



中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

Stock Code: 1186

2016
Annual Report



Important Notice

- I. The Board and the Supervisory Committee of the Company and the directors, supervisors and members of the senior management warrant the truthfulness, accuracy and completeness of the contents herein and confirm that there are no misrepresentations or misleading statements contained in, or material omissions from, this report, and accept several and joint legal responsibilities.
- II. All the directors of the Company attended the Board meeting.
- III. Ernst & Young Hua Ming LLP has issued a standard unqualified auditor's report for the Company.
- IV. MENG Fengchao, chairman of the Company, WANG Xiuming, CFO, and CAO Xirui, Head of the Finance Department (person in charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. Profit distribution plan or reserves-to-equity transfer plan during the Reporting Period upon deliberation at the board meeting

According to the audited financial report of the Company for the year 2016, the undistributed profit of the parent company at the beginning of 2016 was RMB8,461,070,731.41. After adding the net profit realized by the parent company of RMB2,738,962,914.38 during the year and deducting the cash dividends for the year 2015 of RMB2,036,931,225.00, at the end of this year, the distributable profit of the parent company was RMB9,163,102,420.79. According to the *Company Law* and the *Articles of Association of the Company*, the distributable profit of the parent company for the year 2016 shall be distributed in the order as follows: the distributable profit of the parent company for the year was RMB8,889,206,129.35, after the statutory surplus reserve fund of RMB273,896,291.44 withdrawn based on a 10% of net profit of the parent company realised for the year 2016; After the statutory surplus reserve withdrawn, the the profit to be attributed to the shareholders by the parent company in 2016 was 8,889,206,129.35; A cash dividend of RMB0.16 (tax inclusive) per share will be distributed, based on the total issued share capital of 13,579,541,500 shares as at 31 December 2016, totalling RMB2,172,726,640.00. Upon such distribution, the undistributed profit of the parent company will amount to RMB6,716,479,489.35, which will be carried forward to the next year.

- VI. Disclaimer of forward-looking statements

Applicable Not Applicable

Forward-looking statements, including future plan and development strategy, contained in this report do not constitute substantive commitments to investors by the Company. Investors and related persons shall maintain a sufficient awareness of the risks therefrom and gain an understanding of the differences among plans, projection and undertakings. Investors should be reminded of such investment risks.

- VII. Whether the controlling shareholder of the Company or its associates has misappropriated the Company's funds for purposes other than for business? No
- VIII. Whether the Company has provided external guarantees in violation of any prescribed decision-making procedures? No

- IX. Inform of important Risks

Applicable Not Applicable

The main risks the Company may encounter are investment risk, safety and quality risk, overseas risk, project management risk and account receivables risk. Please refer to the contents of the potential risks and countermeasures in "III Discussion and Analysis of the Company's Future Development" in "(IV) Potential Risks" under "Section V Discussion and Analysis on Business Operations (Report of Directors)", and investors should be reminded of such risks.

- X. Others

Applicable Not Applicable

The 2016 financial report of the Company was prepared according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance and the related provisions (hereinafter "PRC GAAP Standards"). The reporting currency is RMB, unless otherwise specified.

The contents of this annual report are in compliance with all the requirements in relation to information to be disclosed in annual report under the SSE Listing Rules and the Stock Exchange Listing Rules. In addition, this annual report will be simultaneously published in Mainland China and Hong Kong. Should there be any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

Contents

Section I	Definitions	2
Section II	Basic Corporate Information and Key Financial Indicators	4
Section III	Chairman's Statement	12
Section IV	Summary of the Company's Businesses	14
Section V	Discussion and Analysis on Business Operations (Report of Directors)	20
Section VI	Significant Events	74
Section VII	Changes in Ordinary Shares and Particulars of Shareholders	122
Section VIII	Particulars of Preference Shares	133
Section IX	Directors, Supervisors, Senior Management and Staff	134
Section X	Corporate Governance (Corporate Governance Report)	150
Section XI	Report on Environmental, Social and Governance	177
Section XII	Particulars of Corporate Bonds	184
Section XIII	Financial Reports	188
Section XIV	Five Years' Financial Summary	422
Section XV	Documents for Inspection	424

Section I Definitions

I. DEFINITIONS

Unless otherwise stated in context, the following terms should have the following meanings in this report:

Definition of frequently used terms

“The Company” or “CRCC”	China Railway Construction Corporation Limited
“Group”	China Railway Construction Corporation Limited and its wholly-owned and non wholly-owned subsidiaries
“Controlling Shareholder”, “CRCCG” or “the parent company”	China Railway Construction Corporation
“General Meeting”	a general meeting of China Railway Construction Corporation Limited
“Board”	the board of directors of China Railway Construction Corporation Limited
“Independent director”	a person who assumes no duties in the Company except the duty of director, and has no relation with the Company and its substantial shareholders which could hinder his independent and objective judgments
“Supervisory Committee”	the supervisory committee of China Railway Construction Corporation Limited
“Articles of Association”	the articles of association of China Railway Construction Corporation Limited
“PRC” or “Mainland China”	the People’s Republic of China, which, for the purposes of this report, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“the year” or “this year”	year 2016
“previous year” or “prior year”	year 2015

Section I Definitions (continued)

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“SFO”	the Securities and Futures Ordinance (Section 571 of Laws of Hong Kong)
“CSRC”	China Securities Regulatory Commission
“Reporting Period”	from January to December 2016
“end of the Reporting Period”	31 December 2016
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Stock Exchange Listing Rules
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council

Section II Basic Corporate Information and Key Financial Indicators

As the successor of the Railway Corps of the People's Liberation Army, China Railway Construction Corporation Limited was established by China Railway Construction Corporation as the sole promoter in Beijing on 5 November 2007 and is an ultra-large construction enterprise supervised by the SASAC. The Company successfully issued RMB denominated domestic shares (A shares) and overseas listed foreign shares (H shares), which were listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 10 March 2008 and 13 March 2008 respectively.

The Company is one of the strongest and largest scale integrated construction groups in China and in the world. It was included among the "Top 250 Global Contractors" consecutively by Engineering News-Record (ENR), an American magazine and ranked No. 3 in 2016. It was listed among the Fortune "Global 500 Companies" consecutively, ranking No. 62 in 2016. It was listed among the "Top 500 Chinese Enterprises" consecutively, ranking No. 14 in 2016.

The business of the Company comprises construction operation, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading, etc., which constitute a seamless industry chain covering scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, etc. CRCC has established its industry leadership in fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. Since the 1980s, the Company has received 659 national-level awards in construction operation, survey, design and consultancy and other fields, including 69 National Prizes for Progress in Science and Technology, 125 National Prizes for "Four Excellences" in Survey and Design, 80 Zhan Tianyou Civil Engineering Awards, 271 National High-Quality Projects Awards and 114 Luban Prizes for China Construction. The Company holds 6,627 patents and 292 national-level engineering methods.

At present, the Company's operating businesses cover 31 provinces (except Taiwan), autonomous regions, municipalities and Hong Kong and Macau special administrative regions in China, as well as 105 foreign countries in the world.

The Company boasts a professional team consisting of one member of Chinese Academy of Engineering, 10 National Survey and Design Masters, 11 national candidates of the "Bai Qian Wan Talents Project (百千萬人才工程)", and 249 experts who are recipients of special subsidies granted by the State Council.

I. CORPORATE INFORMATION

Chinese name of the Company	中國鐵建股份有限公司
Chinese abbreviation	中國鐵建
English name of the Company	China Railway Construction Corporation Limited
English abbreviation	CRCC
Legal representative of the Company	MENG Fengchao



Section II Basic Corporate Information and Key Financial Indicators (continued)

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Joint Company Secretaries	Representative of Security Affairs
Name	YU Xingxi	YU Xingxi, LAW Chun Bui	XIE Huagang
Correspondence address	East, No. 40 Fuxing Road, Haidian District, Beijing	East, No. 40 Fuxing Road, Haidian District, Beijing	East, No. 40 Fuxing Road, Haidian District, Beijing
Telephone	010-52688600	010-52688600	010-52688600
Fax	010-52688302	010-52688302	010-52688302
E-mail	ir@crcc.cn	ir@crcc.cn	ir@crcc.cn

III. BASIC INFORMATION

Registered office of the Company	East, No. 40 Fuxing Road, Haidian District, Beijing 100855
Postal code of registered office of the Company	
Principal place of business in the PRC	East, No. 40 Fuxing Road, Haidian District, Beijing 100855
Postal code of principal place of business in the PRC	
Principal place of business in Hong Kong	23/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
Website Address of the Company	www.crcc.cn
E-mail address	ir@crcc.cn

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Newspapers selected by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times
Website designated by CSRC for publishing the annual report	www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publishing the annual report	www.hkex.com.hk
Place for safekeeping of annual reports of the Company	Secretariat of the Board of CRCC, East, No. 40 Fuxing Road, Haidian District, Beijing



Section II Basic Corporate Information and Key Financial Indicators (continued)

V. BASIC INFORMATION OF THE COMPANY'S SHARES

Basic Information of the Company's Shares

Type of share	Place of listing	Stock abbreviation	Stock Code
A share	Shanghai Stock Exchange	China Rail Cons	601186
H share	Hong Kong Stock Exchange	China Rail Cons	1186

VI. OTHER RELATED INFORMATION

Auditors appointed by the Company ^{Note 1} (Domestic)	Name	Ernst & Young Hua Ming LLP
	Office address	Level 16, Ernst & Young Tower, Oriental Plaza, No. 1, East Chang An Ave., Dongcheng District, Beijing
	Names of signing accountants	YANG Shujuan, SHEN Yan
Sponsor institution responsible for continuous supervision during the Reporting Period ^{Note 2}	Name	China International Capital Corporation Limited
	Office address	27 & 28th Floors, China World Office 2, 1 Jianguomenwai Avenue, Beijing, P.R. China
	Name of sponsor representative authorized as signatory	GUO Yun, DU Yiqing
	Continuous supervision period	From 16 July 2015 to 31 December 2016
Legal advisers appointed by the Company (As to Hong Kong law)	Name	Baker & McKenzie
	Office address	14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
Legal advisers appointed by the Company (As to PRC law)	Name	Beijing Deheng Law Office
	Office address	12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing
Share registrar of A shares of the Company	Name	China Securities Depository and Clearing Corporation Limited (CSDC) Shanghai Branch
	Office address	F/36, China Insurance Building, No.166, Lujiazui East Road, Pudong New Area, Shanghai
Share registrar of H shares of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Note 1: Pursuant to the amendments to the Stock Exchange Listing Rules by the Hong Kong Stock Exchange and relevant requirements of the Ministry of Finance and the CSRC, a company incorporated in Mainland China and listed on the Hong Kong Stock Exchange is permitted to adopt the PRC GAAP to prepare its financial statements and to engage a domestic accounting firm recognized by the Ministry of Finance and the CSRC to provide relevant services according to the PRC auditing standards since 15 December 2010. Ernst & Young Hua Ming LLP is a domestic accounting firm recognized by the Ministry of Finance and the CSRC. Therefore, the Company appointed Ernst & Young Hua Ming LLP as its external auditor starting from the fiscal year of 2011 (no division of domestic and overseas).

Note 2: China International Capital Corporation Limited was engaged by the Company as the sponsor in respect of the non-public issuance of shares of the Company in 2015. The continuous supervision period from 16 July 2015 to 31 December 2016.

Section II Basic Corporate Information and Key Financial Indicators (continued)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

(I) Major accounting data

Unit: '000 Currency: RMB

Major accounting data	2016	2015	Increase or decrease at this year over the previous year (%)	2014	
				Adjusted	Before adjustment
Revenue	629,327,090	600,538,730	4.79	593,302,675	591,968,452
Net profit attributable to shareholders of listed company	13,999,610	12,645,478	10.71	11,734,664	11,343,265
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	12,928,512	11,584,459	11.60	10,630,013	10,563,661
Net cash flows from operating activities	37,137,579	50,375,107	-26.28	6,742,000	6,582,512

	At the end of 2016	At the end of 2015	Increase or decrease at the end of the current period compared to that of the same period of last year (%)	At the end of 2014	
				Adjusted	Before adjustment
Net assets attributable to shareholders of listed company	131,187,072	111,664,991	17.48	92,768,453	90,935,729
Total assets	759,345,034	696,096,330	9.09	623,565,997	617,004,015
Total stock issue at the end of period	13,579,542	13,579,542	0	12,337,542	12,337,542

Section II Basic Corporate Information and Key Financial Indicators (continued)

(II) Major financial indicators

Major financial indicators	2016	2015	Increase or decrease at this year over the previous year (%)	2014	
				Adjusted	Before adjustment
Basic earnings per share (<i>yuan per share</i>)	1.03	0.98	5.10	0.95	0.92
Diluted earnings per share (<i>yuan per share</i>)	1.01	0.98	3.06	0.95	0.92
Basic earnings per share after deduction of nonrecurring profit or loss (<i>yuan per share</i>)	0.95	0.90	5.56	0.86	0.86
Weighted average return on net asset (%)	11.55	12.41	Decrease 0.86%	13.40	13.24
Weighted average return on net asset after deduction of non-recurring profit or loss (%)	10.66	11.37	Decrease 0.71%	12.14	12.33

Explanation on the major accounting data and financial indicators of the Company at the end of the Reporting Period for the past three years

Applicable Not Applicable

VIII ACCOUNTING DATA DIFFERENCES BETWEEN THE PRC GAAP AND IFRSs

- (I) Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the International Accounting Standards and the PRC GAAP

Applicable Not Applicable

- (II) Difference arising from the net profit and net assets attributable to shareholders of the Company in the financial statements disclosed simultaneously pursuant to the Foreign Accounting Standards and the PRC GAAP

Applicable Not Applicable

- (III) Explanation on difference between foreign and domestic accounting standards:

Applicable Not Applicable

Section II Basic Corporate Information and Key Financial Indicators (continued)

IX KEY FINANCIAL INDICATORS OF 2016 BY QUARTER

Unit: '000 Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Revenue	118,678,000	148,049,199	157,157,925	205,441,966
Net profit attributable to shareholders of listed company	2,571,787	3,250,396	3,301,148	4,876,279
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	2,497,235	3,295,608	3,129,694	4,005,975
Net cash flows from operating activities	-10,860,188	-2,879,607	4,199,131	46,678,243

Explanation on difference between quarterly results and information disclosed in periodic reports.

Applicable Not Applicable

Section II Basic Corporate Information and Key Financial Indicators (continued)

X. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable Not Applicable

Unit: '000 Currency: RMB

Non-recurring profit or loss items	Amount for 2016	Amount for 2015	Amount for 2014
Gains/(losses) from disposal of non-current assets	134,456	3,234	23,589
Government grants recognized through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or quantity according to certain standards)	553,610	388,104	356,999
Losses from exchange of non-monetary assets	-	-	163
Gains/(losses) from debt restructuring	73,606	12,095	5,537
Current net profit and loss of subsidiary from the beginning of the period to the combination date due to business combination under common control	-	210,120	488,445
Profit or loss from change in the fair value from holding of trading financial assets and trading financial liabilities and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets other than the valid hedging services related to the normal operating activities of the Company	-214,589	86,351	33,901
Reversal of impairment for accounts receivable that had impairment test separately	728,718	616,720	468,852
Other non-operating income and expenses other than the above items	102,789	94,820	171,123
Impact on minority interests	-8,167	-42,024	-97,689
Impact on income tax	-299,325	-308,401	-346,269
Total	1,071,098	1,061,019	1,104,651

Section II Basic Corporate Information and Key Financial Indicators (continued)

XI. ITEMS MEASURED AT FAIR VALUE

Applicable Not Applicable

Unit: '000 Currency: RMB

Item	Balance at the beginning of the period	Balance at the end of the period	Change during the period	Effect on profit of current period
Financial assets at fair value through profit or loss	218,437	323,376	104,939	8,795
Available-for-sale financial assets	2,861,733	2,046,056	-815,677	94,768
Total	3,080,170	2,369,432	-710,738	103,563

XII. OTHERS

Applicable Not Applicable

Section III Chairman's Statement

Dear Shareholders,

I'm hereby presenting the 2016 annual report of CRCC to the shareholders on behalf of the board of directors, and expressing the heartfelt thanks to the friends from all works of life who are supporting and caring the development of the Company for a long time!

In 2016, CRCC positively meets with the fierce challenge of economic downturn and intensified industrial competition and seizes the good opportunity brought by market volume in high-order position, sustainable and deepening of reforms, and the emergence of the new forms of business, new mode and new technology. CRCC grasps the opportunities in the ever-changing challenges, advances innovation in overcoming difficulties, achieves growth in transformation and upgrading, and fulfills all the targets in a satisfactory manner.

This year, the Company has achieved breakthrough in its development. The Company achieved newly signed contract of RMB1,219.1065 billion, operating income of RMB629.3271 billion, gross profit (before tax) of RMB18.9696 billion, net profit of RMB14.8508 billion and earnings per share of RMB1.03, all of which hit record highs; the net cash flow from operating activities of the Company reached RMB37.1376 billion. According to relevant index of 2015, it ranks No. 62 among the "Fortune" "World top 500" enterprises and No. 14 among the "Fortune" "China top 500" enterprises, and ranks No. 3 among the "Global 250 largest contractors" by the Engineering News Record (ENR).

This year, the Company has promoted the transformation and upgrading solidly. It has established the CRCC Maglev Transportation Investment Construction Co., Ltd., CRCC South Construction Investment Co., Ltd., CRCC North China Investment Development Co., Ltd., CRCC Kunlun Investment Group Co., Ltd., CRCC Chongqing Investment Co., Ltd. and other investment platforms successively, and has merged 66 incorporated enterprises. It has achieved a more reasonable layout structure, further elevated industrial concentration, remarkable effects in resource allocation optimization. The proportion of newly-signed contract amount and operating income (before elimination of inter-segment transactions) from non-engineering plate is increased to 13.11% and 17.20% respectively. The Company is moving towards combined development, synergetic development and integrative development.

This year, the Company is fruitful in scientific and technological innovation. Relying on the construction production, the Company has comprehensively strengthened the scientific and technological innovation, with steady improvement in the BIM and fabricated building technology level; the acceptance of national science and technology support program "Research on Key Technology of Complete Equipment for Pre-cutting Tunnel Construction" has been completed; it has been newly granted 4 items of FIDIC Award, 8 items of Zhan Tianyou Award and 13 items of National Excellent Design Achievement Award; it has new addition of 2 national engineering survey design masters; it has been newly granted 6 items of China Excellent Patent Award and second class 1 item of National Prizes for progress in Science and Technology 113 items of Provincial Science and Technology Progress Award; it has newly obtained 1,502 authorized patents, including 371 patents for invention, with an increase of 16% and 33% respectively on a year-on-year basis; it has newly established 2 national enterprise technology centers. CRCC has been rated as the sole patent demonstration enterprise in the national construction industry, becoming the president unit of China Patent Protection Association and the first enterprise the leader of which concurrently acts as the president of the Association.

