement and other supplemental benefit obligations		**(544)**	(602)
Increase in trade and other payables		**8,444**	41,233
Increase in other loans and receivables arising from consolidated structured entities		**(714)**	(1,959)
Increase (decrease) in payables arising from consolidated structured entities		**1,488**	(764)
Decrease in amounts due to customers for contract work		**(6,100)**	(2,039)
(Decrease) increase in provisions		**(224)**	199
Increase in government grants for operating expenses		**419**	498
(Increase) decrease in held-for-trading financial assets		**(50)**	15
Decrease in held-for-trading financial liabilities		**(104)**	(107)
Decrease (increase) in amounts due from central bank		**90**	(1,615)
Increase in loans to customers		**(488)**	(263)
(Decrease) increase in amount due to customers of China Railway Finance Co., Ltd.		**(1,317)**	3,435
Net cash inflows from operations		**36,258**	24,331
Income tax paid		**(5,701)**	(4,884)
Net cash from operating activities		**30,557**	19,447

For the Year Ended 31 December 2015

	NOTES	2015 RMB million	2014 RMB million
Investing activities			
Additions of property, plant and equipment		**(6,710)**	(7,186)
Deposits for acquisition of property, plant and equipment		**(2,127)**	(1,106)
Government grants received for acquisition of property, plant and equipment		**6**	91
Disposal of property, plant and equipment		**760**	776
Deposits paid for land use rights		**(1,110)**	(39)
Deposits paid for investments		**–**	(221)
Additions of land use rights		**(568)**	(847)
Disposal of land use rights		**198**	424
Additions of investment properties		**(4)**	–
Disposal of investment properties		**4**	1
Additions of intangible assets		**(3,616)**	(364)
Disposal of intangible assets		**139**	–
Additions of mining assets		**(770)**	(17)
Disposal of mining assets		**52**	–
Acquisition of subsidiaries	*42*	**(1,550)**	(1,872)
Disposal of subsidiaries		**93**	(868)
Investments in joint ventures		**(523)**	(244)
Disposal of investments in joint ventures		**11**	–
Investments in associates		**(976)**	(598)
Disposal of investments in associates		**11**	128
Purchase of available-for-sale financial assets		**(8,196)**	(5,507)
Disposal of available-for-sale financial assets		**6,635**	3,144
New other loans and receivables		**(6,305)**	(3,830)
Repayment of other loans and receivables		**5,830**	5,353
Interests received		**1,652**	1,502
Dividends received from joint ventures and associates		**158**	131
Dividends received from other financial assets		**183**	112
Decrease in restricted cash		**8,652**	9,890
Increase in restricted cash		**(7,481)**	(11,185)
Net cash used in investing activities		**(15,552)**	(12,332)
Financing activities			
Issuance of shares upon non-public offering		**12,000**	–
Share issuance expenses		**(121)**	–
Disposal of partial interests in subsidiaries		**747**	–
Acquisition of additional interest in subsidiaries		**(153)**	(445)
Issue of perpetual notes		**8,958**	2,982
Capital contributions from non-controlling shareholders of subsidiaries		**90**	937
New proceeds from issue of debentures		**3,991**	747
Repayment of debentures		**(3,300)**	(400)
New bank borrowings		**95,847**	93,023
Repayment of bank borrowings		**(95,659)**	(98,440)
New other borrowings		**8,916**	7,357
Repayment of other borrowings		**(8,665)**	(7,465)
Interests paid		**(10,241)**	(11,349)
Repayments of obligations under finance leases		**(756)**	(507)
Received from sale and leaseback property, plant and equipment		**–**	1,342
Payment of deferred underwriting fee of issuing debentures		**(30)**	–
Dividends paid to non-controlling shareholders of subsidiaries		**(249)**	(443)
Dividends paid to owners of the Company		**(1,661)**	(1,406)
Dividends paid to holders of perpetual notes		**(290)**	–
Net cash generated from (used in) financing activities		**9,424**	(14,067)
Net increase (decrease) in cash and cash equivalents		**24,429**	(6,952)
Effect of foreign exchange rate changes		**196**	(27)
Cash and cash equivalents at the beginning of the year	*32*	**68,679**	75,658
Cash and cash equivalents at the end of the year	*32*	**93,304**	68,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2015

1. General Information

The Company was established in the PRC on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("Reorganisation") of CRECG in preparation for the listing of the Company's A shares on Shanghai Stock Exchange and H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). The address of the Company's registered office is 918, Block 1, No.128 South 4th Ring Road West, Fengtai District, Beijing, the PRC. The Company's ultimate holding company is CRECG, established in the PRC.

The consolidated financial statements are presented in Renminbi, the functional currency of the Company and most of its subsidiaries.

The Group are principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development, mining and merchandise trading, financial trust management, comprehensive financial services and insurance agent.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

Amendments to IAS 19	*Defined Benefits Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010–2012 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011–2013 Cycle*

The application of the amendments to IFRSs in the current year have had no impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of interests in Joint Operations*[3]
Amendments to IAS 1	*Disclosure Initiative*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
Amendments to IFRSs	*Annual Improvements to IFRSs 2012–2014 Cycle*[3]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[3]
Amendments to IAS 7	*Disclosure Initiative*[5]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[5]

1 *Effective for annual periods beginning on or after 1 January 2018*
2 *Effective for annual periods beginning on or after 1 January 2019*
3 *Effective for annual periods beginning on or after 1 January 2016*
4 *Effective for annual periods beginning on or after a date to be determined*
5 *Effective for annual periods beginning on or after 1 January 2017*

Except as described below, the application of the new or revised IFRSs in the current year will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the adoption of IFRS 9 may affect the measurement of the available-for-sale equity investment currently measured at cost less impairment. Other than the available-for-sale equity investment and the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the Directors do not expect IFRS 9 will have a material impact on the results and financial position of the Group based on an analysis of the Group' financial instruments as at 31 December 2015.

2. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of that effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As disclosed in Note 45, total operating lease commitments for the Group as at 31 December 2015 amounted to RMB612 million, the Directors do not expect the applicable of IFRS 16 would result in significant impact on the Group's results but it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right of use assets and lease liabilities.

3. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial years ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or discoloured in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Principal Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Principal Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. Principal Accounting Policies (continued)

Acquisition of assets and liabilities through acquisition of subsidiaries

Where an acquisition of an asset or a group of assets and liabilities that does not constitute a business, the Group identify and recognise the individual identifiable assets acquired and liabilities assumed by allocating purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. Principal Accounting Policies (continued)

Investments in associates and joint ventures (continued)

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of the retained interest and the proceeds from disposing of such interest (or partial interest) in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement of the previously held interest or the retained interest to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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 joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator 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.

3. Principal Accounting Policies (continued)

Interests in joint operations (continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property held for sale is transferred to owner-occupied property when there is a change in use evidenced by the commencement of owner occupation.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

3. Principal Accounting Policies (continued)

Investment properties (continued)

Investment property is transferred to owner-occupied property when there is a change in use as evidenced by the commencement of owner occupation.

Owner-occupied property is transferred to investment property when there is a change in use as evidenced by end of owner occupation.

Property held for sale is transferred to investment property when there is a change in use evidenced by the commencement of an operating lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of service concession arrangement in relation to the toll road operations is calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. Amortisation of service concession arrangement in relation to other constructions is provided on a straight-line basis over their estimated concession lives.

Non-patented technologies, patents, computer software and other intangible assets purchased with finite useful lives are recorded at cost on initial acquisition and subsequently stated at cost less accumulated amortisation and impairment, if any. Amortisation is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. Principal Accounting Policies (continued)

Intangible assets (continued)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Mining assets

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights are obtained, any previously recognised exploration and evaluation assets are reclassified as mining rights or property, plant and equipment, as appropriate. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised before reclassification.

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. Principal Accounting Policies (continued)

Construction contract (continued)

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out, weighted average or specific identification method for inventories with a different nature or use. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Properties held for sale/properties under development for sale

Properties held for sale and properties under development for sale are stated at the lower of cost and net realisable value. Cost comprises the cost of land, development expenditure, other attributable costs and borrowing costs capitalised.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) *Held-for-trading financial assets*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Held-for-trading financial assets (continued)

Held-for-trading financial assets (including derivatives that are not designated and effective as a hedging instrument) are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, other loans and receivables, restricted cash and cash and cash equivalents as shown in the consolidated statement of financial position) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is considered to be impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter into bankruptcy or financial reorganisation. The carrying amount of loans and receivables is reduced through the use of an allowance account. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be an objective evidence of impairment. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not be reversed through profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is considered to be impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not be reversed in subsequent periods.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at fair value through profit or loss, of which interest income is included in other gains and losses.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

The Group's financial liabilities are generally classified into held-for-trading financial liabilities and other financial liabilities.

Held-for-trading financial liabilities

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Held-for-trading financial liabilities are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other gains and losses line item in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables as shown in the consolidated statement of financial position are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

3. Principal Accounting Policies (continued)

Financial instruments (continued)

Derecognition (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Employee compensation and benefits

Pension obligations

The full time employees of the Group in the PRC excluding Hong Kong and Macau ("Mainland China") are covered by various government-sponsored state-managed retirement plans under which the employees are entitled to a monthly pension based on certain formulae. The relevant government agencies are responsible for the pension liability to these retired employees. The Group's contributions to these plans are recognised as an expense when employees have rendered service entitling them to the contribution. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

3. Principal Accounting Policies (continued)

Employee compensation and benefits (continued)

Pension obligations (continued)

The Group also provided supplementary pension subsidies to retired employees in Mainland China. Such supplementary pension subsidies are considered as defined benefit plans. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

Employees who retire after 31 December 2006 will no longer be entitled to such supplementary pension subsidies. The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of reductions in future contributions to the plans.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. The Group's contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service.

Other post-employment obligations

Some group entities in Mainland China provide post-retirement medical benefits to their retired employees. 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. All actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are recognised immediately in other comprehensive income. These obligations are valued annually by independent qualified actuaries.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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.

3. Principal Accounting Policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group has complied with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Principal Accounting Policies (continued)

Taxation (continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts, sale of properties, sales of other goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of business tax, returns, rebates and discounts. Revenue is recognised as follows:

Revenue from design and consultation contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be estimated reliably and, depending on the nature of the contract, are measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date bear to estimated total contract costs; (b) the amount of work certified by customers; or (c) completion of physical proportion of the contract work. Anticipated losses are fully provided on contracts when identified.

Revenue for services rendered including survey, design, consulting, research and development, feasibility study, compliance certification services with respect to infrastructure projects, and operating service provided under service concession arrangements, is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the group entities.

Revenue from sale of properties in the ordinary course of business is recognised when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements.

Sale of goods is recognised when goods are delivered and title has passed.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts above.

Dividend income from investments is recognised when a group entity's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Deposits and instalments received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

3. Principal Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'lease prepayments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Principal Accounting Policies (continued)

Leasing (continued)

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36.

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Renminbi) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

4. Key Sources of Estimation Uncertainty (continued)

(b) Amortisation of service concession arrangements

Amortisation of service concession arrangements in relation to the toll road operations are calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever is the shorter, commencing from the date of commencement of commercial operation of the toll roads, based on a units-of-usage basis, which is the ratio of actual traffic volume compared to the total expected traffic volume of the toll roads as estimated by the management or by reference to traffic projection reports prepared by independent traffic consultants. Appropriate adjustment will be made should there be any material change.

(c) Estimated 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, a material impairment loss may arise.

As at 31 December 2015, the carrying amount of goodwill is RMB829 million (2014: RMB829 million). Details of the impairment loss calculation are disclosed in Note 23.

(d) Deferred tax asset

As at 31 December 2015, deferred tax assets of RMB4,367 million (2014: RMB4,281 million) in relation to the unused tax losses, impairment of assets (including impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories), excess of accounting depreciation over tax depreciation and retirement and other supplemental benefit obligations have been recognised in the consolidated statement of financial position (see Note 41). The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

(e) Construction and design contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the contract revenue, contract costs and foreseeable losses of construction and design work based on the budgets prepared for the contracts. Because of the nature of the activities undertaken in construction and design businesses, management reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, additional losses may need to be recognised.

(f) Estimated impairment of trade and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. The movements of the impairment loss recognised during the year are set out in Note 28.

(g) Retirement and other supplemental benefit obligations

The retirement and other supplemental benefit obligations are estimated based on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in Note 39. The accuracy of the estimate mainly depends on the extent of deviation between the actuarial assumptions and the actual conditions. Any changes in these assumptions will have an impact on the carrying amount of retirement and other supplemental benefit obligations.

5. Capital Management and Financial Instruments

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern; to maintain the confidence of creditors; to sustain future development of the group entities and to maximise the return to the owners of the Company through optimisation of debt and equity balances. The capital structure of the Group consists of the borrowings and obligations under finance lease disclosed in Notes 36 and 37, net of cash and cash equivalents, and total equity of the Group.

The Directors review the capital structure on a quarterly basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the Directors, the Group will balance its overall capital structure through the payment of dividends, issue of new debts as well as the redemption of existing debts.

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, held-for-trading financial assets, other loans and receivables, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, trade and other payables, and held-for-trading financial liabilities. Details of these financial instruments are disclosed in the respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Foreign currency risk management

The functional currency of majority of the group entities is RMB in which most of the transactions are denominated. Foreign currencies are used to collect the Group's revenue from overseas operations, settle purchases of machinery and equipment suppliers and certain expenses. Certain bank balances and borrowings which are denominated in foreign currencies expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2015 RMB million	2014 RMB million	**2015 RMB million**	2014 RMB million
USD	**7,647**	4,246	**8,619**	8,615
EURO	**134**	155	**306**	375
HKD	**61**	36	**1,321**	101
Others	**3,128**	3,054	**4,342**	2,836

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Foreign currency risk management (continued)

The following table details the Group's sensitivity to a reasonably possible change of 6% (2014: 1%) in exchange rate of each foreign currency against RMB while all other variables are held constant. 6% (2014: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower and adjusts their translation at the end of the reporting period for a 6% (2014: 1%) change in foreign currency rates.

The management adjusted the sensitivity rate from 1% to 6% for assessing foreign currency risk after considering the financial market conditions during the current year.

An analysis of sensitivity to foreign currency risk is as follows:

	2015 RMB million	2014 RMB million
Increase (decrease) in post-tax profit for the year		
if RMB weakens against foreign currencies	123	27
if RMB strengthens against foreign currencies	(123)	(27)

Interest rate risk management

The fair value interest rate risk relates primarily to the Group's fixed-rate bank borrowings, other loans and receivables, and certain interest rate swaps. The cash flow interest rate risk of the Group relates primarily to floating-rate bank borrowing and obligations under finance lease, interest rate swaps and available-for-sale financial assets of unlisted entrusted products, measured at fair value. The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate financial liabilities at the end of the reporting period were outstanding and the amount of available-for-sale financial assets of unlisted debt related entrusted products at the end of the reporting period retained for the whole year. A 50 (2014: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2015	2014
Reasonably possible change in interest rate	50 basis points	50 basis points

	2015 RMB million	2014 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in interest rate	(357)	(353)
as a result of decrease in interest rate	357	353
Increase (decrease) in other comprehensive income		
as a result of increase in interest rate	25	23
as a result of decrease in interest rate	(25)	(23)

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Other price risks

The Group is exposed to equity securities price risk because the fair value of certain available-for-sale financial assets and held-for-trading financial assets are measured by reference to quoted prices. Details of the available-for-sale financial assets and held-for-trading financial assets are set out in Notes 24 and 30 respectively.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

For sensitivity analysis purpose, the sensitivity rate is changed to 5% (2014: 4%) in the current year due to change in market conditions.

The Group's sensitivity to equity price risk on the held-for-trading financial assets and available-for-sale financial assets at the end of the reporting period while all other variables were held constant is as follows:

	2015	2014
Reasonably possible change in equity price	5%	4%

	2015 RMB million	2014 RMB million
Increase (decrease) in post-tax profit for the year		
as a result of increase in equity price	6	3
as a result of decrease in equity price	(6)	(3)
Increase (decrease) in other comprehensive income		
as a result of increase in equity price	78	29
as a result of decrease in equity price	(78)	(29)

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk management

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 44.

In order to minimise the credit risk, the management of the Group has delegated the teams responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each material individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. One major customer (including its controlled entities), which is a wholly state-owned enterprise, contributes a significant portion of the revenue and receivables of the Group. The management considers that the credit risk in respect of this customer is limited.

The credit risk on cash and cash equivalents and bank deposits is limited because the counterparties have high credit ratings. The Directors do not expect any counterparty would fail to meet its obligations.

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, where the Group's operations are located.

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 35% (2014: 35%) and 40% (2014: 40%) of the total trade receivables respectively.

The Group has concentration of credit risk in respect of other loans and receivables as the Group's largest other loans and receivables and the five largest other loans and receivables represent 14% (2014: 12%) and 53% (2014: 44%) of the total loans and receivables respectively.

Liquidity risk management

The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised short-term bank borrowing facilities of RMB142,031 million (2014: RMB136,139 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay.

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2015									
Trade and other payables *(note)*	**N/A**	**296,190**	**1,252**	**659**	**335**	**45**	**187**	**298,668**	**298,430**
Borrowings	**0.92-13.92**	**92,042**	**24,124**	**31,133**	**8,566**	**14,098**	**37,246**	**207,209**	**180,422**
Obligations under finance lease	**4.51-7.81**	**1,405**	**470**	**46**	**2**	**–**	**–**	**1,923**	**1,838**
Financial guarantee contracts	**N/A**	**24,764**	**–**	**–**	**–**	**–**	**–**	**24,764**	**–**
		414,401	**25,846**	**31,838**	**8,903**	**14,143**	**37,433**	**532,564**	**480,690**
At 31 December 2014									
Trade and other payables *(note)*	N/A	282,750	1,159	760	241	89	46	285,045	284,809
Borrowings	1.53-11.5	97,750	32,197	13,401	12,662	6,135	51,585	213,730	182,914
Obligations under finance lease	5.54-8.95	774	1,377	423	41	2	–	2,617	2,446
Financial guarantee contracts	N/A	21,035	–	–	–	–	–	21,035	1
		402,309	34,733	14,584	12,944	6,226	51,631	522,427	470,170

Note: The difference between total undiscounted cash flows and the carrying amount of trade and other payables represents the imputed interest expenses on interest-free retention payables.

As at 31 December 2015 and 2014, there is no bank borrowing that contains a repayment on demand clause.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The following table details the Group's expected maturity of its non-derivative financial assets other than those classified as available-for-sale and held-for-trading financial assets. The table below has been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

5. Capital Management and Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

	Weighted average interest rate %	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2015									
Trade and other receivables *(note)*	**N/A**	**146,504**	**14,691**	**9,703**	**5,419**	**1,415**	**1,918**	**179,650**	**177,675**
Other loans and receivables	**0-43.2**	**7,165**	**6,475**	**506**	**1,765**	**33**	**693**	**16,637**	**15,433**
Restricted cash	**N/A**	**7,414**	**–**	**–**	**–**	**–**	**–**	**7,414**	**7,414**
Cash and cash equivalents	**N/A**	**93,304**	**–**	**–**	**–**	**–**	**–**	**93,304**	**93,304**
		254,387	**21,166**	**10,209**	**7,184**	**1,448**	**2,611**	**297,005**	**293,826**
At 31 December 2014									
Trade and other receivables *(note)*	N/A	154,615	20,167	11,374	4,485	2,401	1,250	194,292	191,727
Other loans and receivables	0-36	6,486	3,108	769	96	2,107	596	13,162	12,230
Restricted cash	N/A	8,675	–	–	–	–	–	8,675	8,675
Cash and cash equivalents	N/A	68,679	–	–	–	–	–	68,679	68,679
		238,455	23,275	12,143	4,581	4,508	1,846	284,808	281,311

Note: The difference between total undiscounted cash flows and the carrying amounts of trade and other receivables represents the imputed interest income on interest-free retention receivables.

The following table details the Group's liquidity analysis for its derivative financial instruments that are settled on a net basis. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the derivative instruments. Since the amount payable is not fixed, the amount disclosed has been determined with reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

	Within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	After five years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2015								
Net cash outflows of								
– interest rate swaps	**(129)**	**(74)**	**–**	**–**	**–**	**–**	**(203)**	**(184)**
At 31 December 2014								
Net cash outflows of								
– interest rate swaps	(131)	(101)	(68)	–	–	–	(300)	(285)

5. Capital Management and Financial Instruments (continued)

Categories and fair value measurement

The carrying amounts of each of the following categories of financial assets and financial liabilities are set out as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Financial assets at fair value through profit or loss:		
Held-for-trading financial assets	**144**	109
Loans and receivables:		
Other loans and receivables	**15,433**	12,230
Trade and other receivables	**177,675**	191,727
Restricted cash	**7,414**	8,675
Cash and cash equivalents	**93,304**	68,679
	293,826	281,311
Available-for-sale financial assets	**12,237**	10,520
Financial liabilities at fair value through profit or loss:		
Held-for-trading financial liabilities	**185**	304
Other financial liabilities:		
Trade and other payables	**298,430**	284,809
Borrowings	**180,422**	182,914
Financial guarantee contracts	**–**	1
Obligations under finance lease	**1,838**	2,446
	480,690	470,170

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

5. Capital Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value as at (RMB in million) 31/12/2015		Fair value as at (RMB in million) 31/12/2014		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Interest rate swaps classified as held-for-trading financial assets/ liabilities	**Assets/ Liabilities**	**Amount**	**Assets/ Liabilities**	**Amount**	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**1**	Assets	1				
	Liabilities	**185**	Liabilities	286				
2) Foreign currency forward contract classified as held-for-trading financial liabilities	**Liabilities**	**–**	Liabilities	18	Level 2	Discounted cash flow. Future cash flows are estimated based on forward foreign exchange rate (from observable yield curves at the end of the reporting period) and contracted foreign exchange rate, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Listed equity securities classified as held-for-trading financial assets	Listed equity securities in Mainland China and Hong Kong:		Listed equity securities in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Mining	**42**	Mining	52				
	Manufacturing	**20**	Manufacturing	6				
	Transportation	**19**	Transportation	22				
	Construction	**17**	Construction	1				
	Finance	**8**	Finance	14				
	Others	**37**	Others	13				
	Total	**143**	Total	108				
4) Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Mainland China:		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**936**	Finance	745				
	Manufacturing	**73**	Manufacturing	–				
	Total	**1,009**	Total	745				

5. Capital Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Financial assets/financial liabilities	Fair value as at (RMB in million) 31/12/2015		31/12/2014		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5)	Listed equity securities classified as available-for-sale financial assets	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
		Industry	**Amount**	Industry	Amount				
		Construction	**531**	Construction	–				
		Mining	**1**	Mining	6				
		Total	**532**	Total	6				
6)	Unlisted open-end equity funds classified as available-for-sale financial assets	Unlisted open-end equity funds in Mainland China:		Unlisted open-end equity funds in Mainland China:					
		Industry	**Amount**	Industry	Amount				
		Finance	**262**	Finance	143	Level 1	Quoted bid prices in an active market.	N/A	N/A
		Finance	**247**	Finance	–	Level 3	Discounted cash flow. The key input is the yield rate of the similar products	The yield rate of the similar products in similar industries.	The higher the yield rate of the similar products, the lower the fair value.
		Total	**509**	Total	143				
7)	Unlisted entrusted products classified as available-for-sale financial assets	Unlisted entrusted products in Mainland China:		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow. The key input is the yield rate of the similar products	The yield rate of the similar products in similar industries.	The higher the yield rate of the similar products, the lower the fair value.
		Industry	**Amount**	Industry	Amount				
		Construction	**2,044**	Construction	2,314				
		Real estate	**1,647**	Real estate	1,631				
		Manufacture	**223**	Manufacture	489				
		Finance	**759**	Finance	849				
		Mining	**40**	Mining	70				
		Others	**1,541**	Others	601				
		Total	**6,254**	Total	5,954				

The Group owns equity interest in North Asia Resources Holding Limited ("North Asia") which is classified as available-for sale investment and measured at fair value at each reporting date. Being in the lock up period, the fair value of the investment as at 31 December 2014 was measured with reference to the quoted prices with an adjustment of discount for lack of marketability and was classified as Level 2 of the fair value hierarchy. The look up period of North Asia was lapsed during the year, the fair value of the investment as at 31 December 2015 was determined based on a quoted price on HKSE and was classified as Level 1 of the fair value hierarchy.

There were no transfers between Level 1 and 2 in 2014.

5. Capital Management and Financial Instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements:

	Available-for-sale unlisted entrusted products million	Available-for-sale open-end funds million	Total million
At 1 January 2015	5,954	–	5,954
Total gains:			
– in other comprehensive income	1	–	1
– cumulative gain reclassified from equity to profit or loss on disposal	(52)	–	(52)
Purchases	6,724	247	6,971
Settlements	(6,373)	–	(6,373)
At 31 December 2015	6,254	247	6,501

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

	2015		2014	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial assets				
Loan receivables – fixed rate	**15,433**	**15,151**	12,230	12,130
Financial liabilities				
Bank borrowings – fixed rate	**1,449**	**1,466**	1,310	1,282
Long-term debentures – fixed rate	**34,015**	**35,840**	36,091	34,010
Other long-term borrowings –fixed rate	**6,534**	**6,718**	5,280	5,284

The fair value hierarchy of the fair value of fixed rate loan receivables, bank borrowings, long-term debentures and other long-term borrowings are included in the level 2. The fair values of above financial assets and liabilities included in the level 2 category have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

6. Revenue

An analysis of the Group's revenue for the year is as follows:

	2015 **RMB million**	2014 RMB million
Revenue from:		
Construction contracts	**517,860**	491,524
Rendering of other services	**20,462**	18,884
Sale of properties	**27,920**	28,064
Sale of goods	**33,700**	51,694
	599,942	590,166

7. Segment Information

Information reported to the Board of Directors of the Group, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance, is prepared in accordance with the relevant PRC accounting standards, which resulted in the difference in the basis of measurement of segment results, segment assets and segment liabilities.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

(i) Construction of railways, highways, bridges, tunnels, metropolitan railways (including subways and light railways), buildings, irrigation works, hydroelectricity projects, ports, docks, airports and other municipal works ("Infrastructure construction");

(ii) Survey, design, consulting, research and development, feasibility study and compliance certification services with respect to infrastructure construction projects ("Survey, design and consulting services");

(iii) Design, research and development, manufacture and sale of turnouts and other railway related equipment and materials, steel structures and engineering machinery ("Engineering equipment and component manufacturing");

(iv) Development, sale and management of residential and commercial properties ("Property development"); and

(v) Mining, financial business, operation of service concession arrangements, merchandise trading and other ancillary business ("Other businesses").

Segment revenues and results

Inter-segment revenue is charged at cost plus a percentage of mark up.

The segment information regarding the Group's reportable and operating segments is presented below.

For the Year Ended 31 December 2015

7. Segment Information (continued)

Segment revenues and results (continued)

The following is an analysis of the Group's revenue and results by reportable segments:

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
Year ended 31 December 2015						
External revenue	**535,006**	**10,120**	**13,058**	**28,873**	**32,176**	**619,233**
Inter-segment revenue	**5,041**	**524**	**2,390**	**73**	**7,182**	**15,210**
Other operating income	**3,659**	**67**	**334**	**314**	**497**	**4,871**
Inter-segment other operating income	**501**	**–**	**–**	**–**	**189**	**690**
Segment revenue	**544,207**	**10,711**	**15,782**	**29,260**	**40,044**	**640,004**
Segment results						
Profit (loss) before tax	**14,193**	**1,131**	**1,050**	**2,616**	**(450)**	**18,540**
Segment results included:						
Share of (losses) profits of joint ventures	**(1)**	**(6)**	**60**	**–**	**35**	**88**
Share of profits (losses) of associates	**150**	**23**	**34**	**(17)**	**(30)**	**160**
Interest income	**3,630**	**88**	**39**	**249**	**690**	**4,696**
Interest expenses	**(4,119)**	**(207)**	**(170)**	**(954)**	**(2,759)**	**(8,209)**

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
Year ended 31 December 2014						
External revenue	508,141	9,592	12,480	29,022	49,606	608,841
Inter-segment revenue	6,404	598	1,774	–	4,944	13,720
Other operating income	2,851	75	265	233	294	3,718
Inter-segment other operating income	626	–	–	–	119	745
Segment revenue	518,022	10,265	14,519	29,255	54,963	627,024
Segment results						
Profit (loss) before tax	11,642	1,018	1,089	4,373	(121)	18,001
Segment results included:						
Share of profits (losses) of joint ventures	42	(5)	45	–	45	127
Share of profits (losses) of associates	178	(25)	12	–	(33)	132
Interest income	3,169	37	24	267	313	3,810
Interest expenses	(4,695)	(150)	(178)	(506)	(2,476)	(8,005)

For the Year Ended 31 December 2015

7. Segment Information (continued)

Segment revenues and results (continued)

A reconciliation of the amounts presented for reportable segments to the consolidated financial statements is as follows:

	2015 RMB million	2014 RMB million
Segment revenue	**640,004**	627,024
Inter-segment elimination	**(15,900)**	(14,465)
Reconciling items:		
Reclassification of sales tax *(note (a))*	**(19,291)**	(18,675)
Reclassification of other operating income *(note (b))*	**(4,871)**	(3,718)
Total consolidated revenue, as reported	**599,942**	590,166
Segment interest income	**4,696**	3,810
Inter-segment elimination	**(1,968)**	(1,611)
Reclassification of interest income obtained from other loans and receivables	**284**	317
Total consolidated interest income, as reported	**3,012**	2,516
Segment interest expenses	**(8,209)**	(8,005)
Inter-segment elimination	**2,024**	1,214
Reclassification of amortisation of financial guarantee contracts	**1**	–
Total consolidated interest expenses, as reported	**(6,184)**	(6,791)
Segment results	**18,540**	18,001
Inter-segment elimination	**(2,233)**	(2,688)
Reconciling items:		
Land appreciation tax *(note (c))*	**710**	920
Total consolidated profit before tax, as reported	**17,017**	16,233

Notes:

(a) *Sales tax is included in operating expenses under segment reporting and is classified as a reduction against revenue in the consolidated statement of profit or loss and other comprehensive income.*

(b) *Other operating income is included in revenue under segment reporting and is classified as other income in the consolidated statement of profit or loss and other comprehensive income.*

(c) *Land appreciation tax is included in operating expenses under segment reporting and is classified as income tax expense in the consolidated statement of profit or loss and other comprehensive income.*

7. Segment Information (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
At 31 December 2015						
ASSETS						
Segment assets	**514,776**	**14,771**	**27,783**	**138,123**	**173,514**	**868,967**
Segment assets included:						
Interests in joint ventures	**836**	**43**	**226**	**–**	**1,535**	**2,640**
Interests in associates	**4,266**	**100**	**119**	**82**	**682**	**5,249**
LIABILITIES						
Segment liabilities	**441,942**	**9,394**	**19,255**	**114,949**	**141,803**	**727,343**

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total segments RMB million
At 31 December 2014						
ASSETS						
Segment assets	486,974	13,145	24,908	130,379	139,356	794,762
Segment assets included:						
Interests in joint ventures	426	47	199	–	1,534	2,206
Interests in associates	3,011	32	74	54	1,013	4,184
LIABILITIES						
Segment liabilities	434,299	8,057	16,958	109,347	113,985	682,646

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets and current income tax recoverable excluding prepaid land appreciation tax which is allocated to operating segments. Goodwill is allocated to segments as described in Note 23; and

- all liabilities are allocated to operating segments other than deferred tax liabilities and current income tax liabilities excluding land appreciation tax payable which is allocated to operating segments.

7. Segment Information (continued)

Segment assets and liabilities (continued)

A reconciliation of the amounts presented for reportable segments to the consolidated financial statements is as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Segment assets	**868,967**	794,762
Inter-segment elimination	**(160,570)**	(116,618)
Reconciling items:		
Deferred tax assets	**4,367**	4,281
Shares conversion scheme of subsidiaries *(note (d))*	**(163)**	(170)
Current income tax recoverable	**1,030**	701
Prepaid land appreciation tax included in income tax recoverable	**(126)**	(78)
Total consolidated assets, as reported	**713,505**	682,878
Segment liabilities	**727,343**	682,646
Inter-segment elimination	**(157,553)**	(112,998)
Reconciling items:		
Deferred tax liabilities	**920**	1,103
Current income tax liabilities	**4,065**	3,861
Land appreciation tax payable included in current income tax liabilities	**(508)**	(628)
Total consolidated liabilities, as reported	**574,267**	573,984

Note:

(d) *Loss on shares conversion scheme of subsidiaries is recorded in segment assets in segment reporting and is adjusted to other gains and losses in the consolidated statement of profit or loss and other comprehensive income in prior years.*

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7. Segment Information (continued)

Other segment information

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 2015						
Capital expenditure:						
Property, plant and equipment	6,521	153	671	177	1,040	8,562
Land use rights	81	26	283	202	13	605
Investment properties	1	1	–	2	–	4
Intangible assets	32	8	198	7	3,500	3,745
Mining assets	–	–	–	–	850	850
Acquisition of subsidiaries	133	–	–	1	–	134
Total	6,768	188	1,152	389	5,403	13,900
Depreciation and amortisation:						
Property, plant and equipment	5,134	204	434	155	704	6,631
Land use rights	136	9	26	24	45	240
Investment properties	18	11	2	57	72	160
Intangible assets	37	7	37	4	596	681
Mining assets	–	–	–	–	101	101
	5,325	231	499	240	1,518	7,813
(Gain) loss on disposal and/or write-off of property, plant and equipment	(82)	(2)	10	(18)	1	(91)
Gain on disposal of land use rights	(82)	–	–	–	–	(82)
Allowance for foreseeable loss on construction contracts	76	–	–	–	–	76
Impairment loss on trade and other receivables	248	2	65	57	1,525	1,897
Impairment loss on other loans and receivables	–	–	–	–	562	562
Impairment loss on property, plant and equipment	–	–	–	–	12	12
Impairment loss on mining assets	–	–	–	–	401	401
Impairment loss on interests in associates	–	–	–	–	308	308
Impairment loss on available-for-sale financial assets	8	–	–	–	10	18

7. Segment Information (continued)

Other segment information (continued)

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMBmillion	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 2014						
Capital expenditure:						
Property, plant and equipment	7,604	173	710	355	1,719	10,561
Land use rights	142	9	122	300	352	925
Intangible assets	22	7	7	7	324	367
Mining assets	–	–	–	–	17	17
Acquisition of subsidiaries	–	6	–	–	4,498	4,504
Total	7,768	195	839	662	6,910	16,374
Depreciation and amortisation:						
Property, plant and equipment	4,795	187	307	86	554	5,929
Land use rights	141	7	23	5	27	203
Investment properties	33	9	1	30	36	109
Intangible assets	18	13	4	2	625	662
Mining assets	–	–	–	–	68	68
	4,987	216	335	123	1,310	6,971
Loss (gain) on disposal and/or write-off of property, plant and equipment	24	(9)	1	–	(2)	14
Gain on disposal of land use rights	(12)	–	–	–	–	(12)
Loss on disposal of mining assets	–	–	–	–	22	22
Allowance for foreseeable loss on construction contracts	114	–	–	–	–	114
Impairment loss on property, plant and equipment	–	–	–	–	107	107
Impairment loss on trade and other receivables	726	–	69	103	1,558	2,456
Impairment loss (reversed) recognised on other loans and receivables	(252)	–	–	–	3	(249)
Impairment loss on mining assets	–	–	–	–	54	54
Impairment loss on available-for-sale financial assets	9	–	–	–	1	10

Majority of the Group's revenue and non-current assets were derived from and located in Mainland China and, therefore, no geographical information is presented.

Revenue from major customers

Revenue from a wholly state-owned enterprise of the PRC arising from infrastructure construction, survey, design and consulting service and engineering equipment and component manufacturing is approximately RMB191,513 million (2014: RMB188,092 million), which contributed 32% (2014: 32%) of the total revenue of the Group. Other than this customer, no other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2015 and 2014.

8. Other Income and Expenses

	2015 RMB million	2014 RMB million
Other income from:		
Dividend income	**184**	111
Government subsidies *(note (a))*	**440**	521
Compensation income	**37**	40
Relocation compensation	**117**	96
Amortisation of financial guarantee contracts	**1**	–
Income from sundry operations *(note (b))*	**1,297**	1,049
Waiver of trade and other payables	**33**	19
Bargain purchase gain on acquisition	**8**	–
Others	**358**	384
	2,475	2,220
Other expenses on:		
Research and development expenditure	**10,281**	9,710
	10,281	9,710

Notes:

(a) *Government subsidies relating to expenses include various government subsidies received by the group entities from the relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement and product development, etc. All subsidies were recognised at the time the Group fulfilled the relevant criteria and when the related expenses incurred.*

Government subsidies relating to assets include government subsidies obtained by the group entities in relation to the acquisition of property, plant and equipment, which were included in the consolidated statement of financial position as deferred government grant and credited to profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

(b) *The balances comprise profits from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income and hotel operation income, etc.*

For the Year Ended 31 December 2015

9. Other Gains and Losses

	2015 **RMB million**	2014 RMB million
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	**91**	(14)
Land use rights	**82**	12
Investment properties	**3**	–
Interests in associates	**1**	3
Interests in a joint venture	**3**	(207)
Available-for-sale financial assets	**17**	21
Mining assets	**–**	(22)
Cumulative gain on disposal of available-for-sale investments	**76**	106
Impairment loss recognised on interests in associates	**(308)**	–
Impairment loss on property, plant and equipment	**(12)**	(107)
Impairment loss on mining assets	**(401)**	(54)
Impairment loss (recognised) reversed on financial assets		
Available-for-sale financial assets	**(18)**	(10)
Trade and other receivables	**(1,897)**	(2,456)
Other loans and receivables	**(562)**	249
Gain (loss) arising on change in fair value of financial assets/liabilities classified as held-for-trading	**3**	(233)
Gain on disposal of subsidiaries *(Note 43)*	**83**	11
Excess of fair value of the previously-held investments *(Note 42(a))*	**5**	4
Foreign exchange gains, net	**1,746**	1,450
	(1,088)	(1,247)

10. Interest Income and Expenses

	2015 RMB million	2014 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**1,476**	1,152
Imputed interest income on retention receivables	**1,252**	1,047
Other loans and receivables	**284**	317
Total interest income	**3,012**	2,516
Interest expenses on:		
Bank borrowings	**7,240**	8,136
Short-term debentures	**66**	–
Long-term debentures	**1,872**	1,943
Other short-term borrowings	**202**	146
Other long-term borrowings	**828**	1,172
Finance leases	**104**	66
	10,312	11,463
Imputed interest expenses on retention payables	**157**	128
Imputed interest expenses on defined benefit obligations	**155**	209
Bank charges	**127**	69
Total borrowing costs	**10,751**	11,869
Less: amount capitalised *(note)*	**(4,567)**	(5,078)
Total interest expenses	**6,184**	6,791

Note: Borrowing costs capitalised during the year are calculated by applying the capitalisation rates of 2.00%-13.92% (2014: 2.05%-13.5%) per annum to expenditure on qualifying assets.

11. Income Tax Expense

	2015 RMB million	2014 RMB million
Current tax		
Enterprise Income Tax ("EIT")	**4,830**	4,719
Land Appreciation Tax ("LAT")	**710**	920
(Overprovision) underprovision in prior years	**(5)**	75
Deferred tax *(Note 41)*	**(304)**	(157)
	5,231	5,557

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2014: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (2014: 12.5%, 15%, or 20%) for the year ended 31 December 2015.