This year, the Company has achieved steady and orderly management and governance. It has been always adhering to scientific governance, enterprise management according to law, institutional innovation and standardized management. It has been vigorously promoting the activities of quality improvement,



Section III Chairman's Statement (continued)

efficiency increase and management improvement, and has been orderly promoting the responsibility cost management, project standardization management, safety & quality management, centralized resource control, internal control and risk management. It has strengthened the operation qualification system construction. It has newly obtained 9 items of premium qualification, 7 enterprises with three premium qualifications and 5 enterprises with dual premium qualifications in the whole system, the total qualification and enterprises with three qualifications ranking first in the central SOEs.

Looking into the future, the world economy is adjusting deeply, and more uncertain and unstable factors in the external environment awaits China's economic development is entering into the new normal state, conflicts and problems embedded in high-speed economic development are gradually emerging, and downward economic pressure is presenting. But meanwhile, we also see that the fundamentals of long-term positive economic development remain unchanged, that the basic characteristics of sound economic resilience, sufficient potential and big maneuvering room remain unchanged, and that the forward trend of economic structuring optimization also remains unchanged. It is still promising for leading of East China, development of West China, revitalization of Northeast China and rise of Central China, and the "B&R", Beijing-Tianjian-Hebei synergetic development and Yangtze River Economic Zone development strategy is bringing new room for development. The strategy of deepening reform, the strategy of innovation-driven development and the supply-side structural reform will bring powerful impetus for the enterprise development. To sum up, we are in a promising important strategic opportunity period, and also faced with many challenges of various conflicts and potential risk.

In 2017, CRCC will continue to adhere to the overall keynote of seeking improvement in stability, highlight the strategic guidance and reform & innovation, adhere to the transformation optimized development and strive to improve the industrial layout structure, adhere to the reform-driven development and strive to break down the system and mechanism barriers against enterprise development, adhere to the innovation-driven development and strive to transform the enterprise development impetus, and adhere to the talent-supporting development and strive to build the talent advantage. CRCC will strive to open source and increase income, improve quality and increase efficiency, strengthen foundation and consolidate the base as well as agglomerate mental efforts, so as to fully promote the reform and development of CRCC to reach a new level.

The board members and I firmly believe that with the energetic support of shareholders and all walks of life, and with the concerted effort of the board of directors, the board of supervisors, the management and the staff, we can certainly continue to carry forward the spirit of railway corps, embrace the opportunities with enthusiasm, deal with the challenges, and roll up our sleeves and work with added energy, creating greater new value for the country, for the shareholders, for the society and for the employees!

MENG Fengchao
Chairman of the Board
Beijing, the PRC
30 March 2017



Section IV Summary of the Company's Businesses

I. MAJOR BUSINESSES, OPERATION MODEL AND INDUSTRY INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

CRCC's businesses cover a variety of construction operations, survey, design and consultation, industrial manufacture, real estate development, logistics and materials trading, etc. with refined industry chain covering scientific research, planning, survey, design, construction, supervision and management, maintenance, operation, investment and financing, etc., which has equipped itself with capability of providing one-stop-shop comprehensive services for the users. CRCC has established its industry leadership in fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. The Group, focusing on market and capital operations simultaneously and adopting the multiple integrated operation modes with combination of region, brand, credit and cooperation operations.

(I) Construction operations

Construction operation is the core and traditional business of the Group, and covers multiple fields, such as railways, highways, urban rail transits, water conservancy and hydropower, house buildings, municipal engineering, bridges, tunnels, airports and wharfs. The Group provides services in 31 provinces, autonomous regions, municipalities as well as Hong Kong and Macau SARs, and also participates in infrastructure construction in a number of countries and regions in Africa, Asia, South America and Europe. Its construction operations mainly take the forms of construction contract and financing contract.

In light of the active implementation of the three strategies including "One Belt and One Road", Beijing-Tianjin-Hebei Synergetic Development and Yangtze River Economic Zone, and the continuing advancement of urbanization and shantytowns transformation and the improvement of transporting facility in the middle west in China, the domestic market covering the Group operates domestic railway, highway, building, urban rail, municipal administration and water conservancy and hydropower, airport, is maintaining steady and rapid growth. The swift increase in the market of utility tunnel, sponge city and environment pollution control is promising. The market has further changes in structure, but the infrastructure market is in the stable and quick development overall.

(II) Survey and design consultation operations

Survey, design and consultancy operations covers civil engineering and infrastructure construction related to railway, urban rail transit, highway, municipal engineering, industrial and civil buildings, water transport engineering, water conservancy and hydropower and civil aviation. The Group is one of the leaders of infrastructure construction-oriented survey, design and consulting industry in the PRC, and among the top runners in the survey, design and consultancy operations market. The survey design consulting service of the Company is at the front end of engineering construction industry chain, with railway and urban rail transit as the main market, and with highway, municipal engineering, industrial & civil construction and marine traffic engineering as the important market for diversified development. The basic business model is to complete the survey design consulting and related services of engineering projects as contracted through market competition.

Section IV Summary of the Company's Businesses (continued)

A survey design enterprise shall cope with the new normal state, and positively and proactively focus on the reform & innovation and transformation development. On one hand, the enterprise shall improve the technological level and the service ability, extend to the engineering construction industry chain and the full life cycle, provide the value-added services, and realize the value idea and service model transformation; on the other hand, the enterprise shall proactively exploit the new market space, i.e. "go out" to compete in the international market to realize the business model transformation from focus on the single domestic market to participation in the international and domestic markets. The "One Belt and One Road" construction focuses on the national interconnection along the line and other infrastructure construction and industrialized construction, highly fitting with the service direction of survey design industry, providing new market opportunity for the industry, and certainly creating significant opportunity for the transformation development of survey design enterprise.

(III) Manufacturing operations

Manufacturing operations mainly covers such products as large railway track maintenance machinery, tunnel borer construction equipment and high speed railway turnout parts, electric contact wire and parts mainly for railway and new construction of urban rail transit and existing renovation project, making the Group a manufacturer providing integrated services of R&D, manufacturing, sales and service with a leading position in domestic market and advanced position worldwide. After the development for many years, the Company has formed the modernized industrial system with highlighted industrial characteristics, wide product coverage, advanced production facilities and solid R&D strength. CRCC High-Tech Equipment Corporation Limited, a member of the Group, is the largest large railway track maintenance machinery manufacturer in Asia and the second largest one in the world, having a domestic market share of 80% in terms of large railway track maintenance machinery; China Railway Construction Heavy Industry Group Co., Ltd. is the tunnel excavator manufacturer with strongest production capacity, most complete equipment and most advanced technology in China and successively completed the research and development in tunnel borer of earth pressure balance series, mud-water balance series, TBM series, and multiple techniques have broken the long-term monopoly of foreign factories on tunneling. The operating mode of the group adopts the soft production, planar network management, lean production and smart manufacture in order to develop from the simplification to diversity.

In recent years, the excess capacity of traditional general project machine has been continuously compressing the traditional ordinary engineering machinery market, but the high-end equipment manufacturing industry will usher in golden growth. In the future five years, along with the further implementation of the "Made in China 2025" strategy, the powerful promotion of the "go-out" of high-speed rail and other equipment and the explosive increase in the advanced robot market demand, by 2020, the output scale of high-end equipment manufacturing industry is expected to increase to RMB8,000 billion to RMB10,000 billion. The target requirements for rail transit equipment in the Key Field Technology Roadmap of Made in China 2025 are as follows: by 2020, the R&D capacity and leading products of high-end rail transit equipment represented by the carrier equipment, transit signal equipment and road network equipment of modern trunk-line rail transit, regional rail transit and urban rail transit will reach the global advanced level, the sales output of the industry will exceed RMB650 billion, the overseas business proportion will exceed 30%, and the service industry proportion will exceed 15%, which will greatly promote the transformation & upgrading and internationalized expansion of related enterprises.

Section IV Summary of the Company's Businesses (continued)

(IV) Real estate development operations

As one of 16 enterprises directly under the central government taking real estate development as principal business, the Group adopts the business model of “giving priority to residential development supplemented by supporting commercial facilities” for the current real estate business. Sticking to its strategic direction of “based in Beijing, open to the whole country and moving overseas”, the Group focuses on three core urban agglomeration including Yangtze River Delta, Pearl River Delta and Bohai Coastal Region, and steps up efforts to expand the new urban agglomeration and national new district covering Shandong peninsula, Liaodong peninsula, Western Coast of the Straits, Changzhutan, Wuhan, Chengdu and Chongqing. The region sticks to putting first and second tiers as the main points, and some the third and fourth tiers with good development potential as the supplementary. The real estate centers on Beijing, Shanghai and Guangzhou and is supported by performance in Bohai Coastal Region, Yangtze River Delta, Pearl River Delta and Southwest China.

In 2017, the national real estate city differentiation trend will continue. Based on the work task of each region in 2017, many regions will adhere to the case-by-case strategy implementation and the control by category according to the requirements of the Central Economic Working Conference. The third- and fourth-tier cities will still focus on the destocking, while the first- and second-tier hotspot cities will continue to strengthen the real estate land control and market supervision to guarantee the steady and sound development of real estate market. The overall real estate market is expected to ramp down obviously, and affected by the policy and currency environment, the sales area of commercial houses and the commencement quantity of new houses might be back-regulated, and the rise of house price might tend to slow down, but the differentiation between cities might be still obvious. The house price space of some over-hot cities might be over drafted, but the cities with industry and population support will become the key direction of future development, so on the whole, the real estate market still has substantial development potential. In 2017, the Group will closely focus on the policy and market development trend, adhere to the work keynote of seeking improvement in stability, stably seize the opportunity during the market adjustment period, take the advantage of the whole industry chain of CRCC. The Group will continue to adhere to the prudent and steady real estate investment strategy, broaden the land acquisition channel, strengthen the regional operation, focus on and deeply develop the target cities, adhere to the first- and second-tier cities oriented strategic layout, and strengthen the deep development of cities. While keeping the rapid growth of business scale, the Group will focus more on the improvement in the professional ability and operating efficiency to strive for the all-round and high-quality business growth.

Section IV Summary of the Company's Businesses (continued)

(V) *Logistics and materials trading and others*

The Group possesses over 70 regional business outlets in important cities and logistics node cities, 1.33 million m² of logistics sites, over 40,000 meters of special railway line and 32,550m³ of storage capacity of product oil, and provided the integrated circulation service by means of the sound and efficient logistics-informatization, regional and market-oriented service system. The subsidiary China Railway Materials Group Co., Ltd will create the business plate combination with central purchasing agency service plate as the core, with material trading logistics plate as the foundation, and with the international business plate and processing & manufacturing plate as the key cultivation. The original E-commerce business will be included into the material trading logistics plate as a new business development means to develop the new business development pattern of "Internet + Material Trading". Central purchasing agency service plate includes the central purchasing supply service, bidding agency service, MOHURD-directing material bidding agency service and foreign feeder service. Logistics and material trade plate includes the existing project logistics service and E-commerce business. International business plate includes the infrastructure material overseas supply and bulk material import-export self-operated business relying on the CRCC overseas engineering projects. Processing & manufacturing plate includes the fastener and turnout manufacturing and marketing, commercial concrete stirring, transportation and pouring one-stop service, pipe section manufacturing and processing as well as the steel and rebar rough processing business.

In 2017, subsidiary China Railway Materials Group Co., Ltd will centralize the resources of the Group, optimize the resource allocation and business structure, return to the main business of bulk materials, comprehensively promote the central purchasing agency service plate, continue to increase the market share of project logistics business, to realize the combination of bulk material spot business and project logistics, vigorously cultivate the collaborative capacity of international business plate and processing & manufacturing plate, broaden the E-commerce application field, promote the industrial structure upgrading, consolidate the development foundation, improve the enterprise competitiveness, implement the "three developments" strategic decision with "safe, benign and sharing" principle as the core, and urge the industry transformation and upgrading of the Group to realize the long-term sustainable development of the enterprise. It will adhere to the business selection of returning to the material trading, adhere to the business structure with central purchasing agency service as the core plate, adhere to the main direction of "CRCC internal market" expansion, adhere to the target market development strategy with domestic market to drive the international market, adhere to the preferred new field development selection of "Internet + Material Trading" pattern and supply chain financial service, and adhere to the new field development principle of "Internet + Material Trading" and prudent supply chain financial service.

II. EXPLANATION ON MATERIAL CHANGES IN THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

Applicable Not Applicable

Section IV Summary of the Company's Businesses (continued)

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not Applicable

(I) ***Shoulder-to-shoulder comprehensive competitive strength in the industry***

The Company has been ranking top 3 among the ENR global largest engineering contractors for many consecutive years, ranking top 100 in the world top 500. The Company has powerful market management and expansion capacity, with obvious increase in each business indicator. The global operation landscape has taken shape and the overseas business revenue share has increased year by year. The Company has taken advantage of its financing platform of A+H listings and obtained sufficient bank credit and highest international rating in construction industry, created favorable brand effect in the field of infrastructure construction, and obtained stable customer base and abundant market resources.

(II) ***Continuing enhancement of technology leadership***

The Company has been in a world leading level in the plateau, alpine region and high-speed rail design and construction technologies. Products with proprietary intellectual property rights has been designed constantly, underground engineering facilities covering hard rock tunnel boring machine with major diameter and full face and hard rock tunnel boring machine with double shields fill the blank in China, large railway track maintenance machinery like narrow-gauge tamping machine and narrow-gauge ballasting have also reached the international leading level and have been exported. Technologies of underground and underwater engineering construction, magnetic suspension engineering construction and E&M system integration have stood on the industrial leading level.

(III) ***Perfection of industrial structure and layout***

The Company has completed the overall layout along the architectural industry chain, with the business covering the engineering contracting, survey design consulting, equipment manufacturing, real estate development, capital operation, material logistics and finance industry which constitute integrated & one-stop industry chain covering scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, etc., with capability of expansion and synergy along the whole industry chain.

Section IV Summary of the Company's Businesses (continued)

(IV) Gradual optimization of organizational and management structure

The Company will continue to optimize the organization management structure, continuously standardize the organization management system of three-level legal person and four-level management to strictly control the newly-established legal-person enterprises, and gradually shorten the management chain to effectively reduce the management cost. Based on the overall strategy of specialized operation, CRCC has established six specialized subsidiaries and therefore enhanced significantly its capability of specialized operation, while number of companies at the 3rd and 4th level characterized by small size, low efficiency and deviation from development of main businesses has been reduced substantially. The Company has continuously strengthened the integrative recombination and streamlining to effectively improve the management efficiency. It has compressed the management level and reduced the number of legal persons orderly, with significant work effect. It has further reformed, adjusted and optimized the organization setup of HQ to build the management system and operating mechanism with powerful control, identified responsibility and unobstructed operation.

(V) Refreshing and carrying forward the culture of railway corps

The spirit of railway corps, centering on that “no way is impossible for railway corps by cutting paths through mountains and building bridges across rivers; there is no difficulties for the railway corps after eating and sleeping in the open air and toiling constantly under the exposure to the weather”, passes through development and growth of CRCC. Such spirit upon heritage and sublimation creates the corporate values of “perpetual sincerity and innovation, competitive products and co-existing with moral quality”, the corporate spirit of “being fearless of danger and bold in scaling heights, leading the industry and generating prestige home and abroad”, and the excellent working styles of “submitting to the whole situation, strictly enforcing orders and prohibitions, striving for victory without fear and being devoted to work”. Under the leadership of railway crops culture, CRCC has created large quantities of excellent projects by constantly overcoming the difficulties and making bold innovations to build the “efficient and honest” market image and the “industry leader image” to carry forward the railway crops culture.

Section V Discussion and Analysis on Business Operations (Report of Directors)

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

2016 was the year of opening of the “13th Five Year Plan”. Under the intricate situation at home and abroad, the Group positively adapted to the new normal state of economic development, with the “13th Five Year Plan” as the opportunity to strive for quality improvement and efficiency increase and to accelerate the structural adjustment, transformation and upgrading for the purpose of standardized operation and scientific decision-making, so as to guarantee the sustainable, sound and rapid development of the enterprise and to successfully complete the full-year main target tasks.

(I) Market development and new breakthrough in the operation capacity

In 2016, faced with the fierce competition in the market, the Group has always maintained the leading position of market management and has adjusted the full-year operation targets in a timely manner based on the changing situation, to further strengthen the coordination and operation of the Company, with the group company as the responsible for the main operation and three-level companies providing support on operation, and to strengthen high-end operation and synergetic operation to forge ahead and overcome difficulties, so as to promote the operation scale to reach a new peak in the history. It achieved the annual newly-signed contract amount of RMB1,219.1065 billion, with an increase of 28.49% on a year-on-year basis, where the newly-signed domestic contract amount was RMB1,111.2578 billion, accounting for 91.15% of the total newly-signed contract amount, with an increase of 28.85% on a year-on-year basis. The newly-signed overseas contract amount was RMB107.8487 billion, accounting for 8.85% of the total newly-signed contract amount, with an increase of 24.99% on a year-on-year basis. As of the end of 2016, the value of outstanding contracts of the Group was RMB1,977.7678 billion, representing an increase of 9.36% as compared to the corresponding period last year, of which the value of outstanding overseas contracts amounted to RMB418.8812 billion, accounting for 21.18% of the total value of outstanding contracts. The key indicators are as follows:

Unit: '00 million

	Value of new contracts			Value of outstanding contracts		
	Reporting Period	Corresponding Period last year	Year-on-year growth	Reporting Period	Corresponding Period last year	Year-on-year growth
Construction operations	10,592.513	8,074.382	31.19%	18,129.877	16,902.685	7.26%
Survey, design and consultancy operations	125.119	113.456	10.28%	62.907	50.658	24.18%
Manufacturing operations	199.623	164.274	21.52%	123.167	73.234	68.18%
Logistics and materials trading	649.475	745.147	-12.84%	1,049.938	756.283	38.83%
Real estate development	494.803	366.140	35.14%	380.447	280.354	35.70%
Other businesses	129.532	24.189	435.50%	31.332	22.070	41.97%
Total	12,191.065	9,487.588	28.49%	19,777.678	18,085.284	9.36%

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

In 2016, the value of new contracts for construction operations amounted to RMB1,059.2513 billion, accounting for 86.89% of the total value of new contracts and representing an increase of 31.19% as compared to the corresponding period last year; the value of new contracts for railway construction amounted to RMB265.1046 billion, accounting for 25.03% of the value of new contracts in the construction operations segment and representing a decrease of 11.54% as compared to the corresponding period last year; the value of new contracts for highway engineering amounted to RMB261.8516 billion, accounting for 24.72% of the value of new contracts in the construction operations segment and representing an increase of 42.72% as compared to the corresponding period last year; the value of new contracts for urban rail transit amounted to RMB171.3011 billion, accounting for 16.17% of the value of new contracts in the construction operations segment and representing an increase of 77.79% as compared to the corresponding period last year; the value of new contracts for housing construction amounted to RMB152.5865 billion, accounting for 14.41% of the value of new contracts in the construction operations segment and representing an increase of 14.62% as compared to the corresponding period last year; the value of new contracts for municipal engineering amounted to RMB139.4982 billion, accounting for 13.17% of the value of new contracts in the construction operations segment and representing an increase of 246.29% as compared to the corresponding period last year; the value of new contracts for hydraulic and electric engineering amounted to RMB18.6435 billion, accounting for 1.76% of the value of new contracts in the construction operations segment and representing a decrease of 31.09% as compared to the corresponding period last year; the value of new contracts for airport terminals amounted to RMB10.3943 billion, accounting for 0.98% of the value of the new contracts in the construction operations segment and representing an increase of 0.08% as compared to the corresponding period last year. The reasons for the great increase of the newly signed contracts in respect of highways, urban rail transits and municipal engineering are as follows: (1) the investment increase on rail transit in China's first-tier cities; (2) the changes in the investment and financing mechanism of the infrastructure market, serving as important drivers for investments. The newly-signed contract amount of hydraulic and electrical engineering decreased sharply due to the relatively small scale, and such significant fluctuation was normal.