11. Income Tax Expense (continued)

Certain of the Group's overseas entities are located in the Congo, South Africa, Hong Kong, Malaysia, Papua New Guinea and Ethiopia. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rate of 30%, 30%, 16.5%, 25%, 30% and 30% (2014: 30%, 30%, 16.5%, 25%, 30% and 30%) are applied to these entities respectively.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

The tax charge for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB million	2014 RMB million
Profit before tax	**17,017**	16,233
Tax at PRC EIT rate of 25% (2014: 25%) *(Note)*	**4,254**	4,058
Tax effect of:		
Non-deductible expenses	**182**	200
Non-taxable income	**(45)**	(83)
Tax losses not recognised as deferred tax assets	**651**	593
Utilisation of tax losses previously not recognised as deferred tax assets	**(340)**	(103)
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(71)**	(18)
Other deductible temporary differences not recognised as deferred tax assets	**775**	442
Preferential tax rates on income of group entities and other income tax credits	**(793)**	(561)
Share of profits of joint ventures	**(22)**	(32)
Share of profits of associates	**(40)**	(33)
Deferred tax changes resulting from changes in applicable tax rates	**(37)**	19
LAT	**710**	920
Tax effect of LAT	**(178)**	(230)
(Overprovision) underprovision in respect of prior years	**(5)**	75
Others	**190**	310
Income tax expense for the year	**5,231**	5,557

Note: The PRC Enterprise Income Tax rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

Income tax recognised directly in other comprehensive income

	2015 RMB million	2014 RMB million
Deferred tax *(Note 41)*		
Retirement and other supplemental benefit obligations	**36**	12
Fair value changes of available-for-sale financial assets	**(29)**	(42)
Total income tax recognised in other comprehensive income	**7**	(30)

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12. Profit for the Year

	2015 RMB million	2014 RMB million
Profit for the year has been arrived at after charging (crediting):		
Amortisation of:		
Intangible assets (included in administrative expenses)	73	47
Intangible assets (included in cost of sales and services)	608	615
Total amortisation of intangible assets	681	662
Auditor's remuneration	99	77
Operating lease rentals in respect of		
Rented premises (included in cost of sales and services)	642	535
Rented premises (included in administrative expenses)	252	229
Plant and machinery (included in cost of sales and services)	25,370	26,829
Rental income from investment properties:		
Gross rental	(422)	(316)
Direct operating expenses (including depreciation of investment properties)	240	175
Net rental	(182)	(141)
Research and development expenditure (included in other expenses)	10,281	9,710
Cost of raw materials and consumables	221,329	224,665
Employee benefits expense:		
Contributions payable to state-managed retirement plans	4,303	3,989
Contributions payable to supplementary defined contribution retirement schemes	421	234
Retirement and other supplemental pension benefit obligations	135	209
Gain on disposal of subsidiaries	83	11

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13. Emoluments of Directors, Chief Executive, Supervisors and Employees

Directors', chief executive's and supervisors' emoluments

Executive directors', independent directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

Name of directors, chief executive or supervisors	Fees RMB'000	Salaries and other benefits in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus *(note)* RMB'000	Total RMB'000
Year ended 31 December 2015					
Executive directors					
Li Changjin	–	186	44	739	969
Yao Guiqing	–	186	44	739	969
Zhang Zongyan (Appointed in July 2015, also chief executive)	–	94	23	–	117
Dai Hegen (Resigned in July 2015)	–	93	25	722	840
Independent directors					
Zheng Qingzhi	167	–	–	–	167
Guo Peizhang	155	–	–	–	155
Wen Baoman	147	–	–	–	147
NGAI Wai Fung	130	–	–	–	130
Directors' remunerations	599	559	136	2,200	3,494
Supervisors					
Liu Chengjun	–	162	44	292	498
Liu Jianyuan	–	162	44	292	498
Wang Hongguang	–	212	44	279	535
Chen Wenxin	–	205	44	294	543
Fan Jinghua	–	193	44	294	531
Total	599	1,493	356	3,651	6,099

13. Emoluments of Directors, Chief Executive, Supervisors and Employees (continued)

Directors', chief executive's and supervisors' emoluments (continued)

Name of directors, chief executive or supervisors	Fees RMB'000	Salaries and other benefits in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus *(note)* RMB'000	Total RMB'000
Year ended 31 December 2014					
Executive directors					
Li Changjin	–	404	40	432	876
Yao Guiqing	–	404	40	602	1,046
Dai Hegen (Appointed in June 2014, also chief executive)	–	394	40	541	975
Bai Zhongren (Passed away in January 2014)	–	2	3	618	623
Independent directors					
Zheng Qingzhi (Appointed in June 2014)	84	–	–	–	84
Guo Peizhang (Appointed in June 2014)	78	–	–	–	78
Wen Baoman (Appointed in June 2014)	74	–	–	–	74
NGAI Wai Fung (Appointed in June 2014)	68	–	–	–	68
Gong Huazhang (Resigned in June 2014)	73	–	–	–	73
Wang Taiwen (Resigned in June 2014)	62	–	–	–	62
Sun Patrick (Resigned in June 2014)	63	–	–	–	63
Han Xiu Guo (Resigned in June 2014)	–	–	–	–	–
He Gong (Resigned in June 2014)	–	–	–	–	–
Directors' remunerations	502	1,204	123	2,193	4,022
Supervisors					
Liu Chengjun (Appointed in June 2014)	–	157	21	–	178
Liu Jianyuan	–	253	40	113	406
Wang Hongguang (Appointed in June 2014)	–	110	22	133	265
Chen Wenxin	–	195	40	263	498
Fan Jinghua (Appointed in June 2014)	–	102	21	143	266
Wang Qiuming (Resigned in June 2014)	–	–	–	355	355
Lin Longbiao (Resigned in June 2014)	–	215	19	11	245
Zhang Xixue (Resigned in June 2014)	–	36	–	7	43
Total	502	2,272	286	3,218	6,278

13. Emoluments of Directors, Chief Executive, Supervisors and Employees (continued)

Directors', chief executive's and supervisors' emoluments (continued)

The executive directors', chief executive's and supervisors' emolument shown above were mainly for their services in connection with the management affairs of the Company and the Group. The independent directors' emoluments shown above were mainly for their services as directors of the Company.

During both years, none of the directors, chief executive or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executive or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Five highest paid individuals

None of the directors and the chief executive was amongst the five highest paid individuals during both years.

The emoluments of the five highest paid individuals were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits-in-kind	**4,623**	5,222
Contributions to retirement benefits schemes	**189**	145
Discretionary bonus *(note)*	**22,227**	20,401
	27,039	25,768

Their emoluments were within the following bands:

	2015 No. of employees	2014 No. of employees
HK$2,000,001 to HK$2,500,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**–**	1
HK$10,500,001 to HK$11,000,000	**1**	–
HK$12,000,001 to HK$12,500,000	**1**	–

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

13. Emoluments of Directors, Chief Executive, Supervisors and Employees (continued)

Employee compensation and benefits

	2015 RMB million	2014 RMB million
Salaries, wages and bonuses	**27,065**	24,534
Contribution to pension plans classified as defined contribution plans *(Note 39)*	**4,724**	4,223
Retirement and other supplemental pension benefit obligations – interest cost *(Note 39)*	**155**	209
Past service cost and (gain) loss from settlements	**(20)**	–
Housing benefits *(note)*	**2,316**	1,996
Welfare, medical and other benefits-in-kind	**7,923**	7,016
	42,163	37,978

Note: These represent contributions to the government-sponsored housing funds (at rates ranging from 8% to 20% of the employee's basic salary) in Mainland China.

14. Dividend

The final dividend of RMB0.086 per share in respect of the year ended 31 December 2015 amounting to approximately RMB1,965 million in aggregate has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 19 May 2015, final dividend of RMB0.078 per share (2014: RMB0.066 per share in respect of the year ended 31 December 2013) in respect of the year ended 31 December 2014, amounting to RMB1,661 million (2014: RMB1,406 million) in aggregate, was declared and subsequently paid in June 2015.

15. Earnings Per Share

Basic earnings per share for the year ended 31 December 2015 is calculated by dividing the profit attributable to owners of the Company of RMB11,675 million (2014: RMB10,262 million) by weighted average number of shares of 22,023,441,545 (2014: 21,299,900,000 shares) during the year.

No diluted earnings per share are presented as there are no potential ordinary shares outstanding during both years.

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16. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2015	21,886	34,232	10,808	5,975	2,589	3,485	4,913	83,888
Exchange adjustments	61	(54)	(24)	29	–	(8)	(13)	(9)
Additions	750	3,495	929	404	265	451	2,268	8,562
Transfer within property, plant and equipment	1,620	323	59	258	2	85	(2,347)	–
Transfer from investment properties	8	–	–	–	–	–	–	8
Transfer from properties held for sale	237	–	–	–	–	–	–	237
Transfer from properties under development	–	–	–	–	–	–	2,490	2,490
Acquisition of subsidiaries *(Note 42)*	113	–	3	14	–	3	–	133
Disposal of subsidiaries *(Note 43)*	–	–	(2)	(1)	(1)	(5)	(115)	(124)
Write-offs/other disposals	(218)	(1,134)	(480)	(212)	(155)	(313)	(369)	(2,881)
Transfer to investment properties	(396)	–	–	–	–	–	–	(396)
At 31 December 2015	24,061	36,862	11,293	6,467	2,700	3,698	6,827	91,908
DEPRECIATION AND IMPAIRMENT								
At 1 January 2015	4,173	18,143	7,248	2,300	1,696	2,162	–	35,722
Exchange adjustments	(1)	(51)	(24)	(7)	–	(5)	–	(88)
Provided for the year	797	3,422	1,170	546	284	412	–	6,631
Transfer from investment properties	1	–	–	–	–	–	–	1
Disposal of subsidiaries *(Note 43)*	–	–	(2)	(1)	(1)	(4)	–	(8)
Impairment losses recognised	–	–	–	–	–	–	12	12
Eliminated on write-offs/other disposals	(134)	(935)	(444)	(185)	(142)	(269)	–	(2,109)
Transfer to investment properties	(18)	–	–	–	–	–	–	(18)
At 31 December 2015	4,818	20,579	7,948	2,653	1,837	2,296	12	40,143
CARRYING VALUES								
At 31 December 2015	19,243	16,283	3,345	3,814	863	1,402	6,815	51,765

For the Year Ended 31 December 2015

16. Property, Plant and Equipment (continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
COST								
At 1 January 2014	16,375	32,452	10,139	4,945	2,411	2,903	7,170	76,395
Exchange adjustments	(6)	(61)	(15)	(10)	(1)	(10)	(7)	(110)
Additions	495	4,311	1,127	250	254	593	3,531	10,561
Transfer within property, plant and equipment	4,149	254	20	1,117	7	126	(5,673)	–
Transfer from investment properties	33	–	–	–	–	–	–	33
Transfer from properties held for sale	1,362	–	–	–	–	98	–	1,460
Transfer from properties under development	152	–	–	–	–	10	17	179
Acquisition of subsidiaries *(Note 42)*	28	–	15	107	–	1	530	681
Disposal of subsidiaries *(Note 43)*	(428)	–	(29)	(271)	(3)	(1)	(1)	(733)
Write-offs/other disposals	(143)	(2,724)	(449)	(163)	(79)	(235)	(654)	(4,447)
Transfer to investment properties	(131)	–	–	–	–	–	–	(131)
At 31 December 2014	21,886	34,232	10,808	5,975	2,589	3,485	4,913	83,888
DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	3,694	16,515	6,535	2,067	1,487	1,914	–	32,212
Exchange adjustments	(4)	(43)	(13)	(12)	–	(6)	–	(78)
Provided for the year	588	3,024	1,141	493	283	400	–	5,929
Transfer from investment properties	6	–	–	–	–	–	–	6
Disposal of subsidiaries *(Note 43)*	(59)	–	(14)	(114)	(1)	(1)	–	(189)
Impairment losses recognised	–	107	–	–	–	–	–	107
Eliminated on write-offs/other disposals	(41)	(1,460)	(401)	(134)	(73)	(145)	–	(2,254)
Transfer to investment properties	(11)	–	–	–	–	–	–	(11)
At 31 December 2014	4,173	18,143	7,248	2,300	1,696	2,162	–	35,722
CARRYING VALUES								
At 31 December 2014	17,713	16,089	3,560	3,675	893	1,323	4,913	48,166

Property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over their estimated useful lives as follows:

Category	**Estimated useful lives**
Buildings	15–50 years
Infrastructure construction equipment	8–15 years
Transportation equipment	4–12 years
Manufacturing equipment	8–18 years
Testing equipment and instruments	5–10 years
Other equipment	3–10 years

16. Property, Plant and Equipment (continued)

The carrying values of infrastructure construction equipment include amounts of RMB1,943 million (2014: RMB2,452 million) in respect of assets held under finance leases.

Bank borrowings amounting to RMB192 million (2014: RMB294 million) are secured by certain property, plant and equipment with an aggregate carrying value of RMB166 million (2014: RMB521 million) (see Note 36).

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying value of RMB936 million (2014: RMB1,262 million) as at 31 December 2015. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

17. Lease Prepayments

Movements in lease prepayments, which represent land use rights in Mainland China, during the year are analysed as follows:

	2015 **RMB million**	2014 RMB million
At beginning of year	**9,018**	8,277
Acquisition of subsidiaries *(Note 42)*	**–**	65
Additions	**605**	925
Transfer from properties held for sale	**218**	402
Transfer to properties held for sale	**(3)**	–
Transfer to properties under development	**–**	(9)
Disposals	**(116)**	(429)
Disposal of subsidiaries *(Note 43)*	**–**	(10)
Released to profit or loss as expenses	**(240)**	(203)
At end of year	**9,482**	9,018
Analysed for reporting purpose as:		
– Non-current	**9,290**	8,795
– Current	**192**	223
	9,482	9,018

The Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of RMB158 million (2014: RMB251 million) as at 31 December 2015. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

In 2014, Bank borrowings amounting to RMB275 million (2015: Nil) were secured by land use rights with an aggregate carrying value of RMB1,912 million (2015: Nil) (see Note 36).

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18. Investment Properties

	2015 RMB million	2014 RMB million
COST		
At beginning of year	**3,233**	2,470
Additions	**4**	–
Transfer from property, plant and equipment	**396**	131
Transfer from properties held for sale	**846**	687
Transfer to property, plant and equipment	**(8)**	(33)
Transfer to properties held for sale	**(30)**	(20)
Disposals	**(3)**	(2)
At end of year	**4,438**	3,233
DEPRECIATION AND IMPAIRMENT		
At beginning of year	**545**	434
Provided for the year	**160**	109
Transfer from property, plant and equipment	**18**	11
Transfer to property, plant and equipment	**(1)**	(6)
Transfer to properties held for sale	**(4)**	(2)
Eliminated on disposals	**(2)**	(1)
At end of year	**716**	545
CARRYING VALUES		
At end of year	**3,722**	2,688

The fair value of the Group's investment properties with carrying amount of RMB3,722 million (2014: RMB2,688 million) is RMB3,768 million (2014: RMB2,849 million). The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent valuers not connected with the Group, based on the depreciated replacement cost method, which the Directors are of the view that it is the best estimate of the fair value of these investment properties. The key inputs are cost of construction and installation, survey and design expense and cost of superintendence.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. Investment Properties (continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 are as follows:

	Carrying amount as at 31/12/2015 RMB million	Fair value (Level 3) as at 31/12/2015 RMB million
Commercial property units located in Sichuan Province	1,102	1,274
Commercial property units located in Shandong Province	577	627
Commercial property units located in Guangdong Province	419	422
Commercial property units located in Beijing	414	325
Commercial property units located in Jiangsu Province	340	222
Commercial property units located in Guizhou Province	282	195
Commercial property units located in other Provinces	588	703
	3,722	3,768

The above investment properties are depreciated on a straight-line basis at the annual rates from 25 to 50 years.

The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB1,016 million (2014: RMB293 million) as at 31 December 2015. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

19. Intangible Assets

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2015	36,409	92	10	238	777	37,526
Additions	3,500	1	–	50	194	3,745
Acquisition of a subsidiary *(Note 42)*	–	–	–	1	–	1
Write-offs/other disposals	(131)	–	(2)	(1)	(6)	(140)
At 31 December 2015	39,778	93	8	288	965	41,132
AMORTISATION AND IMPAIRMENT						
At 1 January 2015	2,618	70	6	142	69	2,905
Provided for the year	604	4	1	30	42	681
Eliminated on write-offs/other disposals	–	–	–	(1)	–	(1)
At 31 December 2015	3,222	74	7	171	111	3,585
CARRYING VALUES						
At 31 December 2015	36,556	19	1	117	854	37,547

19. Intangible Assets (continued)

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
COST						
At 1 January 2014	34,531	91	7	191	637	35,457
Additions	152	1	3	47	164	367
Exchange adjustments	–	–	–	–	(24)	(24)
Acquisition of a subsidiary *(Note 42)*	1,726	–	–	–	–	1,726
At 31 December 2014	36,409	92	10	238	777	37,526
AMORTISATION AND IMPAIRMENT						
At 1 January 2014	2,007	66	6	116	48	2,243
Provided for the year	611	4	–	26	21	662
At 31 December 2014	2,618	70	6	142	69	2,905
CARRYING VALUES						
At 31 December 2014	33,791	22	4	96	708	34,621

The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations, sewage plants and other constructions. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads, sewage plants and other constructions, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads, the sewage plants and other construction upon completion for a specified concession period from 20 to 39 years (2014: from 25 to 30 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads, the sewage plants and other constructions upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

The rights in respect of toll road income under nine (2014: eight) concession agreements with an aggregate carrying amount of RMB35,792 million (2014: RMB31,560 million) are pledged to obtain bank borrowings amounting to RMB21,103 million (2014: RMB19,100 million) (see Note 36).

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment loss. Service concession arrangements are amortised on a units-of-usage basis, over their expected useful lives or the remaining concession period, whichever is the shorter, except for sewage plants which is amortised on a straight-line basis. Other intangible assets are amortised on a straight-line basis based on their estimated useful lives as follows:

Category	**Estimated useful lives**
Non-patented technologies	2 to 10 years
Patents	2 to 10 years
Computer software	2 to 10 years
Others	3 to 50 years

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20. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2015	**4,980**	**468**	**5,448**
Additions	**730**	**120**	**850**
Disposal of a subsidiary *(Note 43)*	**–**	**(131)**	**(131)**
Write-offs/other disposals	**(3)**	**(49)**	**(52)**
Exchange adjustments	**63**	**–**	**63**
At 31 December 2015	**5,770**	**408**	**6,178**
AMORTISATION AND IMPAIRMENT			
At 1 January 2015	**220**	**–**	**220**
Provided for the year	**101**	**–**	**101**
Exchange adjustments	**2**	**–**	**2**
Impairment losses recognised in profit of loss *(note)*	**159**	**242**	**401**
At 31 December 2015	**482**	**242**	**724**
CARRYING VALUES			
At 31 December 2015	**5,288**	**166**	**5,454**

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
COST			
At 1 January 2014	2,870	559	3,429
Additions	1	16	17
Acquisition of a subsidiary *(Note 42)*	2,032	–	2,032
Write-offs/other disposals	(17)	(22)	(39)
Exchange adjustments	5	4	9
Transfer from exploration and evaluation assets to mining rights	89	(89)	–
At 31 December 2014	4,980	468	5,448
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	96	–	96
Provided for the year	68	–	68
Exchange adjustments	2	–	2
Impairment losses recognised in profit of loss	54	–	54
At 31 December 2014	220	–	220
CARRYING VALUES			
At 31 December 2014	4,760	468	5,228

20. Mining Assets (continued)

Note: In view of the unfavourable future prospects of the relevant coal mines and mineral mines due to the forecasted low selling price and expected decrease in profit margin as a result of the slowdown of the global economy, the Directors performed impairment assessment on certain cash-generating units and exploration and evaluation assets within the Group's other businesses segment, in relation to the Group's coal mines in Qinghai Province Muli area and coal mines and mineral mines in Inner Mongolia and Australia. The recoverable amount is determined on the basis of value in use, and for the coal mines in Inner Mongolia, after taking into consideration of the compensation expected to be recovered from Inner Mongolia Government. The discount rate used in measuring value in use was approximately 8% per annum. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash-generating units and management's expectations for the market development.

As a result of the impairment assessment, the Group recognised impairment loss on mining right of RMB159 million and impairment loss on exploration and evaluation assets of RMB242 million which have been recognised in profit or loss in the "Other gain and losses" line item.

The exploration and evaluation assets represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Fujian, Qinghai, Guizhou, Mongolia, Australia and the Democratic Republic of the Congo. The Group did not have any attributable liabilities, income and expenses for both years. The investing cash outflows used in the exploration for and evaluation of mineral resources during the year are as follows:

	2015 RMB million	*2014 RMB million*
Investing cash outflows	***(770)***	*(17)*

21. Interests in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Cost of unlisted investments	**2,574**	2,111
Share of post-acquisition profits and other comprehensive income, net of dividends received	**71**	100
Accumulated impairment loss recognised	**(5)**	(5)
	2,640	2,206

21. Interests in Joint Ventures (continued)

Details of Group's material joint ventures as at 31 December 2015 and 2014 are as follow:

Name of Joint venture	Place/country of establishment/ operations	Proportion of ownership interest held by the Group		Principal activities
		2015	2014	
		%	%	
重慶渝鄰高速公路有限公司 Chongqing Yulin Expressway Co., Ltd.	PRC	**49** ***(note (a))***	49 *(note (a))*	Build-operate-transfer service concession arrangement
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.	PRC	**80** ***(note (b))***	80 *(note (b))*	Build-operate-transfer service concession arrangement
新鐵德奧道岔有限公司 Chinese New Turnout Technologies Co., Ltd.	PRC	**50**	50	High-speed turnout manufacturing

Notes:

(a) *Pursuant to the articles of Chongqing Yulin Expressway Co., Ltd. ("Chongqing Yulin"), the shareholders have joint control of Chongqing Yulin.*

(b) *Pursuant to the articles of Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong"), the shareholders have joint control of Chongqing Dianzhong.*

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21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Chongqing Yulin

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	**112**	23
Non-current assets	**1,288**	1,331
Current liabilities	**173**	27
Non-current liabilities	**496**	686
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**102**	17
Current financial liabilities (excluding trade and other payables and provisions)	**–**	5
Non-current financial liabilities (excluding trade and other payables and provisions)	**496**	686

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21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Yulin (continued)

	2015 RMB million (unaudited)	2014 RMB million (unaudited)
Revenue	**248**	246
Profit and total comprehensive income for the year	**90**	91
Dividends received from Chongqing Yulin during the year	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**61**	63
Interest income	**–**	1
Interest expense	**38**	53
Income tax expense	**16**	16

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Yulin recognised in the consolidated financial statements:

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Net assets of Chongqing Yulin	**731**	641
Proportion of the Group's ownership interest in Chongqing Yulin	**49%**	49%
Other adjustments	**(9)**	–
Carrying amount of the Group's interest in Chongqing Yulin	**349**	314

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong")

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	**12**	34
Non-current assets	**3,897**	3,968
Current liabilities	**292**	197
Non-current liabilities	**2,273**	2,444
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**10**	26
Current financial liabilities (excluding trade and other payables and provisions)	**274**	172
Non-current financial liabilities (excluding trade and other payables and provisions)	**2,269**	2,444

	2015 RMB million (unaudited)	2014 RMB million (unaudited)
Revenue	**243**	290
(Loss) profit and total comprehensive (expense) income for the year	**(17)**	5
Dividends received from Chongqing Dianzhong during the year	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**67**	63
Interest income	**–**	2
Interest expense	**153**	170
Income tax expense	**6**	7

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21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chongqing Dianzhong Expressway Co., Ltd. ("Chongqing Dianzhong") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Dianzhong recognised in the consolidated financial statements:

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Net assets of Chongqing Dianzhong	1,344	1,361
Proportion of the Group's ownership interest in Chongqing Dianzhong	80%	80%
Other adjustments	26	33
Carrying amount of the Group's interest in Chongqing Dianzhong	1,101	1,122

Chinese New Turnout Technologies Co., Ltd ("CNTT")

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	745	679
Non-current assets	112	124
Current liabilities	377	377
Non-current liabilities	40	40
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	240	280
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–

21. Interests in Joint Ventures (continued)

Summarised financial information of material joint ventures (continued)

Chinese New Turnout Technologies Co., Ltd ("CNTT") (continued)

	2015 RMB million (unaudited)	2014 RMB million (unaudited)
Revenue	**508**	668
Profit and total comprehensive income for the year	**120**	90
Dividends received from CNTT	**33**	25
The above profit for the year includes the following:		
Depreciation and amortisation	**17**	17
Interest income	**3**	1
Interest expense	**–**	–
Income tax expense	**40**	30

Reconciliation of the above summarised financial information to the carrying amount of the interest in CNTT recognised in the consolidated financial statements:

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Net assets of CNTT	**440**	386
Proportion of the Group's ownership interest in CNTT	**50%**	50%
Other adjustments	**6**	6
Carrying amount of the Group's interest in CNTT	**226**	199

Aggregate information of joint ventures that are not individually material

	2015 RMB million (unaudited)	2014 RMB million (unaudited)
The Group's share of (loss) profit and total comprehensive (expense) income	**(2)**	33

21A. Joint Operation

In 2015, the Group has four joint operations in Hong Kong (2014: seven) and has 30%, 40%, 40% and 40% share (2014: 30%, 30%, 30%, 38%, 40%, 40% and 40%) in the ownership of these construction projects respectively. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation's expenses.

22. Interests in Associates

Details of the Group's interests in associates are as follows:

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Cost of unlisted investments	**5,380**	4,442
Share of post-acquisition profits (losses) and other comprehensive income (expense), net of dividends received	**178**	(257)
Accumulated impairment loss recognised *(note)*	**(309)**	(1)
	5,249	4,184

Note: During the year, the Group recognised impairment loss on interests in associates of RMB308 million (2014: nil) in relation to the Group's investment in 蘇尼特左旗芒來礦業有限責任公司, 阿扎鐵路有限責任公司 and 內蒙古郭白鐵路有限公司, in view of the unfavourable future prospects due to the forecasted low coal selling price, and expected decrease in profit margin as a result of the slowdown of the global economy.

Details of Group's material associates as at 31 December 2015 and 2014 are as follow:

Name of associate	**Place/country of establishment/ operations**	**Proportion of ownership interest held by the Group 2015 %**	**2014 %**	**Principal activities**
鐵道第三勘察設計院集團有限公司 The Third Railway Survey and Design Institute Group Corporation	PRC	**30**	*30*	Engineering survey and design
武漢墨北路橋有限公司 Wuhan Mobei Road & Bridge Co., Ltd.	PRC	***50 (note (a))***	50 *(note (a))*	Project construction and operation
武漢鸚鵡洲大橋有限公司 Wuhan Yingwuzhou Bridge Co., Ltd.	PRC	***50 (note (b))***	50 *(note (b))*	Project construction and operation
徽銀金融租賃有限公司 Huiyin financial leasing Co., Ltd.	PRC	***15 (note (c))***	–	Financial lease

Notes:

(a) Pursuant to the articles of association of Wuhan Mobei Road & Bridge Co., Ltd. ("Wuhan Mobei"), the Group does not have control or joint control of Wuhan Mobei but still retain significant influences in this entity.

(b) Pursuant to the articles of association of Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou"), the Group does not have control or joint control of Yingwuzhou but still retain significant influences in the entity.

(c) Pursuant to the articles of association of Huiyin financial lease Co., Ltd. ("Huiyin"), the Group have significant influences in the entity.

22. Interests in Associates (continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

The Third Railway Survey and Design Institute Group Corporation ("the third RSDI")

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	**5,802**	4,648
Non-current assets	**614**	436
Current liabilities	**4,066**	3,399
Non-current liabilities	**30**	13
Non-controlling interests	**2**	–

	2015 RMB million (unaudited)	2014 RMB million (unaudited)
Revenue	**5,997**	5,463
Profit and total comprehensive income for the year	**621**	617
Dividends received from the third RSDI during the year	**–**	45

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2015 RMB million	31/12/2014 RMB million
Net assets attributable to owners of the third RSDI	**2,318**	1,672
Proportion of the Group's ownership in the third RSDI	**30%**	30%
Other adjustments	**2**	–
Carrying amount of the Group's interest in the third RSDI	**697**	502

22. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Wuhan Mobei Road & Bridge Co., Ltd. ("Wuhan Mobei")

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	**78**	119
Non-current assets	**1,828**	1,386
Current liabilities	**57**	1
Non-current liabilities	**1,350**	1,005

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2015 RMB million	31/12/2014 RMB million
Net assets of Wuhan Mobei	**499**	499
Proportion of the Group's ownership in Wuhan Mobei	**50%**	50%
Carrying amount of the Group's interest in Wuhan Mobei	**250**	250

Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou")

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	**339**	778
Non-current assets	**3,619**	3,176
Current liabilities	**36**	1,231
Non-current liabilities	**2,750**	1,720

22. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

Wuhan Yingwuzhou Bridge Co., Ltd. ("Yingwuzhou") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2015 RMB million	31/12/2014 RMB million
Net assets of Yingwuzhou	1,172	1,003
Proportion of the Group's ownership in Yingwuzhou	50%	50%
Other adjustments	(20)	(11)
Carrying amount of the Group's interest in Yingwuzhou	566	490

Huiyin Financial lease Co., Ltd. ("Huiyin")

	31/12/2015 RMB million (unaudited)
Current assets	1,908
Non-current assets	5,868
Current liabilities	4,915
Non-current liabilities	810

	Period from date of establishment to 31 December 2015 RMB million (unaudited)
Revenue	186
Profit and total comprehensive income for the year	51
Dividends received from Huiyin during the year	–

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22. Interests in Associates (continued)

Summarised financial information of material associates (continued)

Huiyin Financial lease Co., Ltd. ("Huiyin") (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2015 RMB million
Net assets of Huiyin	2,051
Proportion of the Group's ownership in Huiyin	15%
Carrying amount of the Group's interest in Huiyin	308

Aggregate information of associates that are not individually material

	2015 RMB million	2014 RMB million
The Group's share of losses	(34)	(50)
The Group's share of other comprehensive expense	–	(20)
The Group's share of total comprehensive expense	(34)	(70)
Aggregate carrying amount of the Group's interests in these associates	3,428	2,942
The unrecognised share of loss of associates for the year	42	94
Cumulative unrecognised share of loss of associates	136	94

23. Goodwill

	2015 RMB million	2014 RMB million
COST		
At 1 January	880	888
Written-off	–	(7)
Liquidation of subsidiaries	–	(1)
Balance at end of year	880	880
IMPAIRMENT		
At 1 January	51	58
Written-off	–	(7)
At 31 December	51	51
CARRYING VALUES		
At end of year	829	829

23. Goodwill (continued)

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 47) and sub-groups headed by these subsidiaries:

	2015 RMB million	2014 RMB million
China Railway No.1 Engineering Group Co., Ltd.	**66**	66
China Railway No.3 Engineering Group Co., Ltd.	**51**	51
China Railway No.4 Engineering Group Co., Ltd.	**95**	95
China Railway No.5 Engineering (Group) Co., Ltd.	**82**	82
China Railway No.8 Engineering Group Co., Ltd.	**26**	26
China Railway No.9 Engineering Group Co., Ltd.	**53**	53
China Railway No.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**26**	26
China Railway Construction Group Co., Ltd.	**88**	88
China Railway Tunnel Group Co., Ltd.	**19**	19
China Railway Trust Co., Ltd.	**206**	206
China Railway No.6 Survey and Design Institute Group Co., Ltd.	**24**	24
Other subsidiaries	**39**	39
	829	829

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust Co., Ltd., which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15% (2014: 15%). A decreasing growth rate has been applied over the most recent financial budgets period and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust Co., Ltd., have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 11% (2014: 11%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the remaining subsidiaries to exceed its recoverable amount.

24. Available-For-Sale Financial Assets

	31/12/2015 RMB million	31/12/2014 RMB million
Unlisted open-end equity funds, at market prices	**509**	143
Unlisted entrusted products, at fair value	**6,254**	5,954
Listed equity investments in the PRC and Hong Kong, at market prices	**1,541**	751
Unlisted equity investments, at cost less impairment	**3,933**	3,672
Total	**12,237**	10,520
Analysed for reporting purpose as:		
– Current	**3,886**	1,733
– Non-current	**8,351**	8,787
Total	**12,237**	10,520

The above unlisted entrusted products are investment products mainly relating to property development projects, construction projects and energy projects in Mainland China and are debt instruments. The fair value of the entrusted products is determined based on discounted cash flow analysis.

The above unlisted equity investments are equity securities issued by private entities established in Mainland China. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

In the current year, the Group redeemed certain unlisted entrusted products upon maturity, disposed of certain listed equity investments and unlisted equity investments with an aggregate carrying amount of RMB6,618 million (2014: RMB3,123 million). A gain on disposal of RMB93 million (2014: RMB127 million) has been recognised in profit or loss for the current year.

25. Other Loans and Receivables

	31/12/2015 RMB million	31/12/2014 RMB million
Short-term loans and receivables	**7,212**	4,164
Long-term loans and receivables	**8,830**	8,113
	16,042	12,277
Less: Impairment on loans and receivables	**(609)**	(47)
Total other loans and receivables	**15,433**	12,230
Less: Amount due within one year included in current assets	**(6,620)**	(4,130)
Amount due after one year	**8,813**	8,100

As at 31 December 2015, other loans and receivables amounting to RMB984 million (2014: RMB1,275 million) do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 3.73% to 43.2% (2014: 3.73% to 36%) per annum.

25. Other Loans and Receivables (continued)

As at 31 December 2015, other loans and receivables amounting to RMB5,726 million (2014: RMB4,843 million) are secured by equity investments, property, plant and equipment, land use rights, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party. The remaining balances are unsecured and unguaranteed. For those amounts without secured assets, the management takes into consideration of the credit history and solvency of the debtors and believes these amounts are recoverable.

The Group's loan receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2015 RMB million	31/12/2014 RMB million
USD	**880**	748

Movements in impairment on receivables are as follows:

	2015 RMB million	2014 RMB million
At beginning of year	**47**	296
Impairment losses recognised (reversed) during the year	**562**	(249)
At end of year	**609**	47

26. Properties Held for Sale/Properties Under Development for Sale

Properties under development for sale amounting to RMB22,609 million (2014: RMB23,175 million) have been pledged to secure bank borrowings amounting to RMB11,329 million (2014: RMB10,621 million) granted to the Group (see Note 36).

Properties under development for sale amounting to RMB15,354 million (2014: RMB36,502 million) are expected to be recovered beyond 12 months.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at the lower of cost and net realisable value.

27. Inventories

	31/12/2015 RMB million	31/12/2014 RMB million
Raw materials and consumables	**23,930**	37,566
Work in progress	**2,674**	3,069
Finished goods	**3,506**	4,320
	30,110	44,955

Inventories of RMB25 million (2014: RMB14 million) are expected to be recovered beyond twelve months.

28. Trade and Other Receivables

The majority of the Group's revenue is generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions.

	31/12/2015 RMB million	31/12/2014 RMB million
Trade and bills receivables	**149,995**	161,623
Less: impairment	**(3,348)**	(3,108)
	146,647	158,515
Other receivables (net of impairment)	**34,290**	37,738
Advance to suppliers	**32,453**	31,640
	213,390	227,893
Less: Amount due after one year included in non-current assets	**(7,137)**	(8,135)
Amount due within one year included in current assets	**206,253**	219,758

The Group's major customers are the wholly state-owned entities and other government-related enterprises, the majority of which have good credit standing and strong economic background. More than 90% of the trade receivables that are neither past due nor impaired are from customers with good payment history. Trade receivables due from the PRC government-related enterprises are disclosed in Note 46.

Included in trade and bills receivables are retention receivables of RMB50,160 million (2014: RMB53,336 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to this construction contract is usually more than one year.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date, based on invoice date:

	31/12/2015 RMB million	31/12/2014 RMB million
Less than six months	**75,435**	79,673
Six months to one year	**24,802**	26,318
One year to two years	**26,098**	30,220
Two years to three years	**11,326**	12,582
More than three years	**8,986**	9,722
	146,647	158,515

28. Trade and Other Receivables (continued)

The Directors consider that there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of individually impaired trade receivables and other receivables during the year are as follows:

	2015 RMB million	2014 RMB million
At beginning of year	**5,759**	3,355
Impairment loss recognised during the year	**1,897**	2,456
Written-off	**(132)**	(26)
Decrease through disposal of subsidiaries	**–**	(26)
At end of year	**7,524**	5,759
Attributable to:		
Trade receivables	**3,348**	3,108
Other receivables	**4,176**	2,651
	7,524	5,759

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

28A. Transfer of Financial Assets

The following were the Group's financial assets as at 31 December 2015 and 31 December 2014 that were transferred to banks by discounting those bills receivables and factoring those trade receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured borrowings (see Note 36). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	31/12/2015		
	Bills receivable discounted to bank with full recourse RMB million	Trade receivables factoring to bank with full recourse RMB million	Total RMB million
Carrying amount of transferred assets	**37**	**2,333**	**2,370**
Carrying amount of associated liabilities	**37**	**1,503**	**1,540**
Net position	**–**	**830**	**830**

	31/12/2014		
	Bills receivable discounted to bank with full recourse RMB million	Trade receivables factoring to bank with full recourse RMB million	Total RMB million
Carrying amount of transferred assets	25	3,129	3,154
Carrying amount of associated liabilities	25	2,241	2,266
Net position	–	888	888

29. Amounts Due from (to) Customers for Contract Work

	31/12/2015 RMB million	31/12/2014 RMB million
Contract costs incurred plus recognised profits less recognised losses	**3,069,527**	2,638,177
Less: progress billings	**(2,962,005)**	(2,556,934)
	107,522	81,243
Analysed for reporting purpose as:		
Amounts due from contract customers	**122,379**	102,200
Amounts due to contract customers	**(14,857)**	(20,957)
	107,522	81,243

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30. Held-For-Trading Financial Assets (Liabilities)

Held-for-trading financial assets

	31/12/2015 RMB million	31/12/2014 RMB million
Equity securities listed in Mainland China, at quoted prices	**83**	35
Equity securities listed in Hong Kong, at quoted prices	**60**	73
Derivative financial instruments – interest rate swaps *(note)*	**1**	1
	144	109

Held-for-trading financial liabilities

	31/12/2015 RMB million	31/12/2014 RMB million
Derivative financial instruments		
– interest rate swaps *(note)*	**185**	286
– foreign currency forward contract	**–**	18
	185	304

Note: As at 31 December 2015 and 2014, the Group has two interest rate swap contracts. One Euro interest rate swap will mature in 2021 and one RMB interest rate swap will mature in 2017. Under the Euro contract, the Group will receive interest at fixed rates and pay interest at floating rates. Under the RMB contract, the Group would receive interest at fixed rates up to certain dates between December 2007 and December 2009 and will then receive interest at floating rates thereafter, and pay interest at fixed rates.

31. Restricted Cash

	31/12/2015 RMB million	31/12/2014 RMB million
Restricted cash denominated in:		
RMB	**7,334**	8,560
USD	**1**	33
Other currencies	**79**	82
	7,414	8,675

The restricted cash was mainly included mandatory reserves due from central bank and the cash held in dedicated bank accounts under the names of the group entities, which are for the issue of performance bonds to customers and therefore classified as current assets. The restricted cash held in central bank and dedicated bank accounts carry interest at prevailing market interest rates.

32. Cash and Cash Equivalents

	31/12/2015 RMB million	31/12/2014 RMB million
Bank balances and cash denominated in:		
RMB	**86,944**	62,311
USD	**3,702**	4,166
Other currencies	**2,658**	2,202
	93,304	68,679

Bank balances carry interest at market rates which range from 0 to 10.00% (2014: 0.05% to 8.21% per annum) per annum. The bank balances denominated in RMB are deposited with banks in Mainland China and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

33. Share Capital of the Company

	Number of shares		**Nominal value**	
	2015 '000	2014 '000	**2015 RMB million**	2014 RMB million
Registered capital				
A Shares of RMB1.00 each				
At beginning of year	**17,092,510**	17,092,510	**17,093**	17,093
Non-public offering *(note)*	**1,544,402**	–	**1,544**	–
At end of year	**18,636,912**	17,092,510	**18,637**	17,093
H Shares of RMB1.00 each				
At beginning and end of year	**4,207,390**	4,207,390	**4,207**	4,207
	22,844,302	21,299,900	**22,844**	21,300
Issued and fully paid				
A Shares of RMB1.00 each				
At beginning of year	**17,092,510**	17,092,510	**17,093**	17,093
Non-public offering *(note)*	**1,544,402**	–	**1,544**	–
At end of year	**18,636,912**	17,092,510	**18,637**	17,093
H Shares of RMB1.00 each				
At beginning and end of year	**4,207,390**	4,207,390	**4,207**	4,207
	22,844,302	21,299,900	**22,844**	21,300

33. Share Capital of the Company (continued)

Note: The Company completed the non-public offering of 1,544,402,000 A shares (the "Issuance") in July 2015 which was approved by State-owned Assets Supervision and Administration Commission of the State Council and China Securities Regulatory Commission. The issue price is RMB7.77 per A share. The total proceeds raised through the Issuance amounted to RMB12,000 million. After deducting the relevant expenses for the Issuance, the net proceeds from the Issuance amounted to RMB11,879 million, of which RMB1,544 million was recognised as share capital and RMB10,335 million was recognised as share premium. The total issued share capital of the Company has increased to 22,844,302,000 shares.

As at 31 December 2015, the A Shares (18,636,912,000 shares) and H Shares (4,207,390,000 shares) in issue are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

34. Perpetual Notes

The Company issued three tranches of public perpetual notes on 1 July 2014, 21 January 2015 and 11 June 2015 with a total principal amount of RMB3 billion, RMB4 billion and RMB3 billion, respectively. In addition the Company issued the first tranche of private perpetual notes on 3 April 2015 with a total principal amount of RMB2 billion.

The notes have no fixed maturity and are redeemable at the Company's option on or after the fifth interest payment date, at their principal amounts together with any accrued, unpaid or deferred coupon payments.

As long as the compulsory interest payment events have not occurred, the Company has the right to choose to defer interests payment at each coupon date without times limit of deferral, which does not cause the Company for breach of contract.

The Company could not defer current interests and all deferred interests before 12 months of the interest payment date when below compulsory interest payment events occur:

- to declare and pay dividend to ordinary shareholders;
- to decrease share capital.

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35. Trade and Other Payables

	31/12/2015 RMB million	31/12/2014 RMB million
Trade and bills payables	**258,879**	245,447
Advance from customers	**54,780**	59,788
Accrued payroll and welfare	**2,878**	2,741
Other taxes	**10,548**	9,447
Deposit received in advance	**144**	148
Dividend payables	**367**	61
Other payables	**38,280**	38,343
	365,876	355,975
Analysed for reporting purposes as:		
Non-current	**631**	782
Current	**365,245**	355,193
	365,876	355,975

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB5,770 million (2014: RMB5,292 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract is usually more than one year.

The balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

The following is an aged analysis of trade and bills payables at the reporting date, based on invoice date:

	31/12/2015 RMB million	31/12/2014 RMB million
Less than one year	**228,672**	215,448
One year to two years	**18,432**	18,811
Two years to three years	**6,224**	5,764
More than three years	**5,551**	5,424
	258,879	245,447

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36. Borrowings

	31/12/2015 RMB million	31/12/2014 RMB million
Bank borrowings:		
Secured	34,442	37,261
Unsecured	92,503	93,522
	126,945	130,783
Short-term debentures, unsecured	3,000	–
Long-term debentures, unsecured	34,015	36,091
Other short-term borrowings, unsecured	8,755	8,348
Other short-term borrowings, secured	72	500
Other long-term borrowings, unsecured	7,635	7,120
Other long-term borrowings, secured	–	72
	180,422	182,914
Analysed for reporting purposes:		
Non-current	96,213	93,655
Current	84,209	89,259
	180,422	182,914

	31/12/2015 RMB million	31/12/2014 RMB million
Carrying amount repayable *(note)*		
Within one year	84,209	89,259
More than one year but within two years	19,783	26,946
More than two years but within five years	45,616	22,869
More than five years	30,814	43,840
	180,422	182,914

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements.