In 2016, the value of new contracts for non-construction operations of the Group amounted to RMB159.8552 billion, accounting for 13.11% of the total value of new contracts and representing an increase of 13.12% as compared to the corresponding period last year. Among this, the value of new contracts for survey, design and consultancy amounted to RMB12.5119 billion, representing an increase of 10.28% as compared to the corresponding period last year; the value of new contracts for manufacturing operations amounted to RMB19.9623 billion, representing an increase of 21.52% as compared to the corresponding period last year; the value of new contracts for logistics and materials trading amounted to RMB64.9475 billion, representing a decrease of 12.84% as compared to the corresponding period last year; the value of new contracts for real estate amounted to RMB49.4803 billion, representing an increase of 35.14% as compared to the corresponding period last year. The reason for the relatively substantial growth in the amount of the newly-signed real estate contracts was that, in 2016, there was the improvement in market condition upon the promulgation of relevant policies, and the Group actively launched new products for its real estate projects in response to market trend, seized the opportunity to secure market clients, increased project sales rate and thus the sales performance recovered.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(II) Structural adjustment and industrial upgrading to a higher level

The Group focused on its long-term development and accelerated the transformation and upgrading. Firstly, it further accelerated the industrial restructuring. The operating income from non-engineering contracting industry before elimination of inter-segment transactions were up to RMB112.2195 billion, which accounted for up to 17.20% and with an increase of 1 percentage point. The survey design consulting industry was under steady development, with gratifying progress in technological innovation, industrial synergy, supporting services, general contracting and investment & financing operation, with an increase of 21.60% in the operating income on a year-on-year basis; the manufacturing industry rebounded, and the core competitiveness and brand influence of high-end equipment manufacturing were obviously strengthened, where the total business profit was RMB1.7515 billion, with an increase of 77.87% compared to that in 2015, and the gross profit was increased by 18.24% compared to that in 2015; the real estate industry seized the opportunity to accelerate the development, where the sales volume, operating income and total profit were up to RMB49.4803 billion, RMB38.3199 billion and RMB4.8854 billion respectively, with an increase of 35.14%, 33.66% and 13.24% on a year-on-year basis respectively, particularly opening up a new prospect in the cooperative development and synergetic land acquisition; the material trading logistics positively and properly resolved the risks on bulk material trading, tending to be steady in the development, marching towards the finance industry, where the operating income from logistics, material trading and other businesses increased by 0.79% compared to that in 2015, and the total profit increased by RMB2.1718 billion. Secondly, it further strengthened the investment-driven strategy. The newly-signed contract amount of investment & financing operation was up to RMB299.8504 billion in 2016, accounting for 24.60% of the total value of new contracts. The mileage of the newly-held charging expressway operation was 310km, with the total mileage increased to 1,552km. Thirdly, it further optimized the engineering contracting business. For traditional two-road business, the newly-signed contract amount for roads was up to RMB261.8516 billion, with an increase of 42.72 % on a year-on-year basis; the proportion of non-two-road newly-signed contract amount was up to 50.25%, accounting for half of the market for the first time, with an increase of 10.09% on a year-on-year basis, where the urban rail and municipal newly-signed contract amounted to RMB171.3011 billion and RMB139.4982 billion respectively, with an increase of 77.79% and 246.29% respectively on a year-on-year basis. The number of industry markets with engineering contracting amount of RMB100 billion increased from 3 to 5.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(III) Construction production and new achievement in the scientific & technological innovation

Faced with the severe challenges of big scale under construction, heavy production tasks and difficult control, the Group paid much attention to the construction production organization, strictly implemented safety and quality responsibilities, and further strengthened project management and the key and difficult points monitoring. It maintained stable growth in the real work quantity, and completed the tunnel of approximately 1,275 kilometers, the bridge of approximately 1,700 kilometers, the main-track rail-laying of 4,394 kilometers, the station-track rail-laying of 1,010 kilometers, the highway of 2,265 kilometers, the urban railway of 351 kilometers, the floor space of buildings of 19.87 million square meters completed and the earthwork of 1.26 billion cubic meters in the full year; it had 57 sets of tunnel boring machine, ranking No. 1 in China in terms of factory volume, 395 sets of special equipment and 195 sets of large maintenance mechanical equipment. Lots of key projects were put into operation successively, and the key and difficult projects achieved breakthrough successively. Nine subordinate companies of the Group were rated as the “First-class Enterprise of Water Conservation Safety Production Standardization” by the Ministry of Water Resources, and 13 projects were rated as Class AAA Safe, Civilized and Standardized Construction Site. The production safety of the whole system was basically stable, with good results in the principal market and in the credit rating of major projects. It reached the best level in delivering excellent quality and quantity over the years. It was granted 10 items of Luban Award and 34 items of National Best Project Award in 2016, and was granted the Overseas Project Luban Award for the first time. Relying on the construction production, the Group comprehensively strengthened scientific and technological innovation, with steady improvement in the BIM and fabricated building technology level; the acceptance of national science and technology support program “Research on Key Technology of Complete Equipment for Pre-cutting Tunnel Construction” was completed; it was newly granted 4 times of FIDIC Award, 8 items of Zhan Tianyou Award and 13 items of National Excellent Design Achievement Award; it newly employed 2 national engineering survey design masters; it was newly granted 6 items of China Excellent Patent Award, 1 item of National Science and Technology Progress Awards (Second Class) and 113 items of Provincial Science and Technology Progress Award; it newly obtained 1,502 authorized patents, including 371 patents for invention, with an increase of 16% and 33% respectively on a year-on-year basis; it newly established 2 national enterprise technology centers; it was successfully elected as the president unit of China Patent Protection Association, becoming the first national patent examiner practice base in the construction industry; the tunnel boring machine (TBM) high-end equipment researched, developed and manufactured by the subordinate CRCC Heavy Industry Group Co., Ltd was a significant achievement in the national scientific and technological innovation of the “12th Five Year Plan”, and reviewed by Xi Jinping, General Secretary.

(IV) Enterprise reform and management improvement to a higher level

Based on the market-oriented principle and the strategic needs for enterprise development, CRCC established CRCC South Construction Investment Co., Ltd., CRCC Kunlun Investment Group Co., Ltd., restructured CRCC North China Investment Development Co., Ltd. and CRCC Chongqing Investment Development Co., Ltd., built the investment & financing regional operation platform system, and founded the first maglev investment construction company in China, with initial success in the maglev industry layout, positively capturing market opportunity. With quality improvement, efficiency increase and management improvement as the target, the Group powerfully promoted a series of reform and management measures such as clearing & receiving, streamlining, loss & bad debt governance, replacement of business tax with value-added tax, cost management and centralized resource control. The proportion of inventories and account receivables to the total assets decreased on a year-to-

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

year basis by 1.10%, the momentum of fast growth of interest-bearing liability was restrained, and the overall tax burden remained stable; 66 incorporated enterprises were merged. In 2016, the Group issued the zero coupon and zero-interest convertible bonds of USD500 million and the H-share convertible bonds settled in USD of RMB3.45 billion at the coupon rate of 1.5% in Hong Kong Stock Exchange, and issued renewable corporate bonds of RMB8 billion successfully through Shanghai Stock Exchange. The Group vigorously strengthened relevant foundation works, and obtained partial results under the “Railway Construction by Law”, established the office for cyberspace affairs, strengthened the informatization management of the headquarter, completed the informatization top design and improved the audit working mechanism. Through cooperation with external auditors, it grasped the opportunity to promote self-audit work solidly and further developed its role on audit supervision.

II. MAJOR OPERATIONAL PARTICULARS DURING THE REPORTING PERIOD

In 2016, the Group recorded revenue of RMB629.3271 billion, representing an increase of 4.79% as compared to the corresponding period last year. The net profit amounted to RMB14.8508 billion, representing an increase of 11.04% as compared to the corresponding period of last year. The newly signed contracts for the year amounted to RMB1,219.1065 billion, representing a year-on-year increase of 28.49%. For more details, please see “I. Discussion and Analysis on Business Operations”.

(I) Analysis of main businesses

Analysis on Changes of Relevant Items in Income Statement and Statement of Cash Flows

Unit: '000 Currency: RMB

Item	During the period	During the corresponding period last year	Change (%)
Revenue	629,327,090	600,538,730	4.79
Operating costs	571,377,532	531,756,328	7.45
Selling and distribution expenses	4,177,673	3,703,662	12.80
General and administrative expenses	24,089,617	22,835,612	5.49
Finance costs	2,731,705	4,385,029	-37.70
Income tax expenses	4,118,744	3,738,604	10.17
Net cash flows from operating activities	37,137,579	50,375,107	-26.28
Net cash flows from investment activities	-26,272,603	-24,336,297	N/A
Net cash flows from financing activities	-2,111,263	-2,446,679	N/A
R&D expenditures	9,442,883	8,759,416	7.80
Operating profit	18,131,336	16,609,043	9.17
Operating profit ratio	2.88%	2.77%	Increase by 0.11 percentage point
Net profit	14,850,831	13,374,434	11.04

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

1. Analysis of the revenue and costs

Applicable Not Applicable

In 2016, the Group recorded a revenue of RMB629.3271 billion, representing an increase of 4.79% as compared to the corresponding period last year. On 1 May 2016, the income scale of the Company has been affected to a certain extent upon the full implementation of “Business Tax Replaced with VAT” policy, which resulted in the slower growth rate of operating income as compared with that of operating costs.

(1) Performance of main businesses by segment and region

Unit: '000 Currency: RMB

Main Businesses by Segment

By segment	Revenue	Operating costs	Gross profit margin (%)	Increase/ decrease in revenue as compared to last year (%)	Increase/ decrease in operating costs as compared to last year (%)	Increase/ decrease in gross profit margin as compared to last year (%)
Construction operations	540,134,612	503,154,934	6.85	4.01	7.17	decreased by 2.75 percentage points
Survey, design and consultancy operations	12,257,456	8,565,178	30.12	21.60	28.01	decreased by 3.50 percentage points
Manufacturing operations	14,340,507	10,747,750	25.05	-2.36	-7.74	increased by 4.36 percentage points
Real estate development operations	38,319,888	29,513,674	22.98	33.66	39.13	decreased by 3.03 percentage points
Logistics and materials trading and others	47,301,680	42,110,820	10.97	0.79	0.03	increased by 0.67 percentage point
Inter-segment elimination	-23,027,053	-22,714,824	-	-	-	-
Total	629,327,090	571,377,532	9.21	4.79	7.45	decreased by 2.24 percentage points

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Main Business by Region

By region	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue as compared to last year (%)	Increase/decrease in operating costs as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)
Domestic	596,478,794	541,348,715	9.24	4.12	6.81	decreased by 2.29 percentage points
Overseas	32,848,296	30,028,817	8.58	18.85	20.46	decreased by 1.22 percentage points
Total	629,327,090	571,377,532	9.21	4.79	7.45	decreased by 2.24 percentage points

Note: Due to the unique nature of the business of the Company, the main businesses of the Company by industries are analyzed by segments.

Explanation on the main businesses by segments, products and regions

Applicable Not Applicable

① Construction operations

Construction Operations (Before Elimination of Inter-segment Transactions)

Unit: thousand yuan

Item	2016	2015	Growth
Revenue	540,134,612	519,312,837	4.01%
Operating costs	503,154,934	469,475,123	7.17%
Gross profit	36,979,678	49,837,714	-25.80%
Gross profit margin	6.85%	9.60%	decreased by 2.75 percentage points
Selling and distribution expenses	1,418,832	1,205,536	17.69%
General and administrative expenses	19,754,551	18,618,199	6.10%
Total profit	9,386,216	10,484,707	-10.48%

During the Reporting Period, the total profit from construction operations decreased by 10.48% as compared to those of 2015 due to the influence of change of sales tax into VAT (value-added tax) and other factors.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

② Survey, design and consultancy operations

Survey, Design and Consultancy Operations (Before Elimination of Inter-segment Transactions)

Unit: thousand yuan

Item	2016	2015	Growth
Revenue	12,257,456	10,080,322	21.60%
Operating costs	8,565,178	6,691,183	28.01%
Gross profit	3,692,278	3,389,139	8.94%
Gross profit margin			decreased by 3.50% percentage points
	30.12%	33.62%	
Selling and distribution expenses	923,561	798,195	15.71%
General and administrative expenses	1,334,756	1,155,970	15.47%
Total profit	1,408,265	1,423,024	-1.04%

During the Reporting Period, the gross profit and total profit of survey design consulting business were increased by 8.94% and decreased by 1.04% compared to those in 2015, which was mainly due to the higher cost on preliminary tasks of the project won in the bidding process for the survey, design and consultancy operations for the period.

③ Manufacturing operations

Manufacturing Operations (Before Elimination of Inter-segment Transactions)

Unit: thousand yuan

Item	2016	2015	Growth
Revenue	14,340,507	14,687,685	-2.36%
Operating costs	10,747,750	11,649,213	-7.74%
Gross profit	3,592,757	3,038,472	18.24%
			increased by 4.36% percentage points
Gross profit margin	25.05%	20.69%	
Selling and distribution expenses	365,605	323,523	13.01%
General and administrative expenses	1,352,920	1,301,624	3.94%
Total profit	1,751,510	984,702	77.87%

During the Reporting Period, the Group's revenue from the manufacturing operations amounted to RMB1.7515 billion, representing an increase of 77.87% as compared to that of 2015, and the gross profit increased by 18.24% as compared to that of 2015. Due to the structural adjustment of internal products of the Company, high profit margin of newly-developed products and the relatively low base of total profit resulted by the provision for impairment for same period of last year.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

④ Real estate development operations

Real Estate Development Operations (Before Elimination of Inter-segment Transactions)

Unit: thousand yuan

Item	2016	2015	Growth
Revenue	38,319,888	28,670,651	33.66%
Operating costs	29,513,674	21,213,065	39.13%
Gross profit	8,806,214	7,457,586	18.08%
Gross profit margin	22.98%	26.01%	decreased by 3.03% percentage points
Selling and distribution expenses	585,525	576,529	1.56%
General and administrative expenses	544,009	498,007	9.24%
Total profit	4,885,357	4,314,153	13.24%

During the Reporting Period, the Group's revenue from the real estate development operations amounted to RMB38.3199 billion, representing an increase of 33.66% as compared to that of 2015; and a total profit of RMB4.8854 billion, representing an increase of 13.24% as compared to that of 2015. Before elimination of inter-segment transactions, the gross profit margin of the real estate development operations was 22.98%, representing a decrease of 3.03% as compared to that of 2015. In 2016, the operation income and total profit increased significantly by seizing the opportunity of the real estate market in 2016 and implementing de-stocking measures according to different cities.

⑤ Logistics and materials trading and other businesses

Logistics and Materials Trading and Other Businesses (Before Elimination of Inter-segment Transactions)

Unit: thousand yuan

Item	2016	2015	Growth
Revenue	47,301,680	46,930,415	0.79%
Operating costs	42,110,820	42,098,691	0.03%
Gross profit	5,190,860	4,831,724	7.43%
Gross profit margin	10.97%	10.30%	increase by 0.67% percentage points
Selling and distribution expenses	884,150	799,879	10.54%
General and administrative expenses	1,103,381	1,261,812	-12.56%
Total profit	1,850,456	-321,315	N/A

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

During the Reporting Period, the operating income from logistics, material trading and other businesses of the Group increased by 0.79% compared to that in 2015, with the total profit increased by RMB2.1718 billion, which was due to the increase in the profit of the logistics trading business and the profit of CRCC Finance Company Limited, a controlled subsidiary, and BOT projects.

(2) *Analysis of production and sales*

Applicable Not Applicable

(3) *Cost analysis table*

Unit: thousand yuan

Particulars by segment

By segment	Item relating to cost composition	Amount in the current period	Percentage to the total cost for the period (%)	Amount for the corresponding period last year	Percentage of the total cost for the corresponding period last year (%)	Percentage changes in the amount for the period as compared to that of the corresponding period last year (%)	Explanation
Construction operations	-	503,154,934	84.69	469,475,123	85.18	7.17	-
Survey, design and consultancy operations	-	8,565,178	1.44	6,691,183	1.21	28.01	-
Manufacturing operations	-	10,747,750	1.81	11,649,213	2.11	-7.74	-
Real estate development operations	-	29,513,674	4.97	21,213,065	3.85	39.13	-
Logistics and materials trading and others	-	42,110,820	7.09	42,098,691	7.65	0.03	-
Total	-	594,092,356	100.00	551,127,275	100.00	7.80	-
Including:	Labor cost	167,891,819	28.26	154,749,796	28.08	8.49	-
	Materials expenses	250,853,269	42.22	237,267,066	43.05	5.73	-
	Machinery expense	64,548,518	10.87	61,927,273	11.24	4.23	-
	Other costs	110,798,750	18.65	97,183,140	17.63	14.01	-
Inter-segment elimination	-	-22,714,824	-	-19,370,947	-	-	-
Total	-	571,377,532	-	531,756,328	-	7.45	-

Note: Given the unique nature of the Company's business, the Company conducted the analysis by segments.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Description on other situations of cost analysis

Applicable Not Applicable

(4) *Main customers and suppliers*

Applicable Not Applicable

The revenue from the top five customers was RMB31.6767 billion, accounting for 5.03% of the annual total revenue, among which the revenue from the related parties was RMB0, accounting for 0% of the annual total revenue. The purchase amount from the top five suppliers was RMB3.5555 billion, accounting for 0.62 % of the annual total purchase amount, among which the purchase amount from the related parties was RMB0, accounting for 0% of the annual total purchase amount.

Other Explanation

The major customers of the Group were railway bureaus and companies under the China Railway Corporation (中國鐵路總公司). The controlling shareholder and the actual controller of the Company and the companies under its control were not connected to the major customers. None of the directors or their respective associates (as defined in the Stock Exchange Listing Rules) or the existing shareholders who owned, as to the knowledge of the directors, 5% or more of the Company's issued share capital held any interests in the top five customers.

The suppliers of the Group were mainly large steel enterprises and logistics trading enterprises in China. The controlling shareholder and the actual controller of the Company and the companies under its control were not connected to the major suppliers. None of the directors or their respective associates (as defined in the Stock Exchange Listing Rules) or the existing shareholders who owned, as to the knowledge of the directors, 5% or more of the Company's issued share capital held any interests in the Group's top five suppliers.

2. Expenses

Applicable Not Applicable

In 2016, the Group's selling and distribution expenses amounted to RMB4.1777 billion, representing an increase of 12.80% as compared to that of 2015. The growth in the selling and distribution expenses was mainly caused by the increase in the remuneration of sales personnel.

In 2016, the management expenses of the Group was RMB24.0896 billion, with an increase of 5.49% compared to that in 2015, mainly caused by the increase in the R&D expenditure.

In 2016, the financial expenses of the Group was RMB2.7317 billion, with a decrease of 37.70% compared to that in 2015, mainly due to the reduction in the financing interest rate and the optimized financing structure.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

In 2016, the Group's income tax expenses amounted to RMB4.1187 billion, representing an increase of 10.17% as compared to that of 2015, mainly due to the increase in total profit for the year. The details of income tax expenses are shown in the following table:

Unit: thousand yuan

Item	2016	2015
Income tax expenses for the period	4,538,009	3,914,499
Deferred income tax expenses	-419,265	-175,895
Total income tax expenses	4,118,744	3,738,604

3. R&D investment

Table of R&D investment

Applicable Not Applicable

Unit: thousand yuan

Expense-type R&D expenditures for the current period	9,442,883
Capitalised R&D expenditures for the current period	–
Total R&D expenditures	9,442,883
Proportion of total R&D expenditures to the revenue (%)	1.50
Number of R&D staff	33,291
Percentage of R&D staffs to the total staffs of the Company (%)	12.83
Percentage of capitalised R&D investment (%)	0

Explanation

Applicable Not Applicable

In 2016, the establishment of scientific and technological projects by the Group mainly combined engineering construction, highlighting the research on long-span special bridge construction technology, complicated geological underground construction technology, shield construction tunnel engineering technology, construction equipment manufacturing and "One Belt and One Road" overseas project risk control. At present, each subject research goes on smoothly and effectively enhancing core competitiveness and market share of the Group.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

4. Capital expenditure

The Group's capital expenditures are mainly used for the purchase or construction and technical upgrading of equipment and facilities, as well as for the construction of PPP and BOT projects. In 2016, the Group's capital expenditures amounted to RMB29.5246 billion, representing an increase of RMB2.7982 billion as compared to that of 2015. The increase in capital expenditures over the last year was mainly attributable to the increase of investment in the Group's newly added engineering facility for the year as compared with that of the previous year.

Unit: thousand yuan

Segment	2016	2015
Construction operations	15,428,400	11,171,474
Survey, design and consultancy operations	695,720	596,732
Manufacturing operations	1,250,080	835,563
Real estate development operations	96,202	97,810
Other businesses	12,054,152	14,024,736
Total	29,524,554	26,726,315

Note: Other businesses are mainly the investment in intangible assets (concession operation projects).

5. Cash flows

Applicable Not Applicable

Analysis of changes in cash flows

Unit: thousand yuan

Item	2016	2015	Growth
Net cash flows from operating activities	37,137,579	50,375,107	-26.28%
Net cash flows from investment activities	-26,272,603	-24,336,297	N/A
Net cash flows from financing activities	-2,111,263	-2,446,679	N/A

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

In 2016, the net cash flows from the operating activities of the Group was RMB37.1376 billion, with a decrease of 26.28% compared to that of last year, mainly caused by the higher recoverable amount of operating activities for the same period last year.

In 2016, the Group's net cash flows from investing activities amounted to RMB-26.2726 billion, representing an increase of RMB1.9363 billion as compared to that in the same period last year, mainly due to the increase in equity investment expenditure and expenditure of BOT and PPP projects.

In 2016, the Group's net cash flows from financing activities amounted to RMB-2.1113 billion, representing a decrease of RMB0.3354 billion in net outflow as compared to that of last year, which was mainly attributable to the action taken by the Company to reduce the scale of financing, which in turn reduced the needs for external financing, and the repayment of certain debts.

6. Issuance of bonds by the Company during the Reporting Period (disclosure pursuant to the Stock Exchange Listing Rules)

(1) Issuance of ultra short-term financing bonds by the Company

The 2011 annual General Meeting of the Company held on 12 June 2012 considered and approved the Proposal in Relation to the Issuance of Ultra Short-term Financing Bonds and approved that the Company could register and issue the ultra short-term financing bonds with a principal balance of not more than RMB30 billion. By comprehensively analyzing the fund status quo, financing demands, fund sources and other conditions of the Company and combining with the situation of the domestic bond market, on 24 April 2015, the Company issued the first tranche of ultra short-term financing bonds for the year 2015 of RMB3 billion with a term of 270 days. Such ultra short-term financing bonds were due and fully paid on 19 January 2016.

(2) Issuance of medium-term notes by the Company

The General Meetings held on 13 January 2009 and 31 May 2011 respectively by the Company considered and approved the Proposal in Relation to the Issuance of Medium-term Notes of the Company. The 2012 second extraordinary General Meeting held on 28 December 2012 considered and approved the Proposal in Relation to the Increase of Amounts for Registration and Issuance of Medium-term Notes and Short-term Financing Bonds of the Company, approving the Company to register and issue medium-term notes with an aggregate balance of principal amount of not more than 40% of the net assets as stated in the audited financial report of the Company for each reporting period with the National Association of Financial Market Institutional Investors. On 14 October 2011, the Company issued the first tranche of medium-term notes for the year of 2011 of RMB7.5 billion with a term of 7 years. On 20 June 2013, the Company issued the first tranche of medium-term notes for the year of 2013 of RMB10 billion with a term of 7 years.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(3) Overseas bonds issued by the Company

On 29 January 2016, the Company and The Hong Kong and Shanghai Banking Corporation Limited entered into the Trust Deed in respect of the zero coupon convertible bonds due 2021 of an aggregate principal amount of USD500 million that can be converted into the H shares of China Railway Construction Corporation Limited. Such H share convertible bonds were listed on 1 February 2016 on the Hong Kong Stock Exchange. On 21 December 2016, the Company and The Hong Kong and Shanghai Banking Corporation Limited entered into the Trust Deed in respect of the 1.5% coupon convertible bonds due 2021 of an aggregate principal amount of RMB3.450 billion settled in USD that can be converted into the H shares of China Railway Construction Corporation Limited. Such H share convertible bonds were listed on 22 December 2016 on the Hong Kong Stock Exchange. For details, please see “XIX Convertible Bonds” in “Section VI Significant Events” of this report.

(4) Renewable corporate bonds issued by the Company

For details, please see “XII Particulars of Corporate Bonds” of this report.

7. Bank facilities of the Company during the reporting period

The Group has already obtained the banking facilities from several PRC banks of up to RMB1,007,492,574,000 of which an amount of RMB342,066,426,000 has been utilized.

8. Foreign exchange risk and exchange loss

The main production and operating activities of the Group were carried out in China, settled by RMB. There was foreign exchange risk in the foreign currency assets and liabilities recognized by the Group and future transactions denominated in foreign currencies. See “65. Foreign currency monetary items” in Note V of the Financial Reports attached to the report for the monetary resources, accounts receivable, other receivables, short-term borrowings, payables, other payables, long-term borrowings and bonds payable (mainly USD, Algerian dinars, Nigerian naira and Saudi riyal, etc.) held by the Group by 31 December 2016.

The management of the Group paid close attention to the effect of exchange rate movement on the foreign exchange risk of the Group. The Group has not signed the significant forward foreign exchange contract, but the Financial Department of the Group would monitor foreign exchange risk, and would hedge the significant foreign exchange risk when necessary. See “3. Financial instrument risks” in Note VIII of the Financial Reports attached to the report for the exchange rate risk.

(II) Explanation of the major profit changes due to other businesses

Applicable Not Applicable

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(III) Analysis of assets and liabilities

Applicable Not Applicable

1. Assets-Liabilities analysis table

Unit: thousand yuan

Name of item	Amount at the end of the period	Percentage of amount at the end of the period to the total assets (%)	Amount at the end of last period	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the period as compared to that of last year (%)	Explanation
Total assets	759,345,034	100	696,096,330	100	9.09	-
Major asset items						
Cash and bank balances	128,701,994	16.95	121,934,009	17.52	5.55	-
Accounts receivable and long-term receivables	163,040,724	21.47	152,914,394	21.97	6.62	-
Prepayments	19,955,611	2.63	23,194,402	3.33	-13.96	-
Other receivables	45,626,287	6.01	40,180,001	5.77	13.55	-
Inventories	265,780,672	35.00	245,591,139	35.28	8.22	-
Fixed assets	42,151,559	5.55	41,820,680	6.01	0.79	-
Intangible assets	45,679,534	6.02	35,865,150	5.15	27.36	Mainly due to the increase in the cost of BOT projects of the Company in the year
Total liabilities	610,629,048	80.42	567,277,165	81.49	7.64	-
Major liability items						
Short-term loans	30,428,522	4.01	43,370,880	6.23	-29.84	-
Other current liability	2,936,689	0.39	3,721,637	0.53	-21.09	Mainly due to the repayment made by the Company in the year for matured short-term financing bonds issued in previous years
Accounts payable and long-term payables ^{Note 1}	264,960,172	34.89	229,420,968	32.96	15.49	-
Advances from customers	88,331,508	11.63	75,981,106	10.92	16.25	-
Other payables	48,871,784	6.44	45,434,154	6.53	7.57	-
Long-term loans ^{Note 2}	76,491,380	10.07	76,110,184	10.93	0.50	-
Bonds payable ^{Note 3}	47,922,037	6.31	33,008,948	4.74	45.18	Mainly due to the newly issued convertible bonds in the current period.
Employee benefits payable ^{Note 4}	10,480,374	1.38	10,549,206	1.52	-0.65	-

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Note 1: “Accounts payable and long-term payables” include “long-term payables due within one year”.

Note 2: “Long-term loans” includes “long-term loans due within one year”.

Note 3: “Bonds payable” include “the bonds payable as non-current liabilities due within one year”. See “33. Current portion of non-current liabilities” and “36. Bonds payable” in Note V of the Financial Reports attached to the report.

Note 4: The “Employee benefits payable” is the sum of the “employees’ remuneration payable” in the current liabilities and the “long-term employee benefits payables” in the non-current liabilities plus the “long-term employee benefits payables due within one year”.

2. Assets restriction by the end of the Reporting Period

Applicable Not Applicable

3. Other Explanation

Applicable Not Applicable

4. Financial assets at the end of the Reporting Period

The Company classifies the financial assets mainly according to the characteristics of its own businesses, risk management requirements and the purpose of holding such financial assets. The financial instruments of the Group (excluding the short-term financial instruments with minimal difference between carrying value and fair value) are set out below.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

As at 31 December 2016, the Company's financial assets were as follows:

Unit: thousand yuan

Item	Financial assets at fair value through profit or loss	Held-to-maturity investment	Loans and accounts receivable	Available-for-sale financial assets	Total
Held-to-maturity investment	-	41	-	-	41
Available-for-sale financial assets	-	-	-	6,554,829	6,554,829
Notes receivable	-	-	4,350,580	-	4,350,580
Accounts receivable	-	-	133,427,609	-	133,427,609
Loan and advance	-	-	3,966,000	-	3,966,000
Interest receivable	-	-	239,390	-	239,390
Dividends receivable	-	-	55,436	-	55,436
Other receivables	-	-	45,626,287	-	45,626,287
Other current assets (excluding taxes paid and others)	-	-	-	50,000	50,000
Long-term receivables	-	-	29,613,115	-	29,613,115
Non-current assets due within one year	-	-	9,618,385	-	9,618,385
Financial assets at fair value through profit or loss	323,376	-	-	-	323,376
Cash and bank balances	-	-	128,701,994	-	128,701,994
Total	323,376	41	355,598,796	6,604,829	362,527,042

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

As at 31 December 2016, the Company's financial liabilities were as follows:

Unit: thousand yuan

Item	Amount
Short-term loans	30,428,522
Take deposit	1,480,764
Bills payable	28,511,489
Accounts payable	261,465,985
Interests payable	1,140,984
Dividends payable	612,510
Other payables	48,871,784
Non-current liabilities due within one year (excluding long-term employee benefits payable within one year)	12,129,952
Other current liabilities (excluding deferred income, output VAT to be transferred and others)	510,480
Long-term loans	69,032,432
Bonds payable	44,902,037
Long-term payables	1,843,183
Other non-current liabilities (excluding output VAT to be transferred)	1,212,856
Total	502,142,978

5. Working capital

(1) Contracted construction projects

Gross Amount Due from/to Contract Customers

Unit: thousand yuan

	2016	2015
Contract costs incurred to date	2,934,844,426	2,453,239,265
Total recognized gross profits less recognized losses, net	295,186,533	259,533,003
Less: the provision for foreseeable contract losses	-442,283	-533,862
Less: progress billings	-3,120,715,098	-2,616,779,795
Total	108,873,578	95,458,611

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Contracted construction projects as at the end of the year

Unit: thousand yuan

	December 31, 2016	December 31, 2015
Gross amount due from contract customers	126,112,530	112,511,970
Gross amount due to contract customers	-17,238,952	-17,053,359
Total	108,873,578	95,458,611

(2) *Accounts receivable and accounts payable*

The following table sets forth the turnover days of the Group's accounts receivable and accounts payable for the dates indicated:

	2016	2015
Turnover days of accounts receivable ^{Note 1}	76	74
Turnover days of accounts payable ^{Note 2}	156	148

Note 1: The number of turnover days of accounts receivable is derived by dividing the arithmetic mean of the opening and closing balances of accounts receivable for the relevant year by revenue multiplying 365 days.

Note 2: The number of turnover days of accounts payable is derived by dividing the arithmetic mean of the opening and closing balances of accounts payable for the relevant year by operating costs multiplying 365 days.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

The following table sets forth an ageing analysis of the accounts receivable as at the balance sheet dates indicated:

Unit: thousand yuan

	31 December 2016	31 December 2015
Within 1 year	119,281,249	116,634,869
1 to 2 years	10,306,759	8,915,476
2 to 3 years	4,382,882	3,926,070
Over 3 years	2,621,564	1,330,339
Less: provision for bad debts	136,592,454 -3,164,845	130,806,754 -2,778,311
Total	133,427,609	128,028,443

The directors of the Company are of the opinion that the provision for bad debts of the Group is adequate.

The following table sets forth an ageing analysis of accounts payable as at the balance sheet dates indicated:

Unit: thousand yuan

	31 December 2016	31 December 2015
Within 1 year	255,418,769	221,276,084
1 to 2 years	4,215,331	3,467,880
2 to 3 years	1,291,274	649,876
Over 3 years	540,611	582,403
Total	261,465,985	225,976,243

6. Prepayments and other receivables

The prepayments and other receivables of the Group were increased from RMB63.3744 billion as of 31 December 2015 to RMB65.5819 billion as of 31 December 2016.

7. Defined benefit plan

Certain employees of the Group had completely dealt with their respective long-term post leaving. Post-employment benefit expenses were recognized in the period in the relevant entities of the Group after the Group has entered into relevant agreements or documents with the employees, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and post-employment benefits depending on various factors including their positions, length of service, and the district in which the employee is located, etc.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

During this year, the Group's obligations in respect of the defined benefit plan for post leaving personnel were computed by an independent actuary, Beijing Branch of Towers Watson Management Consulting (Shenzhen) Co., Ltd. which is a member of the Society of Actuaries of the United States of America at 31 December 2016, using the projected cumulative unit credit method.

The plan has no defined benefit assets.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for post-leaving personnel.

As at 31 December 2015 and 31 December 2016, the Group held the provisions of such obligations hereof amounting RMB1.9529 billion and RMB1.4110 billion respectively. Details of the defined benefits plan of the Company are set out in the "38. Long-term employee benefits payable" in the Note V of the Financial Reports of this report.

8. Liabilities

(1) Borrowing

The short-term loans of the Group as of 31 December 2016 and 31 December 2015 were as follows:

Unit: thousand yuan

	31 December 2016	31 December 2015
Pledged loans	901,810	4,897,234
Mortgaged loans	5,000	12,000
Guaranteed loans	4,299,236	5,915,210
Credit loans	25,222,476	32,546,436
Total	30,428,522	43,370,880

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

The short-term loans of the Group as of 31 December 2016 and 31 December 2015 were as follows:

Unit: thousand yuan

	31 December 2016	31 December 2015
Other current assets	2,936,689	3,721,637

Note: For more details please see. "34. Other current liabilities" in the Note V of the Financial Reports set out in this report.

The long-term loans of the Group due within one year as of 31 December 2016 and 31 December 2015 were as follows:

Unit: thousand yuan

	31 December 2016	31 December 2015
Pledged loans	270,250	229,380
Mortgaged loans	1,836,000	4,445,584
Guaranteed loans	637,792	4,022,908
Credit loans	4,714,906	20,013,864
Total	7,458,948	28,711,736

The long-term loans of the Group as of 31 December 2016 and 31 December 2015 were as follows:

Unit: thousand yuan

	31 December 2016	31 December 2015
Pledged loans	18,921,499	6,406,750
Mortgaged loans	4,147,928	6,748,067
Guaranteed loans	9,866,289	8,043,275
Credit loans	36,096,716	26,200,356
Total	69,032,432	47,398,448

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

The bonds payable of the Group as at 31 December 2016 and 31 December 2015 were as follows:

Unit: thousand yuan

	31 December 2016	31 December 2015
Bonds payable	44,902,037	31,058,948

Gearing ratio analysis:

On 31 December 2015 and 31 December 2016, the gearing ratios were 73% and 72%, respectively. Gearing ratio is the result of the net liabilities and adjusted capital plus net liabilities. Net liabilities include the sum of all the borrowings, deposits, other current liabilities (excluding deferred revenue and others), notes payable, account payables, interest accrued, dividends payable, other payables, bonds payable, long-term payables and non-current liabilities due within one year balances.

(2) *Commitments*

Unit: thousand yuan

Contracted, but not provided for	31 December 2016	31 December 2015
Capital commitments	860,324	375,795
Investment commitments	3,507,371	115,000
Other commitments	7,080,179	8,275,318
Total	11,447,874	8,766,113

(3) *Contingent liabilities*

During the Reporting Period, the Company had no material contingent liabilities.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(4) Mortgage and pledge of assets

Unit: thousand yuan

Item	31 December 2016	31 December 2015
Cash and bank balances	8,574,340	7,685,186
Notes receivable	–	11,300
Accounts receivable	6,798,360	7,228,148
Inventories	33,929,173	32,786,087
Fixed assets	1,328,842	1,316,554
Intangible assets	29,812,658	7,138,624
Total	80,443,373	56,165,899

Details please refer to “64. Assets with title restriction” in the Note V of the Financial Reports in this report.