36. Borrowings (continued)

On 14 May 2015, a wholly owned subsidiary of the Group, China Railway Resources Group Co., Ltd. ("CRR"), issued the first tranche of the private placement note, which was included in "long-term debentures, unsecured", of a principal amount of RMB1,000 million with a maturity date of 14 May 2018. The note bears interest at a fixed rate of 6.40% per annum. Interest is payable annually in arrears.

Bank borrowings carry interest at rates ranging from 0.92% to 10.05% (2014: 1.53% to 10%) per annum.

Short-term debentures were issued at fixed rates ranging from 3.58% to 4.50% (2014:Nil) per annum.

Other short-term borrowings carry interest at rates ranging from 1.38% to 10.5% (2014: 5.0% to 11.5%) per annum.

Long-term debentures were issued at fixed rates ranging from 3.85% to 7.2% (2014: 3.85% to 7.2%) per annum.

Other long-term borrowings carry interest at rates ranging from 6.28% to 13.92% (2014: 6.15% to 10.5%) per annum.

The borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2015 RMB million	31/12/2014 RMB million
USD	**3,238**	3,949
EURO	**122**	145
Others	**163**	431
	3,523	4,525

As at 31 December 2015, the Group pledged its rights to collect cash flows in relation to certain construction projects with contract value of RMB525 million (31 December 2014: RMB10,325 million) to secure bank borrowings amounting to RMB350 million (2014: RMB5,277 million).

The details of secured borrowings are set out below:

	31/12/2015		31/12/2014	
	Secured borrowings RMB million	**Carrying amount of pledged assets and contract value of certain rights RMB million**	Secured borrowings RMB million	Carrying amount of pledged assets and contract value of certain rights RMB million
Property, plant and equipment	**192**	**166**	294	521
Land use rights	**–**	**–**	275	1,912
Intangible assets	**21,103**	**35,792**	19,100	31,560
Properties under development for sale	**11,329**	**22,609**	10,621	23,175
Bills receivable	**37**	**37**	25	25
Accounts receivable	**1,503**	**2,333**	2,241	3,129
Rights to collect cash flows in relation to certain construction projects	**350**	**525**	5,277	10,325
Total	**34,514**	**61,462**	37,833	70,647

37. Obligations Under Finance Lease

The Group's leased certain of its equipment under finance leases. The average lease term is 3 years (2014: 3 years). Interest rates underlying all obligations under finance lease are set as the interest rate quoted by the People's Bank of China. At the end of the lease period, the Group is entitled to acquire the leased assets at a nominal consideration.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2015 RMB million	31/12/2014 RMB million	**31/12/2015 RMB million**	31/12/2014 RMB million
Amounts payable under finance lease				
Within one year	**1,405**	774	**1,346**	756
In more than one year but not more than five years	**518**	1,843	**492**	1,690
	1,923	2,617	**1,838**	2,446
Less: future finance charges	**(85)**	(171)	**–**	–
Present value of lease obligations	**1,838**	2,446	**1,838**	2,446
Less: Amount due for settlement within twelve months (shown under current liabilities)			**(1,346)**	(756)
Amount due for settlement after twelve months			**492**	1,690

38. Financial Guarantee Contracts

	2015 RMB million	2014 RMB million
At beginning of year	**1**	1
Amortisation for the year	**1**	–
At end of year	**–**	1
Analysed for reporting purpose as:		
Non-current	**–**	–
Current	**–**	1
	–	1

The balances represent the fair value of financial guarantees, details of which are disclosed in Note 44.

39. Retirement and Supplemental Benefit Obligations

State-managed retirement plans and supplementary defined contribution retirement schemes

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute a certain percentage of payroll costs, depending on the applicable local regulations to the state-managed retirement plans. The Group also participates in supplementary defined contribution retirement schemes. The only obligation of these PRC companies with respect to the state-managed retirement plans and supplementary defined contribution retirement schemes is to make the specified contributions.

The total cost charged to profit or loss during the year is RMB4,303 million and RMB421 million respectively (2014: RMB3,989 million and RMB234 million respectively).

As at 31 December 2015, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and supplementary defined contribution retirement schemes, and included in trade and other payables are RMB320 million and RMB45 million respectively (2014: RMB365 million and RMB39 million respectively).

Retirement and other supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment medical benefits to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligation is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligation is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2015 were carried out by an independent firm of actuaries, Towers Watson. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31/12/2015	31/12/2014
Discount rate	**3.00%**	3.75%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost trend rates	**8.00%**	8.00%

39. Retirement and Supplemental Benefit Obligations (continued)

Retirement and other supplemental benefit obligations (continued)

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income in respect of these defined benefit plans are as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Service cost		
Current service cost	–	–
Past service cost and (gain)loss from settlements	(20)	–
Interest cost	155	209
Components of defined benefit costs recognised in profit or loss	135	209
Remeasurement on the net defined benefit obligations:		
Actuarial losses arising from changes in financial assumptions	217	23
Actuarial (gains) and losses arising from experience adjustments	(58)	1
Components of defined benefit costs recognised in other comprehensive income	159	24
Total	294	233

The expense for the year is included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Present value of unfunded defined benefit obligations	4,273	4,523
Net liability arising from defined benefit obligations	4,273	4,523
Less: Amount due within one year	(494)	(551)
Amount due after one year	3,779	3,972

39. Retirement and Supplemental Benefit Obligations (continued)

Retirement and other supplemental benefit obligations (continued)

Movements in the present value of the retirement and other supplemental benefit obligations in the current year were as follows:

	2015 RMB million	2014 RMB million
Opening defined benefit obligations	**4,523**	4,892
Interest cost	**155**	209
Remeasurement losses (gains):		
Actuarial losses arising from changes in financial assumptions	**217**	23
Actuarial (gains) and losses arising from experience adjustments	**(58)**	1
Past service cost and (gain)loss from settlements	**(20)**	–
Benefits paid	**(544)**	(602)
Closing defined benefit obligations	**4,273**	4,523

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, benefit inflation rate and the average medical expense rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases (decreases) by 0.25%, the defined benefit obligation would decrease by RMB75 million (increase by RMB78 million).
- If the benefit inflation rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB157 million (decrease by RMB136 million).
- If the average medical expenses rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB18 million (decrease by RMB17 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

39. Retirement and Supplemental Benefit Obligations (continued)

Retirement and other supplemental benefit obligations (continued)

The average duration of the defined benefit obligation as at 31 December 2015 is 11.9 years (2014: 12.4 years). This number can be analysed as follows:

- civil retirees: 4.9 years (2014: 5.2 years);
- retired members: 12.2 years (2014: 12.7 years); and
- beneficiaries: 12.4 years (2014: 13.4 years).

40. Provisions

	2015 **RMB million**	2014 RMB million
At beginning of year	**518**	319
Provided for the year	**33**	264
Utilisation for the year	**(257)**	(65)
At end of year	**294**	518
Analysed for reporting purpose as:		
Non-current	**248**	260
Current	**46**	258
	294	518

The balance represents the provision recognised for the toll roads' repair and maintenance obligation, product warranties and the probable losses to the Group on lawsuits when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

41. Deferred Taxation

The following are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Tax losses RMB million	Impairment of assets RMB million (note (a))	Excess of tax depreciation over accounting depreciation RMB million	Retirement and other supplemental benefit obligations RMB million	Fair value changes of available-for-sale financial assets RMB million	Mining assets RMB million	Others RMB million (note (b))	Total RMB million
At 1 January 2014	409	770	(186)	939	(79)	(187)	1,378	3,044
Credit (charge) to profit or loss	123	126	(120)	(114)	–	–	161	176
Credit (charge) to other comprehensive income	–	–	–	12	(42)	–	–	(30)
Acquisition of subsidiaries	–	–	2	–	–	–	–	2
Effect of change in tax rate charged to profit or loss	(14)	(6)	–	1	–	–	–	(19)
Effect of change in currency exchange rate	–	–	–	–	–	(5)	10	5
At 31 December 2014	518	890	(304)	838	(121)	(192)	1,549	3,178
Credit (charge) to profit or loss	(19)	123	48	(71)	–	19	167	267
Credit (charge) to other comprehensive income	–	–	–	36	(29)	–	–	7
Acquisition of subsidiaries	6	–	–	–	–	–	–	6
Disposal of subsidiaries	(47)	(22)	–	–	–	–	–	(69)
Effect of change in tax rate charged to profit or loss	5	10	–	3	–	–	19	37
Effect of change in currency exchange rate	(1)	–	–	–	–	–	22	21
At 31 December 2015	462	1,001	(256)	806	(150)	(173)	1,757	3,447

Notes:

(a) *Impairment of assets is mainly attributable to impairment loss on trade and other receivables, other loans and receivables, property, plant and equipment, allowance for foreseeable losses on construction contracts and inventories.*

(b) *Others mainly represents unrealised profit arising from intragroup transactions.*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2015 RMB million	31/12/2014 RMB million
Deferred tax assets	**4,367**	4,281
Deferred tax liabilities	**(920)**	(1,103)
	3,447	3,178

41. Deferred Taxation (continued)

Details of the Group's unused tax losses and other deductible temporary differences are as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Tax losses recognised as deferred tax assets	**1,978**	2,273
Tax losses not recognised as deferred tax assets	**8,447**	8,104
Total tax losses	**10,425**	10,377
Other deductible temporary differences not recognised as deferred tax assets	**5,598**	2,785
Tax losses unrecognised as deferred tax assets that will expire in		
2015	**–**	899
2016	**822**	1,452
2017	**1,226**	1,681
2018	**1,553**	1,652
2019	**2,244**	2,420
2020	**2,602**	–
Total	**8,447**	8,104

No deferred tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

42. Acquisition of Subsidiaries

(a) Acquisition of businesses

During the year, in order to continue the expansion of the Group's activities, the Group performed the following acquisitions. The Group held 50% interest in 寶雞保德利電氣設備有限責任公司 49% interest in 瀋陽中鐵萬科祥盟置地有限公司, 30% interest in 天津華升文化交流有限公司, 20% interest in 上海融禦實業有限公司 and 49% interest in 珠海中鐵諾德投資有限公司 before these acquisitions.

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration RMB million
寶雞保德利電氣設備有限責任公司 Baoji Baodeli Electrification Equipment Co., Ltd ("Baoji Baodeli")	Manufacturing	30/06/2015	45	50
瀋陽中鐵萬科祥盟置地有限公司 Shenyang Zhongtie Wanke Xiangmeng Properties Co., Ltd ("Shenyang Xiangmeng")	Property Development	30/12/2015	51	16
天津華升文化交流有限公司 Tianjin Huasheng Culture Communication Co., Ltd ("Tianjin Huasheng")	Property Development	20/07/2015	70	1,350
成都潤宏府置業有限公司 Chengdu Runhongfu Properties Co., Ltd ("Chengdu Runhongfu")	Property Development	31/08/2015	100	51
上海融禦實業有限公司 Shanghai Rongyu Properties Co., Ltd ("Shanghai Rongyu")	Property Development	17/09/2015	80	8
珠海中鐵諾德投資有限公司 Zhuhai Zhongtie Nuode Investment Co., Ltd ("Zhuhai Nuode")	Property Development	02/11/2015	51	25
				1,500

Consideration transferred

	Baoji Baodeli RMB million	Shenyang Xiangmeng RMB million	Tianjin Huasheng RMB million	Shanghai Rongyu RMB million	Zhuhai Nuode RMB million	Chengdu Runhongfu RMB million	Total RMB million
Cash	50	–	1,350	8	25	26	1,459
Other receivables	–	16	–	–	–	–	16
Property, plant and equipment	–	–	–	–	–	25	25
Carrying amounts of previously-held investment	52	22	5	2	25	–	106
Excess of fair value of the previously-held investment	4	1	–	–	–	–	5
Total	106	39	1,355	10	50	51	1,611

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42. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Baoji Baodeli RMB million	Shenyang Xiangmeng RMB million	Tianjin Huasheng RMB million	Shanghai Rongyu RMB million	Zhuhai Nuode RMB million	Chengdu Runhongfu RMB million	Total RMB million
Current assets							
Cash and cash equivalents	36	4	24	22	14	21	121
Inventories	72	–	–	–	–	–	72
Properties under development for sale	–	745	1,794	1,255	2,250	–	6,044
Properties held for sale	–	–	–	–	–	412	412
Trade and other receivables	203		1,062	8	1	27	1,301
Non-current assets							
Intangible assets	1	–	–	–	–	–	1
Property plant and equipment	18	–	–	1	–	1	20
Deferred tax assets	–	4	1	1	–	–	6
Current liabilities							
Trade payables	(218)	(653)	(1,526)	(565)	(941)	(128)	(4,031)
Borrowings	–	(53)	–	(712)	–	–	(765)
Non-current liabilities							
Borrowings	–	–	–	–	(1,274)	(282)	(1,556)
Total	112	47	1,355	10	50	51	1,625
Net asset acquired	106	47	1,355	10	50	51	1,619
Non-controlling interests	6	–	–	–	–	–	6
Total	112	47	1,355	10	50	51	1,625

Bargain purchase gains arising on acquisition

	2015 RMB Million
Consideration transferred	1,611
Plus: non-controlling interests	6
Less: fair value for identifiable net assets acquired	(1,625)
Bargain purchase gains arising on acquisition	(8)

Net cash outflows on acquisition of subsidiaries

	2015 RMB Million
Consideration paid in cash	(1,459)
Less: cash and cash equivalent balances acquired	121
	(1,338)

42. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Net cash outflows on acquisition of subsidiaries (continued)

In 2014, in order to continue the expansion of the Group's activities, the Group performed the following acquisitions:

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Consideration RMB million
貴州麓島鄉村運動投資管理有限公司 Guizhou Ludao Rural Sports Investment Management Co., Ltd ("Guizhou Ludao")	Hotel & Investing	01/07/2014	70	7
貴州中澤酒店投資管理有限公司 Guizhou Zhongze Hotel Investment Management Co., Ltd ("Guizhou Zhongze")	Hotel & Investing	01/07/2014	70	7
蕪湖市建築工程施工圖設計文件審查中心有限公司 Wuhu Construction Engineering Construction Drawings Review Center Co., Ltd ("Review Center")	Engineering Design	01/07/2014	100	9
陝西榆林神佳米高速公路有限公司 Shaanxi Yulin Shenjiami Highway Co., Ltd ("Shenjiami")	Build-operate-transfer service concession arrangement	31/12/2014	70	143
				166

42. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Consideration transferred

	Guizhou Ludao RMB million	Guizhou Zhongze RMB million	Review Center RMB million	Shenjiami RMB million	Total RMB million
Cash	7	7	9	143	166
Carrying amounts of previously-held investment	3	3	–	60	66
Excess of fair value of the previously-held investment	–	–	–	4	4
Total	10	10	9	207	236

Assets acquired and liabilities recognised at the date of acquisition

	Guizhou Ludao RMB million	Guizhou Zhongze RMB million	Review Center RMB million	Shenjiami RMB million	Total RMB million
Current assets					
Cash and cash equivalents	22	3	–	35	60
Other current assets	23	7	6	189	225
Non-current assets					
Intangible assets	–	–	–	1,726	1,726
Lease prepayments	15	50	–	–	65
Property, plant and equipment	89	116	6	–	211
Current liabilities					
Trade payables	(90)	(81)	–	(1,146)	(1,317)
Other current liabilities	(3)	(85)	(3)	(597)	(688)
Non-current liabilities					
Other non-current liabilities	(46)	–	–	–	(46)
Net assets acquired	10	10	9	207	236
Non-controlling interests	–	–	–	–	–
Total	10	10	9	207	236

42. Acquisition of Subsidiaries (continued)

(a) Acquisition of businesses (continued)

Bargain purchase gains arising on acquisition

	2014 RMB Million
Consideration transferred	236
Less: fair value for identifiable net assets acquired	(236)
Bargain purchase gains arising on acquisition	–

Net cash outflows on acquisition of subsidiaries

	2014 RMB Million
Consideration paid in cash	(166)
Less: cash and cash equivalent balances acquired	60
	(106)

(b) Acquisition of assets through acquisition of subsidiaries

During the year, the Group acquired certain assets through acquisition of a 51% interest in 海南鴻安農場有限公司 ("Hainan Hongan") for a consideration of RMB37 million, a 51% interest in 海南勝安農場有限公司 ("Hainan Shengan") for a consideration of RMB62 million, and a 100% interest in 北京恒達中建網絡科技有限公司 ("Beijing Hengda") for a consideration of RMB113 million, The acquisitions were accounted for as acquisition of assets and liabilities as the subsidiaries are not businesses.

42. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries (continued)

The carrying amounts of net assets acquired are as follows:

	Hainan Hongan RMB million	**Hainan Shengan** RMB million	**Beijing Henda** RMB million	**Total** RMB million
Fair value of net assets acquired:				
Properties under development for sale	74	129	–	203
Trade and other receivables	3	4	–	7
Property, plant and equipment	–	–	113	113
Trade and other payables	(5)	(12)	–	(17)
Net assets acquired	72	121	113	306
Non-controlling interests	(35)	(59)	–	(94)
	37	62	113	212

Consideration transferred

	Hainan Hongan RMB million	**Hainan Shengan** RMB million	**Beijing Henda** RMB million	**Total** RMB million
Cash	37	62	113	212
Total	37	62	113	212

Net cash outflows arising from acquisitions

	Hainan Hongan RMB million	**Hainan Shengan** RMB million	**Beijing Henda** RMB million	**Total** RMB million
Consideration paid in cash	(37)	(62)	(113)	(212)
Less: cash and cash equivalent balances acquired	–	–	–	–
Total	(37)	(62)	(113)	(212)

In 2014, the Group acquired certain assets through acquisition of a 100% interest in EVER SINO LIMITED for a consideration of RMB1,774 million. The acquisition was accounted for as an acquisition of assets and liabilities as the subsidiary is not business.

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42. Acquisition of Subsidiaries (continued)

(b) Acquisition of assets through acquisition of subsidiaries (continued)

The carrying amounts of net assets acquired are as follows:

	2014 RMB million
Fair value of net assets acquired:	
Cash and cash equivalents	8
Other current assets	139
Mining assets	2,032
Property, plant and equipment	470
Other non-current assets	2
Trade and other payables	(876)
Other current liabilities	(1)
Net assets acquired	1,774

Net cash outflows arising from acquisitions

	2014 RMB million
Consideration paid in cash	(1,774)
Less: cash and cash equivalent balances acquired	8
	(1,766)

43. Disposal of Subsidiaries

During the year, a third party made additional capital contribution to 貴州中宏置業有限公司 and the Group's interest therein was diluted from 100% to 15% leading to loss of control over the entity, but the Group still has significant influence on the entity. The remaining equity interests in above entity was measured at fair value at the date when the control was lost, and were accounted for as interest in an associate from that date onwards. The Group also disposed of its entire equity interests in 蚌埠恒遠置業有限公司, 湖南青竹湖置業有限公司, 瀋陽中鐵萬科朗榆置地有限公司, 成都華信天宇實業有限公司, 中鐵電化集團南京有限公司 and 中鐵資源集團雲山石墨礦業有限公司 for a total consideration of RMB2,407 million.

Consideration received

	2015 RMB million
Consideration received in cash and cash equivalents	**1,038**
Consideration receivable	**1,369**
Total consideration received	**2,407**

Analysis of asset and liabilities over which control was lost

	2015 RMB million
Current assets	
Cash and cash equivalents	**752**
Trade and other receivables	**829**
Amounts due from customers for contract work	**9,018**
Properties held for sale	**243**
Properties under development for sale	**1,641**
Current income tax recoverable	**41**
Non-Current assets	
Property, plant and equipment	**116**
Mining assets	**131**
Deferred tax assets	**69**
Current liabilities	
Trade and other payables	**(2,932)**
Non-Current liabilities	
Borrowings	**(6,640)**
Net assets disposed of	**3,268**

43. Disposal of Subsidiaries (continued)

Gain on disposal of subsidiaries

	2015 RMB million
Consideration received	2,407
Net assets disposed of	(3,268)
Non-controlling interests	942
Interest in an associate	2
Gain on disposal	83

Net cash inflow on disposal of subsidiaries

	2015 RMB million
Consideration received in cash and cash equivalents	1,038
Less: cash and cash equivalent balances disposed of	(752)
	286

In 2014, a third party made additional capital contribution to 中鐵十局招遠城建有限公司 and the Group's interest therein was diluted from 100% to 20% leading to loss of control over the entity, but the Group still has significant influence on the entity. Pursuant to the revised articles of association of Congo International Mining Corporation ("CIMC"), the Group lost control over CIMC and has joint control of CIMC. The remaining equity interests in above two entities were measured at fair value at the date when the control was lost, and were accounted for as interest in an associate and a joint venture respectively from that date onwards. The Group also disposed of its entire equity interests in 葫蘆島渤海熱電有限公司, 北京中鐵新業投資顧問有限公司 and 深圳市中鐵諾德投資有限公司 for a total consideration of RMB17 million.