(IV) Analysis for industrial operation information

Applicable Not Applicable

The businesses of the Group cover construction operations, survey, design and consultancy, industrial manufacture, real estate development, logistics and materials trading, etc. According to Guidelines for the Industry Classification of Listed Companies (Revised in 2012) and the industry classification results of listed companies issued by CSRC, the Group belongs to construction industry.

Operation Information Analysis on Construction Industry

The Group is one of the extra-large comprehensive construction groups which are most powerful and largest in the PRC and even in the world and it has been successively selected into “Global Top 250 Contractors” by Engineering News Record (ENR). Project contracting business is the core and traditional business of the Group, which is mainly in the forms of construction contract and financing contract and covers multiple fields, such as railways, highways, urban rail transits, water conservancy and hydropower, house buildings, municipal engineering, bridges, tunnels and airports. The Group provides services in 31 provinces, autonomous regions, municipalities as well as Hong Kong and Macau SARs, and also participates in infrastructure construction in a number of countries and regions in Africa, Asia, America, Europe and Oceania.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

1. Economic situation and policy analysis on construction industry

From the domestic point of view, the economic development of China has entered into a new normal state, but the fundamentals of long-term positive economic development remain unchanged, that the basic characteristics of good economic resilience, sufficient potential and big maneuvering room remain unchanged, and that the forward trend of economic structuring optimization also remains unchanged. It is still promising for leading of East China, development of West China, revitalization of Northeast China and rise of Central China, and the “One Belt and One Road”, Beijing-Tianjin-Hebei synergetic development and Yangtze River Economic Zone development strategy will bring new development space. The strategy of deepened reform, the strategy of innovation-driven development and the supply-side structural reform will bring powerful impetus for the enterprise development. China’s economy will still keep the positive trend of seeking improvement in stability. In 2017 and the future period, the construction industry will still keep the powerful development momentum. In 2017, the country will continue to proceed the integrated construction of the traffic, logistics, industries and environment in Beijing-Tianjin-Hebei Region, the promotion of the comprehensive and solid transport corridors, new city clusters and economic integration in the Yangtze River region and the activation of “One Belt and One Road” infrastructure interconnection and interworking projects in the coastline and border provinces, there will be large business opportunities in transport infrastructure fields, such as railways, highways, water route, airports, urban rail transits.

From the international point of view, the world economy will be deeply adjusted, there will be more uncertain and unstable factors in the external environment and a new round of technological revolution and industrial transformation will be booming. The international industrial specialization pattern adjustment will be accelerated, and the substitution effect of re-industrialization and industry returning to the local of developed countries will be strengthened. The global trade development will be in downturn, and the international trade rules will undergo huge changes. The effect of energy resources and environmental changes on the economy will be continuously deepened, and the price of highly financial bulk commodities will be under severe fluctuation. The concept of low-carbon economy and green growth will profoundly influence the global trade and capital direction, resulting in huge impact on the development of the main resource producing countries and the related enterprises, leaving the market competition environment faced by the enterprises severe. Meanwhile, the international operation will be faced with new opportunities. Many countries have broadened the investment constraints in the key field to alleviate the resistance of M&A by foreign investment, providing the rare opportunity for the enterprises to promote the cross-border M&A and to obtain the advanced technologies. The emerging market countries will rise rapidly. The “One Belt and One Road” countries and regions have low labor cost, rich resources, huge potential and sufficient endogenous power to accelerate the urbanization, lagging behind in the railway, highway, bridge, wharf and other infrastructures, with strong demand for the infrastructure construction and equipment, and with strong desire to cooperate with China, providing wide space for the enterprises to participate in the overseas infrastructure construction and to promote the “go-out” of the whole industry chain.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

2. Projects completed and accepted during the Reporting Period

Applicable Not Applicable

Unit: ten-thousand yuan Currency: RMB

Segment	Housing Construction	Infrastructure Projects	Professional engineering	Architectural decoration	Others	Total
Number of projects	216	462	-	-	15	693
Total amount	3,719,881	15,805,252	-	-	160,990	19,686,123

Note: Infrastructure projects mainly consist of railway construction, road construction, urban rail transit projects, municipal engineering, hydraulic and electric engineering as well as airport terminals projects.

Applicable Not Applicable

Unit: ten-thousand yuan Currency: RMB

Project Region	Domestic	Overseas	Total
Number of projects	664	29	693
Total amount	18,063,179	1,622,944	19,686,123

Other Explanation

Applicable Not Applicable

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

3. Projects under construction during the Reporting Period

Applicable Not Applicable

Unit: ten-thousand yuan Currency: RMB

Segment	Housing Construction	Infrastructure Projects	Professional engineering	Architectural decoration	Others	Total
Number of projects	1,256	5,475	-	-	335	7,066
Total amount	34,721,084	263,062,032	-	-	7,905,162	305,688,278

Note: Infrastructure projects mainly consist of railway construction, road construction, urban rail transit projects, municipal engineering, hydraulic and electric engineering as well as airport terminals projects.

Applicable Not Applicable

Unit: ten-thousand yuan Currency: RMB

Project Region	Domestic	Overseas	Total
Number of projects	6,571	495	7,066
Total amount	279,666,152	26,022,126	305,688,278

4. Major projects under construction

Applicable Not Applicable

Other Explanation

Applicable Not Applicable

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

5. Overseas projects during the Reporting Period

Applicable Not Applicable

Unit: USD'00 million

Project Region	Number of projects	Total amount
Asia	182	184.47
Europe	15	9.83
Africa	429	593.15
America	26	22.95
Oceania	30	2.47
Total	682	812.87

Other Explanation

Applicable Not Applicable

China Civil Engineering Construction Corporation, a subsidiary of the Company, and the Federal Ministry of Transport of Nigeria entered into a Business Contract on the Nigeria Coastal Railway Project on 20 November 2014 with a contract amount of approximately USD11.970 billion. For details, please refer to the announcement of the Company dated 21 November 2014 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn). Currently, the Nigeria Coastal Railway Project is undergoing preliminary works and yet to commence construction.

The major overseas contracts may be exposed to risk factors such as change in politics and laws and fluctuation in exchange rate in the country and territory where the project is located. For details, please see "3. Overseas Risks" under "III. (IV) Potential Risks Faced by the Company" to this section.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

6. Main projects in financing contract mode

No.	Project	Total Investment (RMB0'000)	Investment Share/ Shareholding Proportion	Investment of the Year (RMB0'000)	Accumulative investment in the projects (RMB0'000)	Project Schedule
1	The BOT Project of Jianyang-Pujiang Expressway in Sichuan	1,567,850	100%	442,869	1,111,173	The working progress is normal with completion of main part of the project reaching 70.87%.
2	Deyang-Jianyang Segment BOT Project of Ring Expressway in Chengdu Economic Zone	1,362,000	100%	123,868	123,967	The working progress is normal with completion of main part of the project reaching 9.1%.
3	Deyang-Dujiangyan Segment BOT Project of G0511 Line	1,595,400	100%	483	586	At present, preliminary design and construction drawing design are under way.
4	Chongqing-Guizhou Expressway Capacity Expansion (in Chongqing) BOT Project	1,625,000	80%	-	-	The project approval is under way, the construction drawing has been reviewed and is to be approved, and the land requisition & demolition is under way.
5	Pujiang-Dujiangyan Segment BOT Project of Ring Expressway in Chengdu Economic Zone	3,555,900	50%	444,000	444,000	The BOT investment contract has been signed, the construction contract is under negotiation, and partial land requisition & demolition and temporary construction have been completed.
6	Qingdao Blue Silicon Valley Intercity Rail Transit BT Project	1,678,226	100%	229,959	581,655	The working progress is normal with completion of main part of the project reaching 34.66%.
7	The Investment, Financing and Construction BT Project of Phase I and II of Line 5 of Chengdu Subway	1,719,899	100%	293,943	296,702	The project progress is normal. At present, the station structure and shield section are under construction. The project has completed 17.25% of the total investment.
8	The PPP Project of Phase I of Line 2 of rail transit in Urumqi	1,620,000	17.85%	-	-	At present, preliminary design and land requisition & demolition are under way.
9	PPP Project of Kunming Rail Transit Line 5	2,135,100	Pending	-	-	The PPP investment contract has been signed, and at present the project company establishment & negotiation, preliminary design revision, land requisition & demolition and pipeline relocation are under way.

Notes:

1. BOT project – the highway paved for Chengdu new airport was part of BOT project – the ring highway from Pujiang to Dujiangyan in the economic zone of Chengdu.
2. The above projects were those with a total investment exceeding 10% of the unaudited net assets of the Company of the previous year.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

7. Summary for the completed but unsettled in stock

Applicable Not Applicable

Unit: RMB'000 Currency: RMB

Item	Accumulative costs incurred to date	Accumulative confirmed gross profit	Predicted loss	Amount settled	Balance completed without settlement
Amount	2,934,844,426	295,186,533	-442,283	-3,120,715,098	108,873,578

8. Other explanation

Applicable Not Applicable

(1) Qualifications for the construction industry obtained during the Reporting Period

In 2016, the Group had a remarkable achievement in the qualification for the whole system, 9 additional extra-grade qualifications newly obtained, including 5 for general contracting of municipal utilities project construction, 3 for general contracting of road project construction and 1 for general contracting of building project construction. The group enjoyed as many as 39 extra-grade qualifications by the end of reporting period, including 7 "3 extra-grade" enterprises and 5 "2 extra-grade" enterprises. These top grade competences meant a lot to promoting the market competitiveness.

(2) Analysis on the proportion of the operating incomes from engineering projects to the total incomes of the Company for the last three years

Unit: thousand yuan

	2016		2015		2014 (restated)	
	Operating income	Proportion of the Company's operating income	Operating income	Proportion of the Company's operating income	Operating income	Proportion of the Company's operating income
Construction operations	540,134,612	85.83%	519,312,837	86.47%	512,336,308	86.35%
Of which: Infrastructure construction	419,142,874	66.60%	397,616,858	66.21%	400,454,968	67.50%
Housing construction	81,748,541	12.99%	76,886,536	12.80%	64,867,043	10.93%
Total operating income of the Company	629,327,090	100.00%	600,538,730	100.00%	593,302,675	100.00%

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

- (3) *Analysis on the main cost composition of the engineering projects for the last three years*

Unit: RMB'000

	2016		2015		2014 (restated)	
	Operating costs	Proportion of the Company's operating costs	Operating costs	Proportion of the Company's operating costs	Operating costs	Proportion of the Company's operating costs
Construction operations	503,154,934	88.06%	469,475,123	88.29%	464,941,214	87.99%
Of which: Infrastructure construction	392,931,155	68.77%	361,230,926	67.93%	364,512,218	68.99%
Housing construction	76,423,127	13.38%	69,858,247	13.14%	59,655,181	11.29%
Total operating cost of the Company	571,377,532	100.00%	531,756,328	100.00%	528,374,916	100.00%

- (4) *Financing arrangement*

For more details, see “Financial liabilities of the Company” in “II. (III) Analysis of Assets and Liabilities” of this section.

- (5) *Major suppliers and major customers*

Please refer to “(4) Main clients and suppliers” included in the “II. (I) 1. Income and cost analysis”.

- (6) *Quality control system, executive standards, control measures and overall evaluation of the Company*

The Group attaches great importance to quality development and it seriously implements the spirit of the national quality development outline, carries out and implements the arrangements and requirements of the State and the relevant ministries and commissions on quality management, pushes forward the Fine Product strategy, conducts specific quality control and management campaigns in order to ensure a stable quality management. In the year 2016, major events due to serious quality defects were not seen, represented by 2 Gold-Quality Awards of national high-quality project conferred to the Company, 32 National High-Quality Project Awards and 10 National Construction Luban Prizes. 10 subsidiaries of the Group obtained the titles of national excellent enterprise in group activity of project construction quality management, several groups won national excellent quality management group prizes, excellent quality management group prizes for national engineering constructions and other prizes.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

The Group has established its quality management and control system according to such national standards as GB/T19001 idt ISO9001:2008. GB/T50430-2007 etc. The control measures of the Group include the establishment and perfection of the quality management organization systems and institutional systems. The Group fully implements the all-life quality responsibility for engineering project leaders; every unit under the Group establishes all-life quality responsibility files for the project leaders of the design units, the project managers of the construction units, the chief supervising engineers of the supervision units, etc., and asks them to enter into the letters of commitment for all-life quality responsibilities and enhances the all-life quality responsibility consciousness of all relevant personnel. Specialized administration was conducted for the project quality and active response was given to the China Railways Corporation to control the quality from the headstream, thus bringing about a high-quality railway operation with thorough security. In addition, the Group greatly pushes forward an overall quality management and widely conducts QC team activities. High-quality strategy was practiced, with super quality as a driving force for the quality. It implements the activities to push forward the construction of high-quality projects, carries out the development strategy by promoting development with quality and occupying market with quality, and has the activities to create high-quality projects, thus driving the overall development of project quality and having significant achievements. Regulations on Building High-Quality Engineering were introduced to push forward the high-quality engineering in a planned way. In addition, all-round preparation was done in advance for declaration of nation-level high-quality engineering, yielding fruitful results.

(7) *Operation of safe production system of the Company*

CRCC paid high attention to safety production through earnestly implementing the CPC Central Committee and the State Council's Opinion on the Reform and Development of Boosting Safety Production and national regulations and requirements for safe production. Meanwhile, "red line consciousness" was deeply engraved in all the people at CRCC, the principle of "double responsibility for one post, the same responsibility of party leaders and government officials, concerted efforts and accountability for dereliction", was put into force, accountability system was vigorously carried out and economic penalties were more severely. Furthermore, checking and solving the hidden dangers, improving the capacity of risk control and management took place under the guideline of "thinking of, finding out and removing hidden dangers in advance". Firstly, strengthened accountability system. Adhered to the concept of safe production – leaders taking the initiative and held accountable, signed and honored the accountability statement at all levels and put the primary responsibility party into practice. Secondly, the guideline of thinking of, finding out and removing hidden dangers in advance brought an effective removal of hidden dangers. Instruction on Examining and Removing Potential Dangers for Pre-job Working Teams (trial) was issued, thus extending the control of quality defects to the working team. In doing so, quality defects were brought under control in the beginning. Thirdly, intensified safe production and evaluated the production quality more frequently. The standards for evaluating safe quality were revised to increase the weight of the safety evaluation and promote safe production. Fourthly, enhanced safe production at special seasons and key period. Six Regulations for Seasonal Safe Administration at the Construction Site and Notice of Intensifying Accountability for Disaster Prevention and

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Reduction were introduced to make it safer in the flooding period and at the construction site and well respond to disasters. When festivals and significant conferences came such as the Spring Festival, NPC and CPPCC, May Day, and National Day, the instruction of safe production was informed to all the divisions. Fifthly, improved emergency of safe production, enacted Interim Procedures of Compensating Emergency Rescue of Safety Accidents and Interim Procedure of Evaluating Emergency Rescue Teams to contribute to the emergency rescue team building of national tunnels and all the departments. Sixthly, placed more emphasis on the production safety training to enhance the front-line employees' consciousness and capacity of risk prevention, improve their safety quality and skill level and ensure safe operation. In 2016, no serious production safety accidents happened, and safe production kept stable.

- (8) *Accounting policies such as revenue recognition method and account settlement*

For more details, please refer to "III. Key items of audit" in the financial statements attached to this report.

- (9) *Recognition conditions, recognition time and measurement basis etc. of special revenue*

Not Applicable.

Analysis on Operational Information of Real Estate Industry

As one of 16 enterprises directly under the central government taking real estate development as principal business, the Group adopts the business model of "giving priority to residential development supplemented by supporting commercial facilities" for the current real estate business. Sticking to its strategic direction of "based in Beijing, open to the whole country and moving overseas", the group focuses on three core urban agglomeration including Yangtze River Delta, Pearl River Delta and Bohai Coastal Region, and steps up efforts to expand the new urban agglomeration and national new district covering Shandong peninsula, Liaodong peninsula, Western Coast of the Straits, Changzhutan, Wuhan, Chengdu and Chongqing. The development strategy of regional distribution focuses on the first- and second-tier cities, supplemented by some third- and fourth-tier cities with great potentials. A system is taking shape in the real estate sector of the Group, which centers on Beijing, Shanghai and Guangzhou and is supported by performance in Bohai Coastal Region, Yangtze River Delta, Pearl River Delta and Southwest China.

In 2016, the real estate went through the course of easing policy to continuous tightening policy of hot cities. NPC and CPPCC proposed "different cities adopt different policies to digest the existing housing". Swiftly rising price of housing price in the hot cities made policy differentiation clearer. On one hand, regulators policies applied by hot cities was tightening, restriction on purchase and loaning as well as supervisory measures were more and more stringent together with curbing speculative demand to prevent the market risks; on the other hand, third-tier and fourth-tier cities were still persisting in reduction of the existing housing and focused on supply and demand to improve the real estate market. Meanwhile, the central government was building long-term organism of real estate, regional integration and new-type urbanization were breaking new breakthroughs, thus creating a favorable environment for the long-term development in this regard.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

In 2016, the real estate, one of our businesses, was giving positive response to the market challenge. With the overall strategy featuring “reduce the existing housing, strengthen housing sale, control cost and secure superb land sections”, we took a variety of effective measures to drive the real estate in a sustainable and healthy direction, yielding fruitful results. The sales amount derived from the real estate business in 2016 was RMB49.4803 billion, close to RMB50 billion, up 35.14% year on year, becoming one of the fast growing businesses. The saleable area was 4.38 million m², up 19.36% year on year. Among the sales amounts were RMB8.9 billion, RMB5.3 billion, RMB4.5 billion, and RMB3.8 billion in Beijing, Chengdu, Hangzhou and Nanjing respectively. Wuhan, Hefei, Tianjin and Shanghai, each had achieved more than RMB2 billion. During the reporting period, the Group improved the regional distribution of real estate projects and intensified the business expansion in the first- and second-tier cities with great development prospects, including Beijing, Shanghai, Guangzhou, Hangzhou and Chengdu. The group makes broad cooperation with the excellent enterprises such as Vanke and Poly, makes full use of all parties, and decreases the operating risks. The Group in the whole year gained 27 land parcels (2,754 mu in total) in 18 cities like Beijing, Shanghai, Guangzhou, Hangzhou and Nanjing, with the planned total floor area of about 6.93 million m². At the end of the Reporting Period, the Group has developed 163 projects in 52 domestic cities and other regions, with the total area of construction land of about 15.53 million m² and the planned gross floor area (GFA) of about 49.59 million m², and determined the echelon arrangement which focused on the first- and second-tier cities and was supplemented by some third- and fourth-tier cities with great potentials. Regional distribution of the real estate sector were kept more reasonable and sounder.