Consideration received

	2014 RMB million
Consideration received in cash and cash equivalents	17

43. Disposal of Subsidiaries (continued)

Analysis of assets and liabilities over which control was lost

	2014 RMB million
Current assets	
Cash and cash equivalents	885
Other current assets	796
Non-current assets	
Property, plant and equipment	544
Lease prepayments	10
Other non-current assets	17
Current liabilities	
Trade and other payables	(999)
Other current liabilities	(6)
Non-current liabilities	
Borrowings – non-current	(1,046)
Net assets disposed of	201

Gain on disposal of subsidiaries

	2014 RMB million
Consideration received	17
Net assets disposed of	(201)
Non-controlling interests	17
Interest in an associate	162
Interest in a joint venture	16
Gain on disposal	11

Net cash outflows on disposal of subsidiaries

	2014 RMB million
Consideration received in cash and cash equivalents	17
Less: cash and cash equivalent balances disposed of	(885)
	(868)

44. Contingent Liabilities

	2015 RMB million	2014 RMB million
Pending lawsuits		
– arising in the ordinary course of business *(note (a) & note (b))*	**1,458**	680
– oversea lawsuits *(note (c) & note (d))*	**854**	854
	2,312	1,534

Notes:

(a) *The Group has been named 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 (see Note 40). No provision has been made for those pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.*

(b) *On 26 August 2011, an indirectly owned subsidiary of the Group, China Railway Resources Haixi Coal Co., Ltd. ("CRRH") signed a contract with 西寧城北龍盛公路工程有限責任公司 ("Longsheng") and 西寧昊鑫機械化有限公司 (collectively referred to as the "Constructors") respectively for the earthwork of certain section of the Muli Coalfield, Qinhai Province. On 24 August 2012, 西寧昊鑫機械化有限公司 was renamed as 天峻縣昊鑫機械服務有限公司 ("Xinhao"), with which CRRH renewed the contract.*

In August 2014, according to a notice issued by Qinghai Province government, the government started to carry out the comprehensive improvement of Muli Coalfield, and required all companies operating in the Muli mining area to suspend construction work to carry out the comprehensive environmental remediation of their own mining. Since the early construction work could not be proceeded, CRRH started negotiation with the Constructors about exiting construction site and settlement of the construction contract. In December 2014, the Constructors exited, then CRRH settled with them respectively. During the settlement, the Constructors required CRRH to make compensation of the increased labour and machinery costs caused by the suspension.

On 25 August 2015 and 26 August 2015, the Constructors separately filed an arbitration application to Xining Arbitration Commission to require the construction contract with CRRH invalid, and asked CRRH to pay for the construction costs and compensation of their corresponding loss including penalties, interest and related expenses in an aggregate amount of RMB602 million. According to the arbitration arrangements, these two cases were heard for the first time on 12 January 2016 and 13 January 2016, and the second hearing was carried on 28 January 2016 and 29 January 2016. The trials were in the process of cross-examination and has not yet entered the debate process. The view of arbitral court about the basic facts of the case remains unclear, and the proportion of responsibility of the three parties in these two cases could not be clarified.

At this stage, the Directors consider it premature to assess the outcome of this case.

(c) *Two subsidiaries of the Group, China Overseas Engineering Group Co., Ltd. ("COVEC") and China Railway Tunnel Group Co., Ltd., established a consortium (the "Consortium") with another two independent parties in 2009 for the design and construction of certain sections of the A2 motorway Stryków – Konotopa, which is owned by the Polish General Directorate for National Roads and Motorways in Poland ("PGDNRM"). The Group's share of the total contract amount and performance bond are approximately Polish Zloty ("PLN") 1,160 million (equivalent to approximately USD402 million or RMB2,741 million) and PLN116 million (equivalent to approximately USD40 million or RMB274 million), respectively. During the construction work, the construction contract incurred losses due to various factors. The Consortium sent termination notices dated 3 June 2011 to PGDNRM and PGDNRM sent termination notices dated 13 June 2011 to the Consortium.*

On 29 September 2011, PGDNRM applied to the Poland Warsaw District Court for a payment order demanding COVEC, Poland branch of COVEC and another independent party in the Consortium collectively or individually for penalties and interests of an aggregate amount of PLN129 million (equivalent to approximately USD42 million or RMB263 million), whereas all parties in the Consortium bear liabilities joint and severally. The lawyer of the Consortium then raised an objection to the payment order and the payment order became void under Polish law. The relevant parties have since commenced to resolve the matter in dispute under litigation procedures.

In 2014, the Consortium began to settle the above case through the negotiation with PGDNRM by coordination of relevant parties. The Consortium withdrew the protective measures of the performance bond and agreed the banks to pay the Group's performance bond of PLN 116 million (equivalent to approximately RMB209 million) to PGDNRM at the beginning of 2015, which loss has been recognised in the Group's consolidated financial statements for the year ended 31 December 2014. During this year, the Group paid the penalty interests of the performance bond amounting to PLN52 million (equivalent to approximately RMB93 million) to PGDNRM, which was recognised in profit or loss during the year ended 31 December 2015.

On 25 February 2015, the Poland Warsaw District Court decided to suspend the lawsuit procedure for one year due to the amicable motion of all parties. On 26 February 2016, as the suspension of the lawsuit procedure expired, PGDNRM applied to resume the lawsuit procedure. To proceed the settlement of this case, the Group made effort to negotiate with PGDNRM and all parties agreed to apply for suspension in 2016. There is no significant progress up to the date of issuance of these consolidated financial statements. At this stage, the Directors consider it premature to assess the outcome of this case.

44. Contingent Liabilities (continued)

Notes: (continued)

(d) *Exploitations Artisanales Au Congo ("EXACO") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("MKM"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire interests in MKM. In November 2012, EXACO was of the view that MKM and China Railway Resources Global Holding Limited ("CRRG") (which is also an indirectly owned subsidiary of the Company and the controlling shareholder of MKM) breached relevant terms and other relevant obligations pursuant to the undertakings under the initial agreement signed before the share transfer agreement. EXACO applied to the Congo district court for a compensation of their losses amounting to USD136 million (equivalent to approximately RMB829 million).*

MKM and CRRG had raised objection to the jurisdiction of the local courts according to the relevant arbitration clause. Until November 2013, although MKM and CRRG did not receive the verdict, MKM and CRRG filed an appeal with the Lubumbashi Court of Appeal on 26 November 2013 due to prudent consideration and the needs to push the case on. And when the Lubumbashi Count of Appeal ordered certiorari from the local court, MKM and CRRG found that the local court made a judgment to MKM and CRRG for a total of USD31 million compensation (equivalent to approximately RMB189 million) on 8 February 2013. MKM and CRRG appealed to the Supreme Court for the fraud of the presiding judge of the local court existing in the above case. On 23 July 2014, the Supreme Court convicted and cancelled the above judgment amounting to USD31 million compensation made by the local court on 8 February 2013.

In addition, on 15 January 2014, EXACO made another request to the Commercial Court of Lubumbashi for not receiving the fee of the previous 43.5% share transfer. EXACO applied to the Court for a compensation from CRRG amounting to USD109 million (equivalent to approximately RMB671 million), and for taking protective measures against MKM. On 20 January 2014, the Commercial Court of Lubumbashi agreed to take the protective measures, but did not hear the request of compensation. MKM and CRRG immediately filed an appeal. The Lubumbashi Court of Appeal ruled the protective measures not be executed on 30 January 2014. MKM and CRRG have appealed to the Supreme Court for the fraud of the presiding judge of the Commercial Court of Lubumbashi in the above case. On 5 June 2015, the Supreme Court convicted and cancelled the above judgment on protective measures made by the local court on 20 January 2014.

On 1 September 2015, EXACO filed an arbitration application to International Court of Arbitration of the International Chamber of Commerce due to MKM's failure of fulfilling its contractual obligation, and claimed for a compensation from MKM amounting to USD55 million (equivalent to approximately RMB356 million) including the loss caused by previous 43.5% share transfer and previous 11.5% share forced sale with the interests due to delayed payment since November 2012, and all arbitration fees and other expenses EXACO has paid for the arbitration proceedings shall be borne by MKM. CRRG and CRR shall bear joint liabilities as to the obligations of above compensations. As at the date of issuance of the consolidated financial statements, the case has not yet entered substantive hearing.

Due to these lawsuits filed by EXACO is pending, the Directors consider that it is premature to assess the outcome of this case.

The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The financial impact of the financial guarantees is disclosed in Note 38. The maximum exposure of these financial guarantees to the Group is as follows.

	31/12/2015		31/12/2014	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**4,011**	**2016-2025**	2,940	2015-2025
Joint ventures	**2,230**	**2016-2020**	230	2017-2018
Other government-related enterprise	**57**	**2016**	54	2015
Property purchasers	**17,920**	**2016-2021**	17,149	2015-2019
An investee of the Group	**5**	**2016**	12	2016
A former subsidiary	**541**	**2021-2022**	650	2021-2023
	24,764		21,035	

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45. Commitments

Capital expenditure

	31/12/2015 RMB million	31/12/2014 RMB million
Contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**1,042**	972

Investment commitment

According to relevant agreements, the Group has the following commitments:

	31/12/2015 RMB million	31/12/2014 RMB million
Investment commitment to an associate *(Note)*	**17,260**	19,730
Investment commitment to an joint venture	**792**	–
	18,052	19,730

Note: The above amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of these consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change as the project and the negotiation progress in the future.

Operating lease commitments

The Group as lessor

Rental income earned in respect of investment properties was set out in Note 12. The investment properties held for rental purposes are expected to generate rental yields of 6.56% to 16.67% (2014: 4% to 18.20%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2015 RMB million	31/12/2014 RMB million
Within one year	**282**	350
In the second to fifth year inclusive	**781**	765
After five years	**657**	696
	1,720	1,811

45. COMMITMENTS (continued)

Operating lease commitments (continued)

The Group as lessee

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
Within one year	**398**	270
In the second to fifth year inclusive	**177**	148
After five years	**37**	68
	612	486

46. Related Party Transactions

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CRECG (CRECG and its subsidiaries are referred to as the "CRECG Group") which is controlled by the PRC government.

During the year, the Group conducts business with government-related entities, including the provision of infrastructure construction services to and purchases from government-related entities, deposits with and borrowings from banks which are government-related entities. The Directors consider that the transactions with these government-related entities are within normal business operations and are carried out on market terms. The Group has also developed service and product pricing policies and these policies do not depend on whether or not the customers are government-related entities.

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46. Related Party Transactions (continued)

The following is a summary of significant related party transactions between the Group and its related parties (other than transactions with government-related entities which are not individually or collectively significant) during the year and balances arising from related party transactions at the end of the reporting period.

Significant related party transactions

The Group had the following significant transactions with related parties:

	2015 RMB million	2014 RMB million
Transactions with the CRECG Group		
Revenue from construction contracts	84	17
Revenue from sale of properties	95	–
Service expenses paid	30	39
Rental expense	34	38
Interest expenses	72	92
Transactions with joint ventures		
Revenue from construction contracts	–	17
Revenue from sales of goods	64	42
Interest income	46	12
Interest expense	6	4
Purchases	1,952	1,251
Revenue from rendering of services	–	1
Progress billing on behalf of customers	8,348	2,414
Transactions with associates		
Revenue from construction contracts	1,193	1,248
Revenue from sales of goods	877	869
Interest income	61	49
Progress billing on behalf of customers	6,510	5,634
Rental income	5	5
Revenue from rendering of services	2	–
Purchases	–	1
Service expense paid	12	8
Transactions with other government-related enterprises		
Revenue from construction contracts	321,224	309,404
Revenue from design and other services	9,664	9,057
Revenue from sales of goods	16,376	23,226
Purchases	102,790	100,775
Interest income on bank balances	787	778
Interest expenses on bank borrowings	5,487	5,264

46. Related Party Transactions (continued)

Balances with related parties

	31/12/2015 RMB million	31/12/2014 RMB million
Balances with the CRECG Group		
Trade receivables	3	4
Other receivables	2	–
Advance to supplier	74	74
Trade payables	9	8
Other payables	155	135
Advance from customers	2	–
Borrowings – current	1,944	4,242
Balances with joint ventures		
Trade receivables	643	1,126
Other receivables	803	912
Advance to suppliers	53	31
Amounts due from customers for contract work	994	360
Trade payables	196	182
Other payables	112	382
Advance from customers	127	1,105
Loans receivables	400	1,227
Dividend receivables	17	–
Borrowings – current	1	–
Balances with associates		
Trade receivables	2,939	2,615
Other receivables	1,062	1,394
Advance to suppliers	–	3
Trade payables	15	7
Other payables	78	139
Advance from customers	129	831
Borrowings – current	172	451
Borrowings – non-current	240	–
Loans receivable	2,493	1,706
Dividends receivable	39	39
Amounts due from customers for contract work	1,303	–
Balances with other government-related enterprises		
Trade receivables	80,291	89,359
Other receivables	27,875	28,227
Bank balances	43,578	36,908
Trade payables	47,742	46,678
Other payables	43,452	45,141
Bank borrowings	111,070	84,934
Debentures and other borrowings	33,229	42,500

In addition, the Group provided guarantees to banks in respect of banking facilities utilised by five associates, two joint ventures, an investee of the Group, a former subsidiary and a government-related enterprise, the maximum exposure of which are disclosed in Note 44.

For the Year Ended 31 December 2015

46. Related Party Transactions (continued)

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year were as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, allowances and other benefits-in-kind	**2,113**	4,060
Contributions to pension plans classified as defined contribution plans	**445**	418
Discretionary bonus	**6,844**	6,379
	9,402	10,857

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of the respective individuals and the market trends.

Guarantees and security

At the end of the reporting period, details of amount of borrowings of the Group guaranteed by a related party were as follows:

	31/12/2015 RMB million	31/12/2014 RMB million
CRECG	**11,000**	12,000

47. Subsidiaries

General information of subsidiaries

As at 31 December 2015 and 2014, the Company had the following principal subsidiaries:

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2015 %	2014 %	Principal activities
中鐵一局集團有限公司 China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB2,790,164	Registered	100	100	Infrastructure construction
中鐵二局集團有限公司 China Railway No.2 Engineering Group Co., Ltd.	PRC	RMB1,663,820	Registered	100	100	Infrastructure construction
中鐵三局集團有限公司 China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB2,347,980	Registered	100	100	Infrastructure construction
中鐵四局集團有限公司 China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB2,202,950	Registered	100	100	Infrastructure construction
中鐵五局(集團)有限公司 China Railway No.5 Engineering (Group) Co., Ltd.	PRC	RMB1,731,587	Registered	100	100	Infrastructure construction
中鐵六局集團有限公司 China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB1,706,806	Registered	100	100	Infrastructure construction
中鐵七局集團有限公司 China Railway No.7 Engineering Group Co., Ltd.	PRC	RMB1,727,122	Registered	100	100	Infrastructure construction
中鐵十局集團有限公司 China Railway No.10 Engineering Group Co., Ltd.	PRC	RMB1,333,943	Registered	100	100	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB2,149,503	Registered	100	100	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB2,008,223	Registered	100	100	Infrastructure construction

47. Subsidiaries (continued)

General information of subsidiaries (continued)

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital '000	Class of capital	Proportion of interest and voting power held by the Group 2015 %	2014 %	Principal activities
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB2,385,003	Registered	**100**	100	Infrastructure construction
中鐵隧道集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB2,279,415	Registered	**100**	100	Infrastructure construction
中鐵國際集團有限公司 China Railway International Group Co., Ltd.	PRC	RMB1,000,000	Registered	**100**	100	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,195,038	Registered	**100**	100	Survey and design
中鐵山橋集團有限公司 China Railway Shanhaiguan Bridge Group Co., Ltd.	PRC	RMB1,670,000	Registered	**100**	100	Bridge steel structure manufacturing
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB5,000,011	Registered	**100**	100	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB5,427,127	Registered	**100**	100	Mining
中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd.	PRC	RMB6,000,000	Registered	**100**	100	Build-operate-transfer service concession arrangement
中鐵信託有限責任公司 China Railway Trust Co., Ltd. ("China Railway Trust")	PRC	RMB3,200,000	Registered	**93**	93	Financial trust management
中鐵財務有限責任公司 China Railway Finance Co., Ltd.	PRC	RMB1,500,000	Registered	**95**	95	Comprehensive Financial service

47. Subsidiaries (continued)

General information of subsidiaries (continued)

All the above subsidiaries were established as limited liability companies in the PRC, which have similar characteristics of Limited Liability Company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Information of debt securities

As at 31 December 2015, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025
	8,000	23/03/2021
	4,000	17/10/2018
	1,000	24/09/2017
China Railway No.2 Engineering Group Co., Ltd	600	26/02/2016
	600	05/03/2016
	600	13/03/2016
	600	21/03/2016
	300	25/03/2016
	600	01/05/2016
	500	07/11/2016
China Railway No.6 Engineering Group Co., Ltd.	500	13/05/2016
China Railway No.8 Engineering Group Co., Ltd.	500	25/03/2016
China Railway Major Bridge Engineering Group Co., Ltd.	800	17/05/2016
China Railway Construction Group Co., Ltd.	1,000	24/05/2016
China Railway Resources Group Co., Ltd	3,247	05/02/2023
	2,000	19/06/2018
	1,000	14/05/2018
China Railway Communications Investment Group Co., Ltd	250	05/06/2016

47. Subsidiaries (continued)

Information of debt securities (continued)

As at 31 December 2014, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	1,000	27/01/2015
	5,000	27/01/2020
	2,500	19/10/2020
	3,500	19/10/2025
	8,000	23/03/2021
	4,000	17/10/2018
	1,000	24/09/2017
China Railway No.2 Engineering Group Co., Ltd.	1,500	23/11/2015
	300	17/02/2015
	300	25/03/2016
	500	07/11/2016
China Railway No.6 Engineering Group Co., Ltd.	500	13/05/2016
China Railway No.8 Engineering Group Co., Ltd.	500	25/03/2016
	500	09/06/2017
China Railway Major Bridge Engineering Group Co., Ltd.	800	17/05/2016
China Railway Construction Group Co., Ltd.	1,000	24/05/2016
China Railway Resources Group Co., Ltd	2,000	19/06/2018
	3,060	05/02/2023
China Railway Communications Investment Group Co., Ltd	250	05/06/2016

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Country/Place of establishment and operation	Number of subsidiaries 31/12/2015	 31/12/2014
Infrastructure construction	PRC	**12**	13
Survey, design and consulting services	PRC	**5**	5
Engineering equipment and component manufacturing	PRC	**3**	3
Property development	PRC	**1**	1
Other Businesses	PRC	**3**	2
		24	24

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47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country/ place of establishment and operation	Proportion of interest and voting power held by non-controlling interests		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2015 %	2014 %	**2015 million**	2014 million	**2015 million**	2014 million
中鐵二局股份有限公司 China Railway Erju Co., Ltd. ("Erju") *(note)*	PRC	**50**	48	**(180)**	216	**3,348**	3,742
雲南富硯高速公路有限公司 Yunnan Fuyan Expressway Co., Ltd.	PRC	**10**	10	**(14)**	(25)	**1,327**	1,341
廣西岑興高速公路發展有限公司 Guangxi Cenxing Expressway Development Co., Ltd.	PRC	**34**	34	**105**	78	**804**	699
中國中鐵香港投資有限公司 China Railway Hong Kong Investment Co., Ltd.	Hong Kong	**30**	30	**8**	–	**554**	546
						6,033	6,328

Note: The summarised financial information disclosed below comprised of the financial information of Erju, its wholly owned subsidiaries and non-wholly subsidiaries. In the opinion of the Directors, the non-controlling interest of each of those non-wholly owned subsidiaries is not material.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

For the Year Ended 31 December 2015

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Erju and its subsidiaries

	31/12/2015 RMB million	31/12/2014 RMB million
Current assets	**51,688**	54,157
Non-current assets	**4,759**	4,824
Current liabilities	**44,551**	49,030
Non-current liabilities	**5,454**	3,069
Equity attributable to owners of the Company	**6,162**	6,082
Non-controlling interests	**280**	800

	2015 RMB million	2014 RMB million
Revenue	**55,610**	69,806
Expenses	**55,707**	69,437
(Loss) profit and total comprehensive (expense) income for the year	**(97)**	369
Attributable to owners of the Company	**168**	283
Attributable to non-controlling interests	**(265)**	86
Dividends paid to non-controlling interests	**194**	158
Net cash (outflow) inflow from operating activities	**(5,053)**	1,500
Net cash inflow (outflow) from investing activities	**336**	(13)
Net cash inflow (outflow) from financing activities	**5,655**	(326)
Net cash inflow	**938**	1,161

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Yunnan Fuyan Expressway Co., Ltd.