1. Reserve of real estate within the Reporting Period

Applicable Not Applicable

Within the Reporting Period, the Company obtained 27 land parcels covering an area of 2,754 mu with a planned total floor area of approximately 6.9276 million m² in 18 cities including Beijing, Shanghai, Guangzhou, Hangzhou and Nanjing. By the end of 2016, the Group has undertaken the development of 163 real estate projects in 52 cities such as Beijing, Shanghai, Guangzhou, Hangzhou, Nanjing and Chongqing with a total area of land for construction of 15.53 million m² and a total floor area of about 49.59 million m².

Land Reserve by Region

No.	Region(s) with the land to be developed	Area of the land to be developed (sq m)	A-land consolidation area (sq m)	Planned floor area upon calculation of plot ratio (sq m)	Whether to be related with the joint development project	Area related with the joint development project (sq m)	Equity ratio of the joint development project (%)
	Bohai Coastal Region	1,078,475	0	3,463,209	Yes	550,670	N/A
	Southwest China	2,398,487	0	8,692,463	Yes	982,518	N/A
	Yangtze River Delta	482,226	0	1,277,534	Yes	144,997	N/A
	Pearl River Delta	549,556	0	2,288,430	Yes	193,975	N/A
	Other areas	82,047	0	297,764	Yes	74,667	N/A

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Notes:

1. The "Area related with the joint development project" mentioned in the above table refers to the planned floor area upon calculation of plot ratio for the project.
 2. No A-land consolidation is covered in the Group's real estate development projects.
2. Development investment of real estate within the Reporting Period

Applicable Not Applicable

The Group completed the real estate development investment of RMB46.7838 billion within the Reporting Period, among which the investment of RMB13.7899 billion was completed in Southwest Region and the investment of RMB14.9720 billion was completed in Yangtze River Delta, accounting for 29.48% and 32.00% over the investment, respectively.

Development Investment of Real Estate by Region

No.	Region	Land area (10,000 sqm)	Planned floor	Gross floor	Floor area	Completed	Gross	Real
			area upon calculation of plot ratio (10,000 sqm)		area under construction (10,000 sqm)			investment during Reporting Period
1	Bohai Coastal Region	471.40	996.27	1,281.72	173.99	877.72	13,531,932	1,185,161
2	Southwest China	531.01	1,403.03	1,836.53	329.47	659.65	12,821,211	1,378,989
3	Yangtze River Delta	303.80	831.75	1,065.57	346.10	403.64	10,218,666	1,497,195
4	Pearl River Delta	228.42	589.47	734.43	167.78	347.72	5,810,764	585,373
5	Other areas	18.09	34.37	41.04	6.86	19.99	267,315	31,661
Total		1,552.72	3,854.89	4,959.29	1,024.20	2,308.72	42,649,888	4,678,379

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Among the 163 projects held by the Group, details of the development and investment of the top ten projects in estimated amount of total investment are as follow:

Unit: ten-thousand yuan Currency: RMB

No.	Region	Item	Address	Type of operation	Under construction/ Newly developed/ Completed projects	Interests attributable to the Company and subsidiaries	Land area (sq m)	Planned floor area upon calculation (sq m)	Gross floor area (sq m)	Floor area of projects under construction (sq m)	Completed area (sq m)	Expected completion period	Gross investment	Real Investment During Reporting Period
1	Bohai Coastal Region	Tianjin International City, CRCC	Land No. 1, 3 and 5, Jinzhonghe Avenue, Hebei District, Tianjin	residence/ commercial	Under construction	100%	252,300	867,800	1,131,800	457,700	398,400	2020	1,348,830	91,290
2	Yangtze River Delta	S.Y.T.G. (2016) Land 04 in Suzhou	Suzhou Industrial park	residence	Not commenced	100%	172,600	227,200	336,300	-	-	2020	1,308,617	460,000
3	Southwest China	Guiyang International City, CRCC	Tai Ci Qiao Che Shui Road, Nanming District, Guiyang City	residence	Under construction	100%	592,100	1,726,300	2,332,000	141,400	1,512,500	2019	1,175,200	79,760
4	Bohai Coastal Region	Beijing International City, CRCC	Qingheying Village, Lai GuangYing Town, ChaoYang District, Beijing	residence	Under construction	100%	195,600	612,300	844,200	190,000	654,700	2017	1,074,950	143,786
5	Southwest China	The Project of Cun Beach Zongdi Plot, Jiangbei District, Chongqing City	Cuntan Street, Jiangbei District, Chongqing	residence	Not commenced	100%	175,100	689,700	929,600	-	-	2022	940,321	250,953
6	Yangtze River Delta	Hefei International City, CRCC	The junction at North 2nd Ring and Taoyuan Road, Luyang District, Hefei City	residence	Under construction	100%	441,300	1,377,600	1,648,000	155,400	1,559,300	2017	787,804	55,728
7	Yangtze River Delta	Land Lot D-01-13, Nanqiao Town, Fengxian District, Shanghai City	Zhongfulan Road, Nanqiao Town, Fengxian District, Shanghai City	residence	Not commenced	100%	110,100	198,100	298,600	-	-	2019	689,598	344,238
8	Yangtze River Delta	Nanjing Qingxiu City, CRCC	Wanshou Village, Maigaoqiao Street, Qixia District, Nanjing City	residence	Under construction	100%	108,800	330,900	435,300	220,300	208,900	2018	654,124	86,896
9	Bohai Coastal Region	Daxing Huangcun Xinghua Street Block	Qingyuan Road Station, Daxing Line, Xincheng District, Daxing District, Beijing	residence	Not commenced	100%	46,800	131,200	211,200	-	-	2019	648,817	75,000
10	Yangtze River Delta	Hangzhou International City, CRCC	Shangtang Street, Gongshu District, Hangzhou City	residence	Under construction	100%	99,000	272,000	364,000	900	314,900	2019	625,780	7,241

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

3. Sales of real estate within the Reporting Period

Applicable Not Applicable

Within the Reporting Period, the Group's real estate sector achieved the sales volume of RMB49.4803 billion, with a year-on-year growth of 35.14%, and the sales area of 4,379,400m² with a year-on-year growth of 19.36%.

Sales by Region in 2016

No.	Region	Saleable area (10,000 sqm)	Pre-sold area within the Reporting Period (10,000 sqm)	Sales volume within the Reporting Period (RMB10,000)	Average selling price (RMB/sqm)
1	Bohai Coastal Region	1,076.60	109.46	1,566,651	14,313
2	Southwest China	1,621.76	152.83	1,326,803	8,681
3	Yangtze River Delta	692.44	108.40	1,489,255	13,739
4	Pearl River Delta	586.26	66.73	560,397	8,398
5	Other areas	41.11	0.52	4,925	9,471
Total		4,018.17	437.94	4,948,031	11,298

Note: The saleable area mentioned above is the total available area of projects

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

The sales of the top 10 real estate projects within the Reporting Period is detailed in the following:

No.	Region	Item	Address	Type of operation	Saleable area (sq m)	Pre-sold area (sq m)	Expected completion period	Interests attributable to the Company and subsidiaries
1	Yangtze River Delta	Shanghai Qingxiu City, CRCC	North of Baoan Highway, Gu Town, Baoshan District, Shanghai	residence	237,679	68,600	2016	100%
2	Yangtze River Delta	Hangzhou Jiangnan International City, CRCC	Beigan Street, Xiaoshan District, Hangzhou City	residence	251,523	111,600	2017	100%
3	Yangtze River Delta	Nanjing Qingxiu City, CRCC	Wanshou Village, Maidajiao Street, Qixia District, Nanjing City	residence	323,121	88,300	2018	100%
4	Bohai Coastal Region	Tianjin International City, CRCC	Block 1, 3 and 5, Jinzhong Road, Hebei District, Tianjin	residence/commercial	851,501	106,600	2020	100%
5	Pearl River Delta	Foshan International City, CRCC	Guicheng Street, Nanhai District, Foshan	residence	208,622	95,600	2017	100%
6	Yangtze River Delta	Hangzhou Dexin Junchen, CRCC	Beigan Street of Xiaoshan District, Hangzhou City	residence	112,330	91,200	2018	35%
7	Bohai Coastal Region	Beijing Yuanxiang Mangu, CRCC	Chengguan Street, Fangshan District, Beijing	residence	340,316	90,200	2016	100%
8	Bohai Coastal Region	Vanke•Taiyuan Zijun, CRCC	Jinci Road, Taiyuan	residence	239,796	92,500	2018	70%
9	Bohai Coastal Region	Beijing Xingsheng Jiayuan, CRCC	Plot No. 009, East of 104 National Highway, Demao Area, Jiugong Town, Taixing District, Beijing	residence	283,910	22,500	2017	100%
10	Yangtze River Delta	Nanjing Xincheng Poly World, CRCC	Lukou Street, Jiangning District, Nanjing	residence	175,176	73,400	2018	38%

Note: The saleable area mentioned above is the total available area of projects

4. Rental of real estate within the Reporting Period

Applicable Not Applicable

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

5. Financing of the Company within the Reporting Period

Applicable Not Applicable

For details, please see “Financial liabilities of the Company” in “II. (III) Analysis of Assets and Liabilities” of this section.

6. Analysis on industrial development

For details, please see the analysis of development in the industry in “I. (IV) Real estate development operations” under the “Section IV. Summary of the Company’s Businesses”.

7. Other Explanation

Applicable Not Applicable

(V) Analysis of investment

1. Overall analysis of investment in external equities

Applicable Not Applicable

As at 31 December 2016, the carrying balance (original value) of the Group’s long-term equity investment was RMB7.9470 billion, increasing by RMB3.7786 billion compared to RMB4.1684 billion at the beginning of the year, representing an increase of 90.65%. In particular, the impairment provision for long-term equity investment was RMB0.0106 billion, remaining unchanged during the year.

(1) *Major equity investment*

Applicable Not Applicable

(2) *Major non-equity investment*

Applicable Not Applicable

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(3) Financial assets measurement at fair value

Applicable Not Applicable

Item	Opening amount (restated)	Closing amount	Changes in the period	Effect on profit of current period
Financial assets at fair value through profit or loss	218,437	323,376	104,939	8,795
Available-for-sale financial assets	2,861,733	2,046,056	-815,677	94,768
Total	3,080,170	2,369,432	-710,738	103,563

① Investment in securities

No.	Type of securities	Stock code	Abbreviated stock name	Amount of initial investment (RMB)	Number of securities held (share)	Carrying value at the end of the period (RMB)	Percentage over total securities investment at the end of the period (%)	Profit/loss during the Reporting Period (RMB)
1	Stock	HK03969	CRSC	131,950,350	25,000,000	125,007,773	52.35	9,527,595
2	Stock	HK01258	CHINF Mining	64,862,865	36,363,000	45,537,894	19.07	-9,107,579
3	Open-ended Fund	000652	Bosera-Yulong Hybrid	17,369,836	17,369,836	33,801,701	14.15	955,341
4	Stock	601618	MCC	59,265,109	10,600,000	28,635,054	11.99	6,243,173
5	Open-ended Fund	519606	Guotai Jinxin	3,908,303	3,908,303	5,303,567	2.22	-46,900
6	Stock	600028	SINOPEC	533,250	135,000	517,352	0.22	101,088
Other security investment in securities held at the end of the period				/	/	/	/	/
Profits/loss from disposal of investment in securities during the Reporting Period				/	/	/	/	/
Total				277,889,713	/	238,803,341	100.00	7,672,718

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

② Shareholdings in other listed companies

Unit: thousand yuan

Stock code	Abbreviated stock name	Amount of initial investment	Shareholding ratio at the beginning of the period (%)	Shareholding ratio at the end of the period (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications	49,892	0.07	0.07	230,363	6,981	-36,180	Available-for-sale financial assets	Original issue stock
HK3898	CRRC Times Electric	9,800	0.90	0.90	224,215	4,410	-16,207	Available-for-sale financial assets	Original issue stock
002159	Sante Cableway	3,000	0.99	0.99	38,190	0	1,432	Available-for-sale financial assets	Original issue stock
600885	Hongfa	1,440	0.71	0.71	34,890	218	2,249	Available-for-sale financial assets	Original issue stock
600809	Shanxi Fenjiu	708	0.05	0.05	10,008	0	2,448	Available-for-sale financial assets	Original issue stock
000759	Wuhan Zhongbai	1,058	0.14	0.14	8,892	0	642	Available-for-sale financial assets	Original issue stock
601169	Bank of Beijing	2	-	-	1,631	35	165	Available-for-sale financial assets	Original issue stock
600322	Tianjin Real Estate Development	160	0.03	0.03	633	0	88	Available-for-sale financial assets	Original issue stock
601211	Guotai Jun'an	7,604	0.10	0.10	140,368	3,954	-40,378	Available-for-sale financial assets	Original issue stock
600061	SDIC Essence Futures	268,452	1.66	1.66	959,434	13,092	-634,296	Available-for-sale financial assets	Original issue stock
834898	Zhuzhou Department Stores	360	0.31	0.31	1,908	110	1,548	Available-for-sale financial assets	Original issue stock
HK00687	Hong Kong International Construction	208,027	-	5.03	259,524	0	51,497	Available-for-sale financial assets	Subscription
Total		550,503	/	/	1,910,056	28,800	-666,992	/	/

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

③ Trust products held and others

Name of investees	Initial cost of investment (RMB)	Percentage of shares held (%)	Carrying value at the end of the period (RMB)	Profit/loss during the Reporting Period (RMB)	Changes in equity of owners during the Reporting Period (RMB)	Accounting item	Source of shares
Yuxin Innovation Advantage No. 8 Trust	30,000,000	12.50	0	2,962,192	-	Other current assets	Subscription
Min'an No. 1 Trust	50,000,000	10.00	0	4,575,000	-	Other current assets	Subscription
Wuxi Beitang Fengxiang C & D Account Receivable Investment Assembled	30,000,000	10.00	0	2,150,000	-	Other current assets	Subscription
Zhenxin 26 Trust	20,000,000	2.74	0	1,002,740	-	Other current assets	Subscription
Xingye International Yujian 3 Stand-alone Trust	300,000,000	100.00	0	13,308,493	-	Other current assets	Subscription
Wuhan CBD Fanhai Youzhai No. 1 Assembled Funds Trust	50,000,000	2.38	0	3,953,973	-	Available-for-sale financial assets	Subscription
Fangxing No. 213 Trust	50,000,000	21.74	0	3,593,333	-	Available-for-sale financial assets	Subscription
PKU Resources Loan Project Assembled Trust	50,000,000	5.00	50,000,000	4,010,959	-	Other current assets	Subscription
CCB Trust - China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 2)	253,000,000	19.60	0	14,029,506	-	Available-for-sale financial assets	Subscription
CCB Trust - China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 3)	34,000,000	15.50	0	2,761,027	-	Available-for-sale financial assets	Subscription
CCB Trust - China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 7)	42,300,000	9.90	42,300,000	-	-	Available-for-sale financial assets	Subscription
CCB Trust - China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 9)	2,500,000	9.88	2,500,000	-	-	Available-for-sale financial assets	Subscription
CCB Trust - China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 1)	24,000,000	19.66	24,000,000	-	-	Available-for-sale financial assets	Subscription
BOC International - Phase-I receivables special project of China Railway Construction	67,200,000	6.40	67,200,000	-	-	Available-for-sale financial assets	Sponsorship
Total	1,003,000,000	/	186,000,000	52,347,223	-	/	/

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

- ④ Sale and purchase of shares of other listed companies during the Reporting Period

Stock name	Number of shares at the beginning of the period (share)	Number of shares purchased during the Reporting Period (share)	Capital utilized (RMB)	Number of shares sold during the Reporting Period (share)	Number of shares at the end of the period (share)	Investment returns (RMB)
Hong Kong International Construction Investment Management Group Co., Limited (Stock Code HK00687)	-	57,000,000	208,027,245.60	-	57,000,000	-

Notes: During the Reporting Period, the Company subscribed for 57,000,000 H shares (HK00687) of HKC (Holdings) Limited, listed on The Main Board of the Stock Exchange of Hong Kong, in the secondary market. The Company calculated in accordance with available-for-sale financial assets.

(VI) Disposal of significant assets sale and equity interest

Applicable Not Applicable

(VII) Analysis of major controlling and companies invested by the Company

Applicable Not Applicable

1. Major Subsidiaries

During the Reporting Period, the major subsidiaries of the Group are as follows:

Unit: thousand yuan

Name of the Company	Registered capital	Major financial indicators for 2016			Principal operations	Industry
		Total assets	Net assets	Net profit		
China Civil Engineering Construction Corporation	3,000,000	26,079,385	5,626,720	1,241,116	Construction	Construction
China Railway 11th Bureau Group Co., Ltd.	5,030,000	43,880,670	10,532,337	1,049,834	Construction	Construction
China Railway 12th Bureau Group Co., Ltd.	5,060,677	42,491,634	7,652,704	1,127,968	Construction	Construction
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	2,000,000	35,868,385	4,972,401	269,248	Construction	Construction
China Railway 14th Bureau Group Co., Ltd.	3,110,000	34,745,401	3,603,456	28,222	Construction	Construction
China Railway 15th Bureau Group Co., Ltd.	1,117,210	25,015,935	2,184,313	36,642	Construction	Construction

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

Name of the Company	Registered capital	Major financial indicators for 2016			Principal operations	Industry
		Total assets	Net assets	Net profit		
China Railway 16th Bureau Group Co., Ltd.	1,268,300	34,791,066	4,375,852	556,277	Construction	Construction
China Railway 17th Bureau Group Co., Ltd.	1,105,470	34,726,493	3,995,187	282,751	Construction	Construction
China Railway 18th Bureau Group Co., Ltd.	2,284,322	34,012,439	4,133,163	659,156	Construction	Construction
China Railway 19th Bureau Group Co., Ltd.	5,080,000	31,996,920	5,773,319	394,706	Construction	Construction
China Railway 20th Bureau Group Co., Ltd.	3,130,000	33,155,510	3,323,047	683,463	Construction	Construction
China Railway 21st Bureau Group Co., Ltd.	1,880,000	22,579,818	2,565,675	286,951	Construction	Construction
China Railway 22nd Bureau Group Co., Ltd.	1,057,000	23,249,949	5,545,894	69,991	Construction	Construction
China Railway 23rd Bureau Group Co., Ltd.	1,185,000	20,814,247	1,164,932	166,091	Construction	Construction
China Railway 24th Bureau Group Co., Ltd.	1,050,000	16,750,422	2,291,951	256,610	Construction	Construction
China Railway 25th Bureau Group Co., Ltd.	1,003,650	16,299,727	2,303,780	78,897	Construction	Construction
China Railway Construction Group Ltd.	2,500,000	37,769,777	6,169,673	840,988	Construction	Construction
China Railway Electrification Bureau Group Co., Ltd.	710,000	22,908,477	5,203,707	1,160,970	Construction	Construction
China Railway Real Estate Group Co., Ltd.	7,000,000	104,594,280	19,882,595	2,933,285	Real estate development and operations	Real estate
China Railway Goods and Materials Co., Ltd.	3,000,000	17,762,363	783,372	50,079	Purchase and sales of goods and materials	Logistics
China Railway Construction Investment Group Co., Ltd.	10,000,000	60,081,102	14,103,053	660,093	Project investment	Investment
CRCC Finance Company Limited	6,000,000	84,214,073	7,592,753	643,020	Financial Agency	Finance
China Railway Urban Construction Group Co., Ltd.	2,000,000	14,136,011	2,225,550	174,778	Construction	Construction
CRCC High-Tech Equipment Co., Ltd.	1,519,884	6,981,210	5,534,697	467,071	Industrial manufacturing	Industry
China Railway Construction Heavy Industry Co., Ltd.	3,850,000	11,299,532	6,903,711	963,480	Industrial manufacturing	Industry
CRCC Chongqing Investment Co., Ltd.	3,000,000	8,081,618	3,625,750	550,006	Project investment	Investment
CRCC Kunlun Investment Group Co., Ltd.	3,000,000	9,032,709	3,496,795	483,279	Project investment	Investment

During the Reporting Period, China Railway Real Estate Group Co., Ltd., a subsidiary of the Company, accounted for larger proportion in the consolidated operating results of the Group. The revenue of China Railway Real Estate Group Co., Ltd. in 2016 RMB28.9086 billion and operating profit of RMB3.9342 billion for 2016. The net profit in 2016 amounted to RMB2.9333 billion for 2016, representing a year-on-year increase of increase of 5.64% and accounting for 19.76% of net profit of RMB14.8508 billion of the Group.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

2. Major companies in which the Company invested

There was no important company invested by the Group. For detailed information, please see. "12. Investments in joint ventures and associates" in the Note V of the Financial Reports of this report.