	31/12/2015 RMB million	31/12/2014 RMB million
Current assets	**53**	61
Non-current assets	**7,292**	7,425
Current liabilities	**832**	236
Non-current liabilities	**5,336**	5,930
Equity attributable to owners of the Company	**1,177**	1,320
Non-controlling interests	**–**	–

	2015 RMB million	2014 RMB million
Revenue	**384**	321
Expenses	**527**	567
Loss and total comprehensive expense for the year	**(143)**	(246)
Attributable to owners of the Company	**(143)**	(246)
Attributable to non-controlling interests	**–**	–
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**334**	259
Net cash outflow from investing activities	**(2)**	(3)
Net cash outflow from financing activities	**(343)**	(250)
Net cash (outflow) inflow	**(11)**	6

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Guangxi Cenxing Expressway Development Co., Ltd.

	31/12/2015 RMB million	31/12/2014 RMB million
Current assets	**1,009**	659
Non-current assets	**4,367**	4,487
Current liabilities	**219**	202
Non-current liabilities	**2,790**	2,887
Equity attributable to owners of the Company	**2,367**	2,057
Non-controlling interests	**–**	–

	2015 RMB million	2014 RMB million
Revenue	**675**	635
Expenses	**366**	407
Profit and total comprehensive income for the year	**309**	228
Attributable to owners of the Company	**309**	228
Attributable to non-controlling interests	**–**	–
Dividends paid to non-controlling interests	**–**	29
Net cash inflow from operating activities	**583**	567
Net cash outflow from investing activities	**(7)**	(15)
Net cash outflow from financing activities	**(225)**	(412)
Net cash inflow	**351**	140

47. Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

China Railway Hong Kong Investment Co., Ltd.

	31/12/2015 RMB million (unaudited)	31/12/2014 RMB million (unaudited)
Current assets	**1,242**	1,836
Non-current assets	**606**	–
Equity attributable to owners of the Company	**1,848**	1,836
Non-controlling interests	**–**	–

	2015 RMB million (unaudited)	2014 RMB million (unaudited)
Revenue	**–**	–
Expenses	**(26)**	–
Profit for the year	**26**	–
Profit attributable to owners of the Company	**26**	–
Profit attributable to non-controlling interests	**–**	–
Profit for the year	**26**	–
Other comprehensive income for the year	**(12)**	–
Total comprehensive income attributable to owners of the Company	**14**	–
Total comprehensive income attributable to non-controlling interests	**–**	–
Total comprehensive income for the year	**14**	–
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from investing activities	**(1,945)**	–
Net cash inflow from financing activities	**1,284**	551
Net cash (outflow) inflow	**(661)**	551

47. Subsidiaries (continued)

Consolidation of the structured entities

To determine whether to consolidate the structured entities (mainly the unlisted entrust products) or not, the main factor considered by the Group is the ability to control these structured entities. For those structured entities managed and invested by China Railway Trust, the directly owned subsidiary of the Group, the Group consolidated those structured entities when the Group is exposed to significant variable returns and has the ability to affect the variable returns, including the returns of its interests in these structured entities as investor and trust commission fee earned from these structured entities as manager.

As at 31 December 2015, the scale of the consolidated structured entities amounted to RMB6,840 million (2014: RMB3,293 million), and the interests of other investors in these structured entities amounted to RMB3,336 million (2014: RMB1,848 million).

As at 31 December 2015 and 2014, there is no commitment or financial obligation to these consolidated structured entities.

Interests in unconsolidated structured entities

China Railway Trust serves as manager of unconsolidated structured entities (mainly the unlisted entrust products) and earns trust commission fee. In the opinion of the Directors, the variable returns the Group exposed to over these unlisted entrust products that the Group has interests are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2015, the maximum loss the Group exposed to and the net amount recognised in the consolidated financial statements over these unconsolidated structured entities which the Group has interests in amounted to RMB3,353 million (2014: RMB4,046 million).

As at 31 December 2015, the scale of the unconsolidated structured entities established by the Group amounted to RMB360,677 million (2014: RMB282,714 million).

As at 31 December 2015 and 2014, there is no commitment or financial obligation to these unconsolidated structured entities.

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48. Information About the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2015 RMB million	2014 RMB million
ASSETS		
Non-current assets		
Amount due from subsidiaries	**9,824**	14,489
Other non-current assets	**5,271**	4,673
Unlisted investments in subsidiaries	**83,554**	79,513
	98,649	98,675
Current assets		
Amount due from subsidiaries	**56,497**	35,773
Other current assets	**11,250**	8,186
Bank balances and cash	**40,286**	16,489
	108,033	60,448
Total assets	**206,682**	159,123
EQUITY		
Share capital *(Note 33)*	**22,844**	21,300
Perpetual notes *(Note 34)*	**12,123**	3,080
Share premium and reserves	**75,892**	60,369
Total equity	**110,859**	84,749
LIABILITIES		
Non-current liabilities		
Borrowings	**25,708**	24,389
Other non-current liabilities	**15**	19
	25,723	24,408
Current liabilities		
Amount due to subsidiaries	**61,809**	38,777
Other current liabilities	**8,291**	11,189
	70,100	49,966
Total liabilities	**95,823**	74,374

48. Information About the Statement of Financial Position of the Company (Continued)

Movement in reserves

	Share premium RMB million	Capital reserve RMB million	Statutory reserve RMB million	Retained profits RMB million	Total RMB million
At 1 January 2014	33,647	7,739	1,997	10,928	54,311
Profit and total comprehensive income for the year	–	–	–	7,464	7,464
Transfer to reserves	–	–	748	(748)	–
Dividend recognised as distribution	–	–	–	(1,406)	(1,406)
At 31 December 2014	33,647	7,739	2,745	16,238	60,369
Profit and total comprehensive income for the year	–	–	–	7,347	7,347
Issuance of shares upon non-public offering	10,456	–	–	–	10,456
Share issuance expenses	(121)	–	–	–	(121)
Transfer to reserves	–	–	756	(756)	–
Dividend recognised as distribution	–	–	–	(1,661)	(1,661)
Dividend declared to perpetual notes holders	–	–	–	(498)	(498)
At 31 December 2015	43,982	7,739	3,501	20,670	75,892

49. Events After the Reporting Period

Subsequent to 31 December 2015, the following significant events took place:

1) On 29 January 2016, the Company issued the first tranche of the corporate bond of a principal amount of RMB2,000 million each with maturity dates of 28 January 2021 and 28 January 2026 respectively, and an over-allotment option of RMB1,000 million. After deducting the issuance expenses, the net proceeds raised through the issuance of the corporate bond amounted to RMB4,151 million. Interest is payable annually in arrears.

2) Approved by the State Council on March 2016, the replacement of business tax with value added tax (the "taxation replacement") will be extended to construction, real estate, finance and consumer industries since 1 May 2016.

   On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Cai Shui [2016] No. 36 "Notice on Tax Policy Concerning Nationwide Implementation of VAT Pilot Program" (the "Notice"). Pursuant to the Notice, the tax rate of 11% and 6% will be applied to construction and real estate industries respectively, and 6% to finance industry.

   The Directors are of the view that the taxation replacement will have material impact on the Group's financial performance and positions, especially on segment revenues and results of infrastructure construction, property development and finance business.

   As at the date of issuance of the consolidated financial statements, the Group has not completed its assessment of the full impact of the taxation replacement on the consolidated financial statements.

3) On 23 March 2011, the Company issued the first tranche of the medium-term note of a principal amount of RMB8,000 million with a maturity date of 23 March 2021. The note bore fixed interest at 5.23% per annum for the first five years. At the end of the fifth year, on 23 March 2016, the Company has a right to adjust the interest rate of the note and the note holders have a right to put all or part of the note back to the Company at its face value.

   As at 23 March 2016, the note amounting to RMB3,341 million was put back and the remaining balance amounting to RMB4,659 million bears the adjusted interest rate at 3.40% per annum for the next five years with a maturity date of 23 March 2021. Interest is payable annually in arrears.

SIGNIFICANT EVENTS

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves

1. Formulation, implementation or adjustment of the cash dividend policy

(1) Implementation of the cash dividend policy during the reporting period

Profits are distributed in cash under the profit distribution plan of the Company in 2014. Pursuant to the profit distribution plan considered and passed at the 2014 annual general meeting convened on 18 May 2015, a cash dividend of RMB0.78 (tax inclusive) per 10 shares based on the total share capital of 21,299,900,000 shares as at 31 December 2014 was declared, totaling RMB1,661,392,200 and representing around 16% of net profit attributable to the listed company's shareholders for the year 2014 under the consolidated financial statements of the Company. The announcement on the profit distribution of A shares was published on 4 June 2015 on the websites of China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the Shanghai Stock Exchange. As at 16 June 2015, the implementation of the profit distribution plan of the Company for 2014 has been completed.

(2) Profit distribution plan for 2015

Pursuant to the relevant requirements of the Company Law and the Articles of Association, and in accordance with the "Resolution on the Profit Distribution Plan for 2015 of China Railway Group Limited" which was passed at the 19th meeting of the third session of the Board, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, the retained profits of the parent company at the beginning of 2015 was RMB16,254,228,487.67 based on the audited financial report of the Company prepared in accordance with the Chinese Accounting Standards for 2015. After adding the net profit realised by the parent company of RMB7,563,785,253.13 during the year and deducting the cash dividends for 2014 and interest payments on perpetual notes amounting to RMB2,158,169,977.78, and with 10% of the net profit of the parent company, i.e. RMB756,378,525.31, being appropriated to its statutory surplus reserve, the distributable profit of the parent company to shareholders amounted to RMB20,903,465,237.71 for the year. A cash dividend of RMB0.86 per 10 shares (tax inclusive) is proposed to be distributed. Based on the Company's total share capital of 22,844,301,543 shares as at 31 December 2015, the total amount of such dividend is RMB1,964,609,932.70, representing 16% of net profit attributable to the listed company's shareholders for the year 2015 under the consolidated financial statements of the Company. Upon the distribution, the remaining retained profit of the parent company amounting to RMB18,938,855,305.01 will be carried forward to the next year.

The independent directors of the Company have expressed their opinion on the plan, and the above plan is still subject to the approval of the 2015 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2015 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (continued)

1. Formulation, implementation or adjustment of the cash dividend policy (continued)

(3) Information on the profit distribution for 2015

(i) The Company intends to distribute less than 30% of the net profits attributable to shareholders for the year as cash dividends due to the following reasons: (1) Considering firstly the international construction market, the desire of the developing countries to strengthen their infrastructure construction remains strong. Turning to the domestic construction market, despite the downturn of the real estate market and the low levels of momentum in general infrastructure investments, urbanisation projects (including urban rail transport, underground tunnels, sponge cities, smart city construction and shantytown reconstruction, urban village reconstruction and other similar projects concerning people's livelihood), and the continued progress of rail construction in the central and western regions, especially the implementation of national strategies including "One Belt, One Road", co-development of Beijing-Tianjin-Hebei and Yangtze River Economic Belt presents tremendous potential opportunities for the Company. With the nation's railway infrastructure investment plan in 2016 being projected to amount to RMB610 billion and totalling 45 new projects, and the various domestic and overseas projects on which the Company has won bids having begun construction, the Company is well-positioned to continue its development. The Company will need sufficient cash reserves to be in a position to seize appropriate opportunities, meet new challenges and implement further developments. (2) The construction industry is extremely competitive, where comparatively low profit margins, comparatively high debt gearing ratios, comparatively large amounts of receivables and inventory are not uncommon. Moreover, due to the extensive locations and scope of projects and the large scale of each single project, the working capital requirements of the Company to maintain its ordinary course of operations are relatively large.

(ii) All independent directors of the Company have issued their independent opinions on the reasonableness of the profit distribution plan as follows: (1) Taking into account various factors, including the characteristics of the industry in which the Company is operating, its development stage, business model and capital requirements, the Company's profit distribution plan for 2015 has been formulated in line with the Company's circumstances and requirements. (2) The amount of cash dividends accounts for 16% of net profit attributable to the listed company's shareholders for the year 2015 under the consolidated financial statements of the Company. This percentage ratio has remained the same as from the previous year, with such stability supporting the continuity and sustainability of the Company's profit distribution policy and is in line with the cash dividend policy stipulated in the Articles of Association and the mid- to long-term plan for shareholders' return. Not only does the plan offer reasonable returns to investors, it also supports the continuing operation of the Company. As such, the profit distribution plan of the Company for 2015 is reasonable and they agree to such plan.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (continued)

2. The plan for profit distribution for ordinary shares or capitalisation of capital reserves of the Company for the latest three years (including the reporting period)

Unit: Hundred million   Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend value per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net profit attributable to the listed company's shareholders during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to the listed company's shareholders under the consolidated financial statements *(%)*
2015		0.86		19.65	122.58	16
2014		0.78		16.61	103.6	16
2013		0.66		14.06	93.75	15

Note: Implementation of the 2015 profit distribution plan is subject to approval at the annual general meeting.

3. The inclusion of shares repurchased through cash offer in cash dividend

Not applicable

4. If profits for the reporting period and profit distributable to ordinary shareholders are positive and no ordinary profit distribution plan in cash for the ordinary shares is proposed, the Company should disclose the reasons as well as the use and intended use of the retained profits

Not applicable

II. Performance Status of Undertakings

1. Undertakings made by the Company, shareholders holding more than 5% of the shares of the Company, controlling shareholders and ultimate controller given or subsisting in the reporting period or continuing during the reporting period

Undertaking Background	Type of undertaking	Undertaking Party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CRECG	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	No	No	Yes	/	/

On 9 July 2015, the Company received a letter of undertaking in relation to no reduction of the holding of shares of the Company from CRECG, the controlling shareholder. The letter of undertaking stated that based on its confidence in the prospects of the Company's future development and the recognition of the Company's value and in order to facilitate the continuous, stable and healthy development of the Company and to protect the interests of the shareholders of the Company, CRECG undertakes that it will not reduce its shareholding in the Company within six months commencing on 10 July 2015. During the undertaking period, CRECG complied strictly with the undertakings. Upon the maturity of such undertaking on 15 January 2016, on the basis of CRECG's continued confidence in the Company's prospects, CRECG undertook not to dispose of any shares of the Company via the secondary market within six months from 15 January 2016.

2. If the Company has made a profit estimate as to its assets or projects, and the profit estimate period is within the reporting period, the Company's explanation on whether its assets or projects would meet its profit forecast and the reasons

Not applicable

III. Fund Occupancy and Progress of Collection During the Reporting Period

Not applicable

IV. Explanation from the Board on the "Modified Audit Report" from Accounting Firm

1. Explanation from the Board and supervisory committee on the "modified audit report" from accounting firm

Not applicable

2. Analysis and explanation of the Board on the reasons for and impacts of the changes in accounting policies, accounting estimates or calculation methods

Not applicable

3. Analysis and explanation of the Board on the reasons for and impacts of correcting material mistakes of the prior periods

Not applicable

V. Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

	Current appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	4,050
Term of domestic auditors	9 years
Name of international auditors	Deloitte Touche Tohmatsu
Remuneration of international auditors	250
Term of international auditors	9 years

	Name	**Remuneration**
Auditors for internal control audit	Deloitte Touche Tohmatsu CPA LLP	251

1. Appointment and removal of auditors

Not applicable

2. Appointment of auditors during the audit period

Not applicable

VI. Risk of Suspension of Listing

1. Reason for suspension of listing and measures taken by the Company to cancel the suspension of listing

Not applicable

VII. Matters Relating to Insolvency or Restructuring

Not applicable

VIII. Material Litigation and Arbitration

1. Litigation and arbitration which have been disclosed in announcement without subsequent progress

Outline and nature	Information link
Poland A2 Highway construction disputes: The Consortium comprising COVEC and China Railway Tunnel Group Co., Ltd. (subsidiaries of the Company) and two third-party companies terminated the contract and had dispute with PGDNRM, the project owner, in respect of the bid won for sections A and C of Poland A2 Highway.	2011 Interim Report and subsequent periodic reports of the Company.

During the reporting period, the above litigation progressed as follows:

Given the intention of the Consortium and PGDNRM to reach settlement, on 25 February 2015, the Poland Warsaw District Court adjourned the proceedings. As this further adjournment would exceed the applicable extension deadline, PGDNRM requested the Poland Warsaw District Court to resume legal proceedings on 26 February 2016, but in order to avoid the legal proceedings affecting the progress of the settlement discussions, the Consortium and PGDNRM have been in discussions and have agreed that they would request permission from the Polish court to further adjourn the legal proceedings.

2. Litigation and arbitration which have not been disclosed in announcement or might have had subsequent progress

Not applicable

3. Others

Nil

IX. Penalty and Rectification Order against the Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, Ultimate Controller and Acquirer

Not applicable

X. Integrity of the Company and its Controlling Shareholders and Ultimate Controllers

During the reporting period, the Company and its controlling shareholder and ultimate controller have no outstanding obligations pursuant to any judgement made by a court nor have they failed to repay substantial debts that have become due and outstanding.

XI. Status of the Share Incentive Scheme, Employee Stock Ownership Plan and Other Incentive Schemes and the Impacts Thereof

Not applicable

XII. Significant Related Party Transactions

1. Related party transactions in ordinary course of business

(1) Matters which were disclosed in announcement without subsequent progress or changes

Not applicable

(2) Matters which were disclosed in announcement with subsequent progress or changes

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of the related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions *(%)*
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of labor services	Lease of office premises	Contract price	33,969	33,969	Less than 1%
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	30,184	30,184	Less than 1%
Total					64,153	64,153	

Description of related party transactions	The above two transactions resulted from the implementation of the comprehensive services agreement and premises leasing agreement entered into by the Company and CRECG on 28 March 2013. The terms of both agreements are three years. The total transaction amount involved was within the authority of the Board and was approved in the 19th meeting of the second session of the Board, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the premises leasing agreement was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Hong Kong Listing Rules. The comprehensive services agreement was exempted from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

(3) Events undisclosed in announcement

Not applicable

XII. Significant Related Party Transactions (continued)

2. Related party transactions in relation to acquisition and disposal of assets or equity interests

Not applicable

3. Significant related party transactions in relation to joint external investment

Not applicable

4. Amount due from/to related parties

Not applicable

5. Others

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
China Railway Group Limited *(Note 1)*	Lince Railway Co., Ltd.	697,600	June 2008	June 2025	No
CRECG *(Note 2)*	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CRECG *(Note 2)*	China Railway Group Limited	3,500,000	October 2010	October 2025	No
CRECG *(Note 2)*	China Railway Group Limited	2,500,000	October 2010	October 2020	No

Note 1: At the 2007 annual general meeting of the Company held on 25 June 2008, the Proposal of Provision of a Guarantee with Respect to the Loans for Lince Railway Co., Ltd. and China Railway Engineering Sunite Railway Co., Ltd. was considered and approved, in which it was agreed that a guarantee would be provided with respect to the bank loan for Lince Railway Co., Ltd. in the amount of RMB820.7 million for a guarantee period of 17 years. In June 2008, the Company and Huhhot Xincheng Dongjie Sub-branch of the Industrial and Commercial Bank of China Limited entered into a guarantee contract agreeing that a guarantee in the total amount of RMB783 million (product of the total loan amount of RMB2.7 billion multiplied by the shareholding percentage of 29%) with a joint and several liability and a guarantee period commencing on 30 June 2008 and ending on 20 June 2025 should be provided to Lince Railway Co., Ltd..

Note 2: These are unconditional and irrevocable joint and several liability guarantees provided by CRECG for the entire amount of the 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010. As at 31 December 2015, the remaining payable amount of above-mentioned corporate bonds was RMB10,963.668 million (31 December 2014: RMB11,958.037 million).

XII. Significant Related Party Transactions (continued)

5. Others (continued)

(2) Related party transaction in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2015	31 December 2014
Deposits taking *(Note)*	CRECG	**1,938,956**	2,983,369
	China Railway Hongda Asset Management Center	**5,013**	–

Note: In order to increase the utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Resolution in Relation to the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and CRECG was considered and passed at the 27th meeting of the second session of the Board convened by the Company on 29 April 2014, in which it is approved that China Railway Finance Co., Ltd., a subsidiary of the Company would sign the financial services framework agreement (the expiry date of the agreement is 31 December 2015) with China Railway Engineering Corporation, the controlling shareholder of the Company, and provided deposit, loan and other financial services to China Railway Engineering Corporation pursuant to the agreement. For details of the financial services framework agreement, please see the relevant announcement of the Company dated 30 April 2014 at the website of the Shanghai Stock Exchange.

During the reporting period, the maximum daily amount of deposits (including interest accrued) provided by China Railway Finance Co., Ltd. to CRECG did not exceed the maximum amount stipulated in the financial services framework agreement.

(3) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related party	January to December 2015	January to December 2014
Interest expenses	CRECG *(Note)*	**72,456**	92,327
	China Railway Hongda Asset Management Center	**18**	–

Note: The interest expenses arose from the interest payable by the Company to CRECG for the entrusted loan and the interest payable by its subsidiary China Railway Finance Co., Ltd. to CRECG for deposit-taking.

XIII. Material Contracts and Their Performance

1. Trusteeship, contracting and leasing

Not applicable

2. Guarantees

Unit: Thousand Currency: RMB

Guarantee provided by the Company (excluding those to subsidiaries)

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter guarantee available	Guarantee provided to related parties	Related party relationship
China Railway Group Limited	The same entity	Lince Railway Co., Ltd	697,600	2008/6/30	2008/6/30	2025/6/20	Suretyship of joint and several liability	No	No	0	No	Yes	Other
China Railway Group Limited	The same entity	Inner Mongolia Sunite Railway Co., Ltd	290,000	2008/11/24	2008/11/24	2020/11/30	Suretyship of joint and several liability	No	No	0	No	No	
China Railway No. 2 Engineering Group Co. Ltd.	Wholly owned subsidiary	China Railway Bohai Train Ferry Co., Ltd	4,875	2004/12/24	2004/12/24	2016/12/23	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Electrification Engineering Group Co., Ltd.	Wholly owned subsidiary	Nanjing China Railway Electrification Investment Co., Ltd	541,000	2012/9/30	2012/9/30	2022/12/20	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	57,143.68	2011/12/29	2011/12/29	2016/12/28	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Construction Group (CRCG) Co., Ltd.	Wholly owned subsidiary	Beijing Nuocheng Property Co., Ltd.	1,860,000	2015/9/25	2015/9/25	2020/1/20	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Yangsi Port Bridge Co., Ltd.	683,500	2015/9/7	2015/9/7	2023/6/28	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	675,000	2014/9/23	2014/9/23	2019/9/6	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd	1,375,000	2013/2/8	2013/2/8	2020/12/9	Suretyship of joint and several liability	No	No	0	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	370,000	2013/12/20	2013/12/20	2018/10/20	Suretyship of joint and several liability	No	No	0	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	2,668,341.48
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	6,554,118.68
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	–2,404,685.4
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	30,361,334.8
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	36,915,453.48
Percentage of aggregate guarantee to net assets of the Company (%)	28.27%
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	33,943,785.77
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	33,943,785.77
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	As at 31 December 2015, the Company's aggregate guarantee in relation to real estate mortgage was RMB17,451.29138 million.

XIII. Material Contracts and Their Performance (continued)

3. Management of cash assets entrusted to third parties

(1) Entrusted wealth management

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Method to determine return	Principal amount actually recovered	Return actually received	Through a legal procedure or not	Amount of provision for the impairment	Related party transaction or not	Involved in a litigation or not	Related party relationship
China Railway Trust Co., Ltd.	Single capital trust	13,160	2013/1/16	2015/1/16	Expected annualised yield of 10%	13,160	2,632	Yes	–	No	No	No
Total		13,160				13,160	2,632					

Principal and accumulated returns overdue but yet to recover (Yuan) 0

Explanations on entrusted wealth management Nil

(2) Entrusted loans

Unit: Ten thousand Currency: RMB

Name of the borrower	Amount of entrusted loan	Term of the loan	Interest rate	Use of loan	Collateral or guarantor	Overdue or not	Related party transaction or not	Extended or not	Involved in a litigation or not	Related party relationship	Profit and loss of investment
Chongqing Dianzhong Expressway Co., Ltd.	2,000	1 year	4.35%	Payment of principal and interest	No	No	No	No	No		3.4
Guizhou Province Affordable Housing Construction and Development Center	800	3 years	Lending rate quoted on the People's Bank of China for the same period	Property development	No	No	No	Yes	No		831.1
Guizhou Province Affordable Housing Construction and Development Center	7,400	3 years	Lending rate quoted on the People's Bank of China for the same period	Property development	No	No	No	Yes	No		1,021.5

XIII. Material Contracts and Their Performance (continued)

3. Management of cash assets entrusted to third parties (continued)

(3) Other investments in wealth management products and derivatives

Unit: Ten Thousand Currency: RMB

Investment type	Parties	Investment amount	Term	Product type	Profit and loss of investment	Involved in a litigation or not
Derivative	China Construction Bank	–	10 years	Interest rate swap	–	No
Derivative	Over the Counter (Bank of Communications Beijing Branch)	–	15 years	Interest rate swap	35.10	No
Derivative	Industrial and Commercial Bank of China Beijing Branch	Investment position corresponding to a guaranteed deposit not exceeding RMB169 million	3 months, rollover	Futures contract	7,626.94	No
Derivative	Shanghai Futures Exchange (GF Futures Co., Ltd.)	Investment position corresponding to a guaranteed deposit not exceeding RMB67.86 million	3 months, rollover	Futures contract	–14.13	No
Other investment	Tianjin Trust Co., Ltd.	151 million units	3 years	Trust product	1,863.99	No
Other investment	Tianjin Trust Co., Ltd.	151 million units	3 years	Trust product	1,864.28	No
Other investment	China Railway Trust Co., Ltd.	52.45 million units	4 years	Trust product	–	No
Other investment	China Railway Trust Co., Ltd.	150 million units	4 years	Trust product	–	No
Other investment	Tianjin Trust Co., Ltd.	279 million units	3 years	Trust product	1,702.02	No
Other investment	Zhonghai Trust Co., Ltd.	10 million units	5 years	Trust product	–	No
Other investment	CITIC Trust Co., Ltd.	80 million units	3 years	Trust product	73.53	No
Other investment	CITIC Trust Co., Ltd.	1 million units	2 years	Trust product	–	No
Other investment	CITIC Trust Co., Ltd.	24 million units	2 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	15 million units	5 years	Trust product	182.59	No
Fund investment	Jianxin Trust Co., Ltd.	7.5 million units	3 years	Trust product	81.41	No
Other investment	Jianxin Trust Co., Ltd.	15 million units	4.5 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	10 million units	5.5 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	50 million units	2 years	Trust product	–	No
Other investment	CITIC Prudential Asset Management Co., Ltd.	75 million units	3 years	Specialised Asset Management Scheme	–	No
Other investment	Jianxin Trust Co., Ltd.	29.25 million units	3 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	200 million units	1 year	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	200 million units	1 year	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	15 million units	7 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	50 million units	3 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	275 million units	3 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	15 million units	7 years	Trust product	–	No
Other investment	Jianxin Trust Co., Ltd.	100 million units	3 years	Trust product	–	No

XIII. Material Contracts and Their Performance (continued)

4. Other material contracts

(1) Material contracts executed before the reporting period but remaining effective during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway Major Bridge Engineering	Fujian Fuping Railway Co., Ltd.	New Fuzhou-Pingtan railway preconstruction stage FPZQ-3 Section	2013-10	879,909	2,007 calendar days
2	China Railway Major Bridge Engineering	China Railway Corporation	New Hutong Railway Hutong Yangtze River Bridge HTQ-2 Section	2014-02	751,789	1,645 calendar days
3	China Railway No. 1 Engineering	Zhengxi Passengers Railway Co., Ltd	New Zhengzhou-Xuzhou passenger railway line ZXZQ-6 Section	2013-01	367,356	48 months
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-functional Bridge Project	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway Major Bridge Engineering	Hong Kong-Zhuhai-Macao Bridge Authority	Section CB05 of the Main Project, Bridge Engineering, Civil Engineering and Construction of Composite Beams of Hong Kong-Zhuhai-Macao Bridge	2012-06	373,885	36 months
Municipal Works						
1	China Railway	Shenzhen Metro Group Co., Ltd.	BT Project of Shenzhen City Railway Line 11	2012-06	2,555,000	48 months
2	China Railway Construction	Nanjing New Technology Zone Construction Development Co., Limited	Plot Civil Construction Contract for Zijin (Jianye) technology and start-up community phase one Blocks A, B, C, D, E, F	2013-02	258,192	1,100 calendar days
3	China Railway Harbor Bureau	Hainan Ruyi Island Resort Investment Co., Ltd.	EPC Construction Contract for Land Reclamation (West Section) of Haikou Ruyi Island Project	2014-05	240,921	548 calendar days

XIII. Material Contracts and Their Performance (continued)

4. Other material contracts (continued)

(1) Material contracts executed before the reporting period but remaining effective during the reporting period: (continued)

(ii) Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Ethiopian Railway Corporation	EPC Contract of Sebeta-Adama-Mieso (Sections 1 and 2) of Addis Ababa-Djibouti Railway Project	2011-10	208,153	48 months
2	China Railway Eryuan Engineering	Hukun Passenger Railway Line Guizhou Co., Ltd.	Survey and design contract of the new Changsha-Kunming Railway Passenger Line (Guizhou Section)	2010-09	112,604	72 months
3	China Railway Eryuan Engineering	Yunnan-Guizhou Railway Yunnan Co., Ltd.	The new Yungui Railway (Yunnan section) Project Survey and Design Contract	2011-05	81,000	72 months

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Shanhaiguan Bridge	Hong Kong-Zhuhai-Macao Bridge Authority	Purchasing and Manufacturing Contract CB01 of steel box girder for the Bridge Project of Main Project of Hong Kong – Zhuhai-Macao Bridge	2012-04	283,912	36 months
2	China Railway Shanhaiguan Bridge	Ningbo Meishan Island Development Investment Co., Ltd.	Construction Contract of Meishan Chunxiao Bridge Steel Structure	2014-06	34,302	24 months
Turnout						
1	China Railway Shanhaiguan Bridge	Hainan Donghuan Railway Co., Ltd.	The new Hainan West Ring railway Haikou to Phoenix Airport Section	2014-09	14,879	24 months
2	China Railway Shanhaiguan Bridge	Jin Li Wen Railway Co., Limited	The capacity expansion revamping project on Jinhua-Wenzhou Railway	2014-09	13,502	27 months
Construction Machinery						
1	China Railway Engineering Equipment	CCCC Tunnel Engineering Co., Ltd.	Shield Purchase Contract	2014-06	8,270	7 months
2	China Railway Engineering Equipment	Guangzhou CSSC Marine Diesel Company	Shield Purchase Contract	2014-12	7,680	7 months

XIII. Material Contracts and Their Performance (continued)

4. Other material contracts (continued)

(1) Material contracts executed before the reporting period but remaining effective during the reporting period: (continued)

(iv) Property development business

No.	Project name	Project province	Project type	Planning area *('0,000 m²)*
1	Guiyang China Railway • Yidu International	Guiyang, Guizhou	Residential	230.6
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.5
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	China Railway • Huaxu Meibang	Qingdao, Shandong	Residential	53.45
5	Dalian Nobel Binhai Garden	Dalian, Liaoning	Residential	52.09

(v) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period	Operation (repurchase) term
BOT							
1	China Railway No. 2 Engineering	Yulin Bureau of Communications	BOT Project of Yulin (Shaanxi)-Shenmu Expressway	2007-10	517,000	36 months	30 years
2	China Railway	Guangxi Department of Communications	BOT Project of Guangxi Cenxi-Xingye Expressway	2005-08	516,361	36 months	28 years
3	China Railway	Yunan Department of Communications	BOT Project of Yunan Funing-Guangnan, Guangnan-Yanshan Expressway	2005-12	644,000	36 months	27 years

XIII. Material Contracts and Their Performance (continued)

4. Other material contracts (continued)

(2) Material contracts signed during the reporting period:

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Harbor Bureau, China Railway Airport, China Railway Shanghai, China Railway Electrification	Mengxi-Huazhong Railway Co., Ltd.	The civil engineering of the new coal transportation railway channel from west Inner Mongolia to central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project MHSS-3 Section, MHSS-5 Section and MHSS-6 Section; "Three Electricity" Qiangai MHQG-2 Section	2015-02 2015-07	3,068,982	55-60 months
2	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway Tunnel, China Railway Electrification Engineering, China Railway Airport, China Railway Shanghai	Jingfu Passenger Railway Line Anhui Co., Ltd.	The pre-construction of the new Shangqiu-Hefei-Hangzhou Railway (Anhui, Zhejiang Segment) SHZQ-3 Section, SHZQ-5 Section, SHZQ-8 Section, SHZQ-10 Section, SHZQ-11 Section, SHZQ-13 Section, SHZQ-15 Section, SHZQ-16 Section	2015-11	2,041,162	59.4 months
3	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering	Qianzhangchang Railway Co., Ltd.	Preliminary construction project of Sections QZCZQ-5, QZCZQ-10, QZCZQ-7 of the new Qianjiang-Zhangjiajie-Changde Railway	2015-03	763,619	1,721 calendar days

XIII. Material Contracts and Their Performance (continued)

4. Other material contracts (continued)

(2) Material contracts signed during the reporting period: (continued)

(i) Infrastructure construction business (continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Highway						
1	China Railway No. 1 Engineering, COVEC	East Timor Public Affairs Bureau and Petroleum and Mineral Resources Bureau	Construction project of Suai-Beaco Highway Road, Section 1: SuaiFatukai/Mola Section, East Timor	2015-01	182,741	730 calendar days
2	China Railway No. 7 Engineering	Nanning Urban Development Investment Co., Ltd.	Construction project of Section 2 of the second highway of Nanning Wuxu Airport	2015-03	123,000	300 calendar days
3	China Railway No. 3 Engineering	Shanxi Shuozhou Highway Co., Ltd.	Construction project of Section SG4 of roadbed, bridge tunnel and surface of Youyu-Pinglu section of Xizong Highway	2015-06	92,513	30 months
Municipal Works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of phases 2 and 3 of Chengdu Metro Line 3	2015-10	787,310	39 months
2	China Railway	Nanning City Railway Group Co. Ltd.	Construction Contract of Section 02 of Phase one of Line 3 of Nanning City Railway (Keyuan Road and Pingle Road)	2015-06	456,913	1,340 calendar days
3	China Railway Construction	Jiangxi Zhengsheng Shidai Property Co., Ltd.	EPC contract for construction project of Zhengsheng Taigugang Commercial City, Nanchang	2015-09	320,000	1,000 calendar days

XIII. Material Contracts and Their Performance (continued)

4. Other material contracts (continued)

(2) Material contracts signed during the reporting period: (continued)

(ii) Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Major Bridge Engineering	Wuhu Yangtze Bridge and Road Bridge Co., Ltd.	Construction of Wuhu Yangtze Road-Rail Bridge of Shangqiu-Hefei – Hangzhou Railway and associated works	2015-02	16,860	60 months
2	China Railway Liuyuan Engineering	Tianjin TEDA Urban Rail Construction Development Co., Ltd.	Construction Project of Section 1 of Phase One of Rail Transit Route Z4 of Tianjin Binhai New Area	2015-04	6,643	20 months
3	China Railway Eryuan Engineering	Kunming New South Railway Station Development Operation Co., Ltd.	Construction Project and Supplementary contract of East and West Plaza of Kunming New South Railway Station	2015-01	4,897	24 months

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Baoji Bridge	Hunan Dayue Highway Dongtinghu Bridge Construction Development Co., Ltd.	Construction of main bridge steel truss of Hang Rui National Highway Hunan Linxiang (Xiang E Border) – Yueyang Highway Dongtinghu Bridge	2015-08	51,105	22 months
2	China Railway Shanhaiguan Bridge	Guangdong Highway Construction Co., Ltd. Humen Second Bridge Branch	Construction of main bridge steel box girder G4-2 contract section of Guangdong Humen Second Bridge Project	2015-06	37,413	39 months
Turnout						
1	China Railway Baoji Bridge	China Railway Corporation Hajia Passengers Railway Co., Ltd.	New Harbin – Jiamusi Railway Project Contract	2015-08	40,847	–
2	China Railway Shanhaiguan Bridge	Shanghai Railway Bureau	New Lianyungang – Yancheng Railway Project	2015-05	17,005	12 months
Construction Machinery						
1	China Railway Turnout & Bridge	Shanghai Installation Engineering Group Co., Ltd.	Material of F rails and the processing of rails	2015-03	16,765	6 months
2	China Railway Engineering Equipment	Zhongtian Construction Group	Shield Purchase Contract	2015-07	14,560	11 months

XIII. Material Contracts and Their Performance (continued)

5. Particulars of material properties

(1) Property held for investment

Building name	Location	Use	Tenure	Interest of the Company and subsidiaries
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term	100%
Huaxi Changan Center Building A1, Floor 1-2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term	100%
Gongti Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Yichulianghua Mall	No. 1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Celebrity Resort Huashuiwan	Huashuiwan Town, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%
15-17/F, Jingxin Building	A2 Dongsanhuanbei Road, Chaoyang District, Beijing	Commercial	Medium term	100%
China Railway Consultation Mansion	No. 15 Guangan Road, Fengtai District, Beijing	Commercial	Medium term	100%

(2) Property held for development and/or for selling

Name of building or project	Location	Existing land use	Site area (sq. m.)	Floor area (sq. m.)	Stage of completion	Expected completion date	Interest of the Company and subsidiaries
China Railway International Eco City Phase I	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City Phase II	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial, Residential	1,060,000	2,306,000	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan, Hubei	Residential	528,000	1,060,000	Under construction	2018	67%
China Railway Nord Center Phase III	Zhongguancun Science Park, Sihezhuang, Huaxiang, Fengtai District, Beijing	Commercial, financial	55,400	166,400	Under construction	2016	100%

XIV. Explanation for Other Significant Events

To follow the "Guidelines on Deepening the Reform of State-owned Enterprises" of the CPC Central Committee and State Council and to proactively implement the new strategies deployed in "Made in China 2025" to facilitate the structural optimization and upgrading of our engineering equipment and component manufacturing business segment through tactics such as mergers, acquisitions and restructuring in the capital market, the Company is contemplating a material asset restructuring in relation to an asset swap and share issuance for acquisition of assets for China Railway Erju (600528), with a view to building up a listed company platform in our engineering equipment and component manufacturing business segment.

At the 15th meeting of the third session of the Board on 2 December 2015, the resolutions in relation to the proposed material asset restructuring regarding an asset swap and share issuance for acquisition of assets between the Company and China Railway Erju and the proposed fundraising of China Railway Erju were considered and approved. The relevant documents were disclosed on the website of the Shanghai Stock Exchange and the designated newspapers of the Company. At present, the Company and China Railway Erju are actively preparing for the restructuring. The Company will follow up and go through the requisite approval procedures and fulfill its obligations to disclose information as required by the relevant laws and regulations in a timely manner. For more details on the progress, please refer to the relevant announcements published by the Company and China Railway Erju on the website of Shanghai Stock Exchange and the Company's designated newspapers.

XV. Proactive Fulfilment of Social Responsibilities

1. Social responsibility commitments

As a leader in the construction industry, China Railway has always been a practitioner, promoter and leader of corporate social responsibilities. Since 2008, China Railway has started setting up a rational, regulated, systematic and effective mechanism for corporate social responsibility management. Based on the seven aspects of social responsibility planning, namely benefiting society, scientific development, safety supervision, environmental protection, employee development, public welfare and global responsibilities, a series of corporate social responsibility activities was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous and irreplaceable contribution to the society. During the reporting period, the Company donated a total of RMB4,306,000 (2014: RMB1,799,000) for the fulfillment of social responsibilities. For details in relation to the social responsibility commitments of the Company, please see the Social Responsibility Report of China Railway Group Limited for 2015 as published on the website of Shanghai Stock Exchange at http://www.sse.com.cn.

2. Descriptions on environmental protection of listed company and its subsidiaries falling into the category of heavily polluting industries designated by national environmental authorities

Not applicable

XVI. Convertible Corporate Bonds

Not applicable

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1.	the Company, China Railway:	China Railway Group Limited
2.	the Group:	the Company and its subsidiaries
3.	CRECG:	China Railway Engineering Corporation
4.	BT:	"Build-Transfer" mode
5.	BOT:	"Build-Operate-Transfer" mode
6.	PPP:	"Public-Private-Partnership" mode
7.	Turnout:	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
8.	BIM:	Building Information Modeling, a new tool in architecture, engineering and civil engineering
9.	Engineering method:	an integrated construction method with engineering as the subject and technology as its core formed based on systematic engineering principles, the combination of advanced technology and scientific management, and certain engineering practices
10.	One Belt, One Road:	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"
11.	Four Developing Regions:	the development of West China, revitalisation of Northeast China, rise of Central China and leading position of East China
12.	Three Supporting Belts:	"One Belt, One road", co-development of Beijing-Tianjin-Hebei and Yantze River Economic Belt

COMPANY INFORMATION

Directors

Executive Directors

LI Changjin *(Chairman)*
YAO Guiqing
ZHANG Zongyan

Independent Non-executive Directors

GUO Peizhang
WEN Baoman
ZHENG Qingzhi
NGAI Wai Fung

Supervisors

LIU Chengjun *(Chairman)*
LIU Jiangyuan
WANG Hongguang
CHEN Wenxin
FAN Jinghua

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

YAO Guiqing
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

ZHENG Qingzhi *(Chairman)*
WEN Baoman
NGAI Wai Fung

Remuneration Committee

GUO Peizhang *(Chairman)*
WEN Baoman
ZHENG Qingzhi

Strategy Committee

LI Changjin *(Chairman)*
YAO Guiqing
ZHANG Zongyan
GUO Peizhang
ZHENG Qingzhi

Nomination Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, Health and Environmental Protection Committee

ZHANG Zongyan *(Chairman)*
YAO Guiqing
GUO Peizhang
WEN Baoman
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Stock name	:	China Railway
Stock code	:	601390

H Shares

Place of listing	:	The Stock Exchange of Hong Kong Limited
Stock name	:	China Railway
Stock code	:	00390

Principal Bankers

The Export-Import Bank Of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

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