(VIII) Status of the structured entity controlled by the Company

Applicable Not Applicable

III. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

(I) Industry pattern and trends

Applicable Not Applicable

Encountering the current complex situation, we have to accurately determine the industry landscape, and clarify development trends. In 2017, the overall market structure of the construction industry is stable, and the market space is still broad. From the perspective of the demand for national economic development and a series of important strategies implemented by the PRC, the country will continue to give great impetus in new urbanization and urban-rural integration progress, devote great efforts in three strategies such as "One Belt and One Road", "Synergetic Cooperation in Beijing-Tianjin-Hebei Region" and the Yangtze River Economic Zone", and accelerate the improvement of railways, highways, water conservancy, waterways, civil aviation, pipelines and other infrastructure networks. Seen from the recent planning and forecasting data, the investments in railways, highways, housing construction, urban rail, municipal works and water conservancy, water and electricity, airports will continue to maintain operation at a high level. Utility tunnels, sponge city, pollution governance and other markets are expected to grow rapidly. In addition, with accelerating implementation of the "One Belt and One Road" and the stabilization of the prices of international crude oil and other bulk raw materials, it is also expected to usher in new opportunities for development.

Deepening comprehensive reform on state-owned assets and state-owned enterprises is the general trend. Various reforms also enter a substantive stage of accelerating implementation. The progress will be accelerated in the merging and reorganization of state-owned key enterprises. The supply-side structural reform and the improvement of quality and efficiency of supply system become main directions for further steady growth. The determination of the central government on deepening overall reform is unshakable. The general trend of innovation and development is irreversible. The state has clear target requirements for the reform and innovation in "replacing the business tax with a value-added tax", strengthening the party building of state-owned enterprises, streamlining state-owned enterprises, controlling loss and reforming rigid institutions, promoting the PPP model in the construction field, developing prefabricated construction and other aspects. It can be expected that 2017 is the opportunity period for the development of CRCC. We will seize the opportunity, actively promote structural adjustment, innovation and development and layout optimization in accordance with development ideas of innovation, coordination, green, opening up and sharing, and be bold and straight in making CRCC better, larger and stronger.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(II) Development strategies of the Company

Applicable Not Applicable

The development strategies of the Group are: construction-oriented, relevant diversification, integrated operation and advance through transformation, so as to develop into a high value creative multinational construction industry group with world-leading economic power, world-leading technological power and world-leading competitive power.

Construction-oriented – Adhering to construction-oriented, seizing the historical opportunity of domestic infrastructure market, closely following and integrating into “Beijing-Tianjin-Hebei integration”, “the Yangtze River Economic Zone” and other national strategies as well as the “One Belt and One Road” Initiative and the opportunities for regional construction of the free trade zones in Shanghai, Tianjin, Guangdong and Fuzhou as well as the Liangjiang New Area in Chongqing and Gui’an New Area, and making layout in the relevant markets; meanwhile, focusing on national special industrial planning, continually expanding attractive segments and laying the foundation for long-term and sustainable development of the Company.

Relevant diversification – Through positive diversification expansion, the emerging industries which have broad market prospects and meet the national strategic development needs shall be included in the overall arrangement so that they can play a synergistic effect with existing business, improve the overall profitability of the enterprise, enhance the competitiveness of the main industry and expand brand influence.

Cooperative integration – Constructing the operating mode integrating with investment, design, construction, operation, real estate development and other industries, and giving full play to the whole industry chain advantage of CRCC.

Advance through transformation – Fully seizing the development opportunities such as construction industrialization, building informatization and Internet technology, and actively integrating these leading technologies into the industrial sectors and industry chain links so as to promote the transformation and upgrading of industrial structure, business model and operating model and to promote the development with transformation.

(III) Operation plan

Applicable Not Applicable

1. Explanation of development strategies and operation plan during the Reporting Period

In 2016, the Group took active approaches to grim hardships such as downward economy, intensified industry competition and sharply increased risks, made great efforts to improve quality and efficiency, accelerated the transformation and upgrading of structure adjustment, and smoothly achieved the annual main production and operation objectives.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

2. Operation plan for 2017

In the 2017 annual budget of the Group, the value of new contract is RMB1,320 billion, revenue from operations amounted to RMB643 billion, costs and taxes amounted to RMB624 billion. In order to realize its operation objectives, the Group will adopt a business model combining the regional operation, brand operation, reputation operation, synergetic operation, etc. to make every effort to improve its regional operation capacity and enlarge market share. The Group will strength the cooperation between different inside groups and businesses to fully release group advantage, and to promote the swift development of the enterprise. The Company will vigorously implement the strategy of “motivating development by innovation” and endeavor to cultivate new growth point in economy and competitive edges while promoting the transformation and upgrading, carrying out structural adjustment as well as strengthen and optimize non-construction operations.

The business plan, however, is not a component of the performance commitment to investors of the Company, thus the investors shall keep sufficient awareness of risks and understand the differences between the business plan and the performance commitment.

3. Capital requirement of the Company to maintain current business and complete investment

In order to achieve the business goals for 2017 and satisfy the development needs of the Company’s various businesses, the Company will ensure the satisfaction of capital requirement for its operations through internal resources, issuance of new shares, bank loans and bank acceptances, issues of bonds and other ways.

(IV) Potential risks

Applicable Not Applicable

The Group has always attached great importance to the internal and external exposure to risks, consistently collecting and analyzing risk-related information, regulating the risk management process, strengthening major risk control measures, for the purpose of prudent and steady development. We identify the following categories of risks that are likely to confront the Group in 2017 through our annual systematic assessment of major and significant risks: investment risks safety and quality risks, overseas risks, project management risks and risks related to accounts receivable.

Compared with major risks identified in the previous year, the Group will be faced with a new category of risks, investment risks, while the other categories of risks will remain. The eminence of the investment risks is closely related to the internal and external environments. The national policies are promoting the PPP business model across the nation and the traditional BOT, BT and other franchise modes are also rolling out. The business operation are developing from traditional contracted construction model to a model covering the investment, construction, operation and handover processes, which will present unprecedented opportunities and challenges to the development of the construction industry. Furthermore, the pressure of internal transformation and upgrading requires enterprises to enhance the capital operation for sustainable development, resulting in the growth of investment scale, which in turn intensifies investment risks under the complicated external market environment. In such internal and external environments featuring great changes, identify the investment risk as a major one confronting the Group reveals the importance we attach to the investment risk. In the future operations, the Group will continue to focus on investment risks, strengthening the administration of project establishment, decision-making, implementation, exit processes, with proper controls in place.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

1. Investment risks

The investment projects of the Group feature large scales, long construction periods, a wide range of sectors, high complexity, strict construction deadlines and high quality requirements, which expose the operation of such projects to major risks. The Group will continue to promote its capital operation following its “active, prudent, flexible and effective” approach, actively adapt to the new national trend of investment and financing innovation, take hold of the development opportunities brought on by the PPP policy, rely on the innovation for further development and increase efforts to promote key projects. We will also strictly control investment risks, constantly improve the investment management system, further standardize the investment project decision-making, operation, exit and other processes and actively implement beforehand assessment, concurrent control and post-stage assessment. To be more specific, we will further work on and analyze projects under way with reference to the characteristics of risks inherent to financing projects, focusing on potential risks in terms of the current management, investment income and capital operations, and identify problems and risks related to individual projects and work out risk prevention strategy. On the other hand, considering the fact that the number of projects under our management is increasing, we will seek to maintain the financial balance during the early stages of the development and operation of our projects, with the view of achieving sustainable healthy development. While seeking to implement the foregoing tasks to our satisfaction, we will also continue to develop regulations and systems and train talents. We will further enhance our research on various investment models and the regular capital operations, with the view of promoting the capital performance of the whole Group.

2. Safety and quality risks

Contracted construction projects comprising of a large variety of building tasks account for a large share of the Group’s business. The production safety and quality of projects of the Group are exposed to major risks due to the nature of the industry and impacts of the construction environment, as our projects feature multiple sites, wide range and long construction periods, and are constantly faced with landslides, debris flows, floods, gas, gushing and other risks. We always place high priority on the safety and quality. In 2017, we will continue to conscientiously implement the requirements and plans of the CPC Central Committee, the State Council and relevant ministries, firmly establish the “red line awareness”, and implement the requirements of “one post for double responsibilities, the CPC Committee and the management sharing responsibilities and tracing responsibilities for dereliction of duty”. We will practically implement the safety accountability system and establish the production safety risk grading, management, control and prevention mechanism under the direction of “thought in advance, found in advance and eliminated the safety risks in advance”. We will further improve and perfect our production safety control system and promote the prevention capacity of the system. On the other hand, we will conduct in-depth investigation and management of safety-related risks, strengthen the safety-guaranteeing measures for seasonal work, key projects and key periods of our construction projects, further strengthen the emergency response and rescue team, with the view of promoting our emergency rescue capabilities. We will continue to implement the national quality development program, adopt the end responsibility system for project quality management, promote the fine standardized quality management and launch the quality excellence campaign and all-member quality management program, with the view of implementing the Group’s development strategy of driving development and taking greater market share with high quality and promoting the quality of all the work of the Group by developing projects of top quality.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

3. Overseas risks

We have been actively implementing the “going-out” strategy. While we are continuously exploring the overseas market, the market environment is experiencing substantial changes. The increase and interconnection of various unfavorable factors have brought various impacts of different levels to our overseas businesses. In order to limit overseas risks within our control in 2017, the Group will further strengthen the overseas project risk management by standardizing the overseas business processes. We will continuously promote our awareness of risk management following the internal control and risk management philosophy of “achieving effective risk control by enhancing the internal control”. To address the national risks, legal risks, exchange rate risks, non-traditional safety risks, labor risks and environment risks within the scope of overseas risks, we will rationally allocate resources and develop and adopt various scientific and rational risk-addressing measures, including risk aversion, risk transfer, risk control and self-addressing measures. Specifically, we will emphasize on the comprehensive risk assessment and identification on the more detailed basis, the connection between the overseas first-line early warning information and the domestic risk control system, strictly implement the management system and procedures, standardize the management processes and emergency response procedures, strengthen process supervision and monitoring, and actively make pre-phase preparations, on-stage management and post-stage summarization and assessment of related major risks, with the view of comprehensively enhancing the management of overseas projects and risk prevention capacity and promoting the orderly rolling-out and development of our overseas businesses.

4. Project management risks

Project management risks are inherent to the industry in which the Group operates. The main business activity of the Group is construction, which features complicated product structure, frequently changing work sites, fast staff flows and wide range of sites. Many activities are conducted in the open, at high elevations, in water bodies or underground, subject to impacts of adverse work environment, climate and geological conditions and other natural environmental factors, dictating the inherent risks of our business. The Group will continue to enhance the first-line management, generalize and promote project management expertise, focus on basic education, improve and perfect the management system, comprehensively strengthen the control over the whole construction process and implement overall control of the key points of potential risks. In terms of the management strategy, we will attach due importance to the selection, training and management of project managers, constantly strengthen the development of our project teams, strengthen the organization and management of construction work, place high priority on steady production and control the construction progress, pay close attention to the “double pre-control” of projects, make detailed pre-stage plans, project plan and measures; enhance the monitoring and management efforts on full control, monitoring and management of key and difficult projects, identify problems arising with key and difficult projects in terms of project management, safety and quality, construction progress and energy saving and environmental protection, and fix problems on site in a timely manner, with the view of guaranteeing reasonable control of the construction progress, quality, safety and orderly implementation of the projects.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

5. Risks related to accounts receivable

Risks related to accounts receivable increase in proportion to the scale of accounts receivable, the higher the sales volume of commercial credit, the higher the risk of receivable accounts receivable. The Group will comprehensively strengthen the management of accounts receivable to safeguard the quality and use efficiency of assets and preventing the deterioration of the status of our capital. At the level of first-line management, by establishing the shared financial center 2.0, the Group will gradually promote the IT-based management of our accounts receivable, establish and improve our ledges of accounts receivable, collecting detailed information of each account receivable, identify responsible persons for all accounts receivable and establish a grading and warning mechanism for overdue accounts receivable. Meanwhile, the Group will optimize the due account receivable clearance assessment mechanism, further break down the responsibility and enhance the assessment, supervision and monitoring. We will hold meetings for the above-mentioned purposes when applicable so as to promote our performance in terms of clearance of due accounts receivable. The Group will supervise the collection of overdue accounts receivable of large amounts and long account ages, formulate detailed collection plan and implement dynamic monitoring. The Group will attempt innovations and seek to promote the collection work by means of replacement of deposits with bank guarantees and land, asset mortgage or pledge, securitization of assets, insurance against accounts receivable and introducing the creditors and financial institutions in the account collection procedures.

(V) Others

Applicable Not Applicable

IV. DESCRIPTION ABOUT THE SITUATION AND THE CAUSE FOR THE COMPANY'S NOT DISCLOSING PURSUANT TO RELEVANT RULES DUE TO NON-APPLICABLE OR SPECIAL REASONS

Applicable Not Applicable

V. OTHER DISCLOSURE (DISCLOSURE PURSUANT TO THE REQUIREMENTS OF THE STOCK EXCHANGE LISTING RULES)

(I) Principal business

For details, please refer to "Section IV. Summary of the Company's Businesses".

(II) Business review

A review of the business of the Group, the risks which may be encountered, discussions on the future business development and the relationship with employees, customers and suppliers during the year are set out in this section, and financial key indicators are utilized for carrying out analysis on the financial and operating conditions of the Group. For details of significant events which had impacts on the Group and matters in relation to the social responsibilities and environmental protection of the Group during the year, please refer to Section VI "Significant Events" and Section XI "Report on Environmental, Social and Governance" of this report. For the compliance of relevant laws and regulations which had material impacts on the Group, please refer to Section X "Corporate Governance (Corporate Governance Report)" of this report.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(III) **Taxation on dividend**

The Board proposed to distribute a final cash dividend for the year 2016 of RMB0.16 per share (including tax) with a total amount of RMB2,172,726,640.00 in aggregate based on the total share capital of 13,579,541,500 shares of the Company as at 31 December 2016. The above profit distribution plan is subject to consideration and approval at the 2016 annual General Meeting of the Company. After being considered and approved, the cash dividend will be distributed before the end of August 2017 as estimated by the Company. The Company will make separate announcements after convening of the General Meeting in relation to further details of the closure of register of H Shareholders for distribution of cash dividend and the estimated date of distribution.

Details of profit distribution of the Company in 2016 are set out in Section VI “Significant Events” of this report.

In accordance with the relevant regulations on taxation in the PRC, a PRC enterprise distributes annual dividends for the year 2008 and onward to their H shareholders who are overseas nonresident enterprises (any H shares registered under the name of HKSCC Nominees Limited, other institutional nominees, trustees, or other organizations or groups, shall be deemed as shares being held by a non-resident enterprise shareholder), enterprise income tax shall be withheld at a uniform rate of 10% by the relevant PRC enterprise.

Pursuant to the changes in the relevant laws and regulations on taxation in the PRC, during the distribution of the dividend of the Company for 2010 and the following years, individual holders of the Company’s H shares whose names appear on the register of members of H shares of the Company are no longer exempted from individual income tax. For individual holders of H shares whose country/region of domicile is a country/region which has entered into a tax treaty with the PRC or a tax arrangement between mainland China and Hong Kong (Macau), the Company will usually withhold and pay individual income tax at the rate of 10% (the applicable tax rate for Hong Kong and Macau residents is 10%) of the dividend income attributable to such shareholders on behalf of them without subject to application procedures. For individual holders of H shares who are not applicable to the rate of 10%, they may pay the individual income tax with reference to the provisions under the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of GuoShuiFa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號).

According to the provisions of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通告) (Caishui [2014] No. 81), for dividends received by domestic individual investors or domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong-Kong Stock Connect, H share companies shall submit an application to the China Securities Depository and Clearing Corporation Limited (hereinafter “CSDCC”) for the CSDCC to provide the register of domestic individual investors to the H-share companies, and the H-share companies shall withhold individual income tax at the tax rate of 20%. Such H-share companies will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax by themselves. For dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on SSE, and prior to Hong Kong Securities Clearing Company Ltd. (hereinafter “HKSCC”) is

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

able to furnish the identity, holding period and other detailed data of investors in the Hong Kong market to CSDCC, the differentiated tax treatment based on the holding period of shares will temporarily not be implemented. Listed companies shall withhold income tax at a tax rate of 10% and make withholding filings with their competent tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and their residence countries, investors may by themselves or ask the withholding agent to act on their behalf to apply to the competent tax authorities of the listed company for the application of preferential treatment under the treaties. With the approval of the competent tax authorities, the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of the dividends paid by the Company.

According to the Notice on Relevant Matters of Differentiated Individual Income Tax Policy for Listed Companies' Dividends (Cai Sui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), if any individual acquires listed shares from listed companies in public issuance and transfer market and holds such shares within 1 month (inclusive), the full amount of his/her dividend income shall be included in taxable income; if the individual holds such shares for a period from more than 1 month to 1 year (inclusive), 50% of his/her dividend income shall be included in taxable income; an individual income tax rate of 20% shall be uniformly applicable to the said income; if any individual acquires listed companies' shares in the public issuance and transfer market and holds such shares for more than 1 year, no Individual income tax will be imposed on the dividend income for the time being.

(IV) Share capital

Details of the share capital of the Company are set out in "42. Share capital" in the Note V of the Financial Reports of this report.

Please see "XIX. Convertible Bonds" in "Section VI significant Events" of this report for the details on the H shares convertible bonds of the Company issued in 2016.

During the Reporting Period, none of the Company or its subsidiaries had issued any other convertible or redeemable securities, options, warrants or any other similar rights.

(V) Capital reserves, special reserves and surplus reserves

Changes to capital reserves, special reserves and surplus reserves of the Group and the Company in the year are set out in the Consolidated Statement of Changes in Equity in the audited financial reports and "44 Capital Reserve", "46 Special Reserve" and "47 Surplus Reserve" in the Note V of the financial reports of this report.

(VI) Property, plant and equipment

Details of the changes in the property, plant and equipment are set out in the "15. Fixed assets" in the Note V of the Financial Reports of this report.

(VII) Distributable reserves

The distributable reserve of the Company as at 31 December 2016 was approximately RMB8.8892 billion.

Section V Discussion and Analysis on Business Operations (Report of Directors) (continued)

(VIII) Designated deposits and overdue time deposits

As at 31 December 2016, the Group had no designated deposits placed with any financial institutions in China, nor any time deposits which could not be recovered upon maturity.

(IX) Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or the PRC laws, according to which the Company would be obliged to offer new shares on a pro rata basis to its existing shareholders.

(X) Permissive indemnity provisions

There was no permissive indemnity provision related to the directors of the Company in the year.

(XI) Management contracts

There was no management or administration contract in respect of all of, or substantial part of, the Company's business for the year.

(XII) Donation

During the Reporting Period, the charitable donations and other donations of the Group aggregated to RMB13.342 million.

(XIII) Relationship with employees, customers and suppliers

The Group deeply understands that employees, customers and suppliers are essential for our continuous and stable development. We endeavor to closely communicate with our staff and coordinate with suppliers to provide customers with quality products and services to achieve sustainable development of the enterprise.

For details of the staff of the Group, please refer to "Section IX Directors, Supervisors, Senior Management and Staff" of this report.

For details of the major customers and major suppliers, please refer to "(4) Major customers and major suppliers" in "II. (I) Analysis of the revenue and costs" of this section.

(XIV) The directors' interests in the businesses that compete with the Company

None of the directors of the Company is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(XV) Future plans for significant investments or purchasing capital assets of the Group

By now, the Group had no future plan for significant investments or purchasing capital assets.

Section VI Significant Events

I. COMMON STOCK PROFIT DISTRIBUTION PLAN OR RESERVE-TO-EQUITY TRANSFER PLAN

(I) The formulation, implementation or adjustment of the cash dividend policy

Applicable Not Applicable

1. Details of implementation of the cash dividend policy during the Reporting Period are as follows:

It was resolved at the 24th meeting of the third session of the Board convened by the Company on 29 and 30 March 2016 that a cash dividend for 2015 of RMB0.15 (tax inclusive) per share based on the total share capital of 13,579,541,500 shares as at 31 December 2015 was declared, totaling RMB2,036,931,225.00. The profit distribution plan had been considered and passed at the 2015 Annual General Meeting convened on 16 June 2016. As at 2 August 2016, the distribution of the above cash dividend was completed.

2. Formulation, execution or adjustment of cash dividend policy

While maintaining the sustainable and stable development, the Company highly valued reasonable investment return to its shareholders. According to relevant regulations under the Guidelines for the Articles of Association of Listed Companies (2014 Revision) (SFC Announcement [2014] No. 47) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividends of Listed Companies (SFC Announcement [2013] No. 43) by the China Securities Regulatory Commission, the Company made amendments to the Articles of Association to further optimize the cash dividend distribution policy and make clear the approval procedure for the profit distribution policy and the abovementioned were considered and approved at the first extraordinary General Meeting of the Company for 2015 held on 5 February 2015. The Company's profit distribution policy is consistent with the Articles of Association and review process requirements and the standard and proportion of dividend clear and relevant decision-making procedures and mechanisms complete. The independent directors of the Company fulfilled their responsibilities with due diligence, carefully audited the cash dividend policy and issued agreed independent advice. The Company has adopted a number of ways for the small and medium-sized shareholders to fully express their views and demands, fully safeguard the legitimate rights and interests of minority shareholders.

During the Reporting Period, in order to facilitate investors to have more comprehensive and further understanding of cash dividend distribution for 2015, the Company held an online illustration meeting on 5 May 2016, with the investors' corresponding issues hereof under common concern answered; on 16 June 2016, through the combination of on-site open and online voting, the Company considered and adopted the Proposal Regarding 2015 Annual Profit Distribution Plan at the 2015 Annual General Meeting.

Section VI Significant Events (continued)

3. Explanation on profit distribution plan for 2016

(1) *The 2016 profit distribution plan approved by the Board*

According to the audited financial report of the Company for 2016, at the beginning of 2016, the undistributed profit of the parent company was RMB8,461,070,731.41. After adding the net profit realized by the parent company in 2016 of RMB2,738,962,914.38 and deducting the cash dividends for 2015 of RMB2,036,931,225.00, at the end of this year, the distributable profit of the parent company was RMB9,163,102,420.79.

According to the Company Law and the Articles of Association of the Company, the distributable profit of the parent company shall be distributed in the order as follows in 2016:

The distributable profit of the parent company for the year was RMB8,889,206,129.35, after the statutory surplus reserve fund of RMB273,896,291.44 withdrawn based on a 10% of net profit of the parent company realised for the year 2016; A cash dividend of RMB0.16 (tax inclusive) per share will be distributed, based on the total share capital of 13,579,541,500 shares as at 31 December 2016, totalling RMB2,172,726,640.00. Upon such distribution, the undistributed profit of the parent company will amount to RMB6,716,479,489.35, which will be carried forward to the next year.

This profit distribution plan is subject to consideration and approval at the 2016 Annual General Meeting of the Company.

(2) *Reasons for the ratio of total cash dividend proposed to be distributed over the net profit attributable to the shareholders of the listed company for the year below 30%:*

In recent years, the Company has developed with a complete industry chain from scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing as well as the ability of one-step comprehensive services by actively changing the development ideas and striving to broaden business channels (business scope: project contracting, survey & design and consulting, industrial manufacture, logistics and material trading, property development, franchise, finance, insurance, etc.). Moreover, the Company has established a leadership in the field of high speed railway, highway, bridge, tunnel and urban railway transit project design and construction. In 2016, the Company realized year-on-year growth and created the best level, wherein the new contract amount of RMB1219.1 billion, the operating revenue of RMB629.3 billion, and the total profit of RMB19.0 billion.

Having summarized the industrial characteristics in which the Company operates and current situation, the Company is in the stage of rapid development and strategic upgrade and transformation. On the one hand, the fund demand is gradually increasing with the continuous expansion of the Company's operating scale; on the other hand, the pressure on fund is increasing due to the increase in the scale of investment in commercial manufacture, property development and other fields year by year to implement thorough reform and promote innovation and development.

Section VI Significant Events (continued)

The capital source for the funds demanded for company development is funds at the disposal of enterprises, bank loans, issuance of bonds, raised equity capital, etc. To ensure the continuous, healthy and stable improvement of the Company, the demand for money in 2017 includes the capital investment in the operation of each business segments and that in capital projects. To achieve the development goals in 2017, the Company will arrange the demand for money reasonably, implement the necessary approval and announcement procedures in strict accordance with the provisions of relevant laws to further optimize the use of funds, balance the fund allocation, control the various non-productive expenditure strictly, improve the service efficiency of funds, support the continuous and healthy development of the company, and meet the demand for money by combining with short- and long-term bank loans, issuance of bonds and other financing methods.

(3) *The specific use and anticipated income of the retained undistributed profit*

The undistributed profit retained by the Company had, on one hand, been utilized to supplement working capital, and had been utilized to invest in survey, design, manufacturing and PPP project and other businesses. Reviewing the condition in recent years, the yield of net assets from relevant business segment has been above lending interest rate of banks. Using retained profit to increase the investment in these segments so as to expand the scale and enhance production capacity is favourable for improving the Company's profitability and thus bringing better returns to investors. In the meantime, although the gearing ratio of the Company decreased, it was still high. In order to optimize the financial condition, reduce operating risks and enhance the creditability and financing capability of the enterprise, it is integral to sustain the stable growth of net assets.

To sum up the above, through comprehensive consideration of the current capital structure of the Company, repayment capability and development plan, the purposes of formulating the cash dividend distribution plan mentioned above are to enhance the development quality and speed of the Company, providing investors with long-term and continuous return. The profit distribution plan satisfies the requirements of the Articles of Association and the Shareholders' Return Plan of the Company in the Coming Three Years (2015–2017), in which it is prescribed that "such profit to be distributed in cash on a yearly basis must not be less than 15% of the realized distributable profit as contained in that year's consolidated financial statements", and is in compliance with the Company's continuous and stable profit distribution policy and long-term interest of public shareholders, benefitting the long-term sustainable development of the Company.

Section VI Significant Events (continued)

(II) Profit Distribution plan, reserves-to-equity transfer plans of the Company or plan for the previous three years, including the Reporting Period

Unit: RMB'000 Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax included) RMB (tax inclusive)	Number of shares transferred for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated financial statement during the year of dividend distribution	Percentage
						in net profit attributable to shareholders of the Company in the consolidated financial statement (%)
2016	-	1.60	-	2,172,727	13,999,610	15.52
2015	-	1.50	-	2,036,931	12,645,478	16.11
2014	-	1.50	-	1,850,631	11,343,265	16.31

(III) The inclusion of shares repurchased through cash offer in cash dividend

Applicable Not Applicable

(IV) Profits are made within the Reporting Period and the parent company's profits distributed to ordinary shareholders are positive. However, if the proposal on distribution of cash profit of ordinary shares is unavailable, the Company shall disclose in detail the causes thereof as well as purpose and use plan of the undistributed profit

Applicable Not Applicable

Section VI Significant Events (continued)

II. THE PERFORMANCE OF UNDERTAKINGS

(I) Undertakings during or continued to the Reporting Period by ultimate controller, shareholders, connected parties, acquirers the Company and other related parties

Applicable Not Applicable

Commitment background	Commitment Category	Commitment by	Commitment Contents	Time and term of commitments	Is there a term for fulfillment	Is there timely and strict fulfillment	If the commitment fails to be fulfilled in due time, please explain the specific reasons for the failure	If the commitment fails to be fulfilled in due time, please state the plan in the next step
Commitments associated with the share reform								
Commitments in acquisition report or report on changes in equity								
Commitments associated with major asset reorganization								
Commitments associated with IPO								
Commitments associated with refinancing	Others	CRCCG	If CRCC violates the laws and regulations such as failure in disclosing idle land, which causes loss to CRCC and its investors, CRCCG shall bear the civil liability of compensation for CRCC and its investors pursuant to the laws.	Long-term	No	Yes		
	Others	Directors and senior management	If CRCC violates laws and regulations such as failure in disclosing idle land, which causes loss to CRCC and its investors, the directors and senior management shall bear the civil liability of compensation for CRCC and its investors pursuant to laws.	Long-term	No	Yes		

Section VI Significant Events (continued)

Commitment background	Commitment Category	Commitment by	Commitment Contents	Time and term of commitments	Is there a term for fulfillment	Is there timely and strict fulfillment	If the commitment fails to be fulfilled in due time, please explain the specific reasons for the failure	If the commitment fails to be fulfilled in due time, please state the plan in the next step
Commitments associated with share incentive								
Other commitments made to minority shareholders of the Company	Resolving ownership defects of lands and other properties	CRCCG	Acquiring land certificate and property ownership certificate, covering the costs of acquiring the aforesaid certificates and losses caused thereby.	Long-term	No	Yes		
	Restricted shares	CRCCG	CRCCG will determine whether to continue increasing its shareholding in the Company through the trading system of the Shanghai Stock Exchange depending on the movements in the share price within the forthcoming six months from the date of the first Increase in Shareholding (8 July 2015) up to an aggregated proportion of increase in shareholding not exceeding 2% of the total issued share capital of the Company, and undertakes not to reduce its shareholding in the Company during the implementation of the increase in shareholding and within the statutory period.	From 8 July 2015 to 8 January 2016	Yes	Yes		

Note: For more details, please refer to relevant announcements published on 29 March 2014, 19 June 2014, 13 May 2015, 9 July 2015 and 13 January 2016 on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section VI Significant Events (continued)

(II) The Company has profit forecasts on assets or projects, and the reporting period was within the term of profit forecasts. The Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor

Achieved Not achieved Not Applicable

III. OCCUPATION OF FUNDS AND REPAYMENT OF DEBTS DURING THE REPORTING PERIOD

Applicable Not Applicable

IV. EXPLANATION FROM THE COMPANY ON THE “NON-STANDARD OPINIONS AUDIT REPORT” FROM ACCOUNTING FIRM

Applicable Not Applicable

V. ANALYSIS AND EXPLANATION FROM THE COMPANY ON THE REASONS AND IMPACT OF THE CHANGE OF ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION ON SIGNIFICANT ACCOUNTING ERRORS

(I) Analysis and explanation from the Company on the reasons and impact of the change of accounting policies or accounting estimates

Applicable Not Applicable

(II) Analysis and explanation from the Company on the reasons and impact of the correction on significant accounting errors

Applicable Not Applicable

(III) Communication with former accounting firm

Applicable Not Applicable

(IV) Other Explanation

Applicable Not Applicable

Section VI Significant Events (continued)

VI. INFORMATION IN RELATION TO THE REVIEW ON THE ANNUAL RESULTS BY AUDIT AND RISK MANAGEMENT COMMITTEE

(I) Information in relation to the review on the financial statements by the audit and risk management committee

In accordance with the Company's Working Rules of the Audit and Risk Management Committee and the regulatory requirements, during the reporting period, the Audit and Risk Management Committee actively supervised and evaluated the work of external auditor. When the external auditor audited the financial report, the Audit and Risk Management Committee timely and effectively supervised and evaluated its audit work plan, pre-communication, progress and other stages, earnestly carried out the review of the Company's annual and interim reports, and provided professional advice and suggestions on the preparation of periodic reports.

The timeline arrangement on the review on the Company's annual financial report was negotiated and determined by the Board of Directors and the Audit and Risk Management Committee with the accounting firm for annual audit. Before the accounting firm for annual audit officially started the audit, the Audit and Risk Management Committee reviewed the annual financial statements prepared by the Company, and formed a written opinion. After the accounting firm for annual audit started the audit, the Audit and Risk Management Committee strengthened communication with the accounting firm for annual audit. After the accounting firm for annual audit issued the preliminarily audit opinion, the Audit and Risk Management Committee once again reviewed the Company's annual financial statements and formed a written opinion. The Audit and Risk Management Committee voted for annual financial statements, formed a resolution and submitted it to the Board of Directors for review.

(II) The situation on that the Audit and Risk Management Committee review the important matters involved in the key audit matters in the Auditor's Report

The Audit and Risk Management Committee of the 3rd session of Board heard the report of Ernst & Young Hua Ming LLP on the progress of the audit on 2016 annual report of the Company, reviewed the "key audit matters" in the auditor's Report, and agreed with the judgment of Ernst & Young Hua Ming LLP on the "key audit matters" and the audit procedure implemented.

VII. APPOINTMENT AND REMOVAL OF AUDITORS

Unit: ten-thousand yuan Currency: RMB

	Existing auditor
Name of domestic auditor	Ernst & Young Hua Ming LLP
Remuneration of domestic auditor	3,020
Term of the domestic auditor for audit services	10 years

Section VI Significant Events (continued)

Note: Pursuant to the amendments to the Listing Rules by the Hong Kong Stock Exchange and relevant requirements of the Ministry of Finance and the CSRC, a company incorporated in Mainland China and listed on the Hong Kong Stock Exchange is permitted to adopt the PRC GAAP to prepare its financial statements and to engage a domestic accounting firm recognized by the Ministry of Finance and the CSRC to provide relevant services according to the PRC auditing standards since 15 December 2010. Ernst & Young Hua Ming LLP is a domestic accounting firm recognized by the Ministry of Finance and the CSRC. Therefore, the Company appointed Ernst & Young Hua Ming LLP as its external auditor starting from the fiscal year of 2011 (no division of domestic and overseas).

Unit: ten-thousand yuan Currency: RMB

	Name	Compensation
The accounting firm for internal control audit	Ernst & Young Hua Ming LLP	260
Financial advisor	None	–
Sponsor	China International Capital Corporation Limited	0

Note: China International Capital Corporation Limited was engaged by the Company as the sponsor in respect of the non-public issuance of shares of the Company in 2015. The supervision period continues from 16 July 2015 to 31 December 2016.

Explanation on appointment and removal of auditors

Applicable Not Applicable

During the Reporting Period, the Company did not change its auditor.

1. **Appointment of auditors by the Company during the Reporting Period**

From 2007 to 2010, the Company had retained Ernst & Young Hua Ming as its domestic auditor and appointed Ernst & Young as its overseas auditor for four consecutive years. On 31 May 2011, the Company's 2010 Annual General Meeting considered and approved the appointment of Ernst & Young Hua Ming as its external auditor for 2011 while ceasing the re-appointment of Ernst & Young as its external auditor for 2011. In August 2012, Ernst & Young Hua Ming changed its system and was renamed as Ernst & Young Hua Ming LLP. As of the end of the Reporting Period, the Company has engaged Ernst & Young Hua Ming LLP with the term of ten consecutive years for audit services. In order to ensure the objectivity and independence of external auditors, the Company proposed to change the external auditor in 2017 and proposed to hire Deloitte & Touche LLP as the Company's external auditor for 2017, which will audit 2017 annual financial statements of the Company and review 2017 interim financial statements. See details in "(I) The matter concerning the change of the external auditor" in "XXI. Subsequent Events" in this section.

Section VI Significant Events (continued)

On 16 June 2016, the Company's 2015 Annual General Meeting considered and passed the Proposal in Relation to Appointment of External Auditor for 2016, approving to continuously hire Ernst & Young Hua Ming LLP as the external auditor for 2016. After the review and consideration by the 39th meeting of the third session of Board from 29 to 30 March 2017, the Company proposed to pay Ernst & Young Hua Ming LLP fees for auditing the financial statements as well as related audit services for 2016 of RMB30.20 million, and such proposal is subject to the submission to the 2016 Annual General Meeting for approval.

2. *Appointment of internal control auditor during the Reporting Period*

On 16 June 2016, the Company's 2015 Annual General Meeting considered and passed the Proposal in Relation to Appointment of Internal Control Auditor for 2016, approving to continue to hire Ernst & Young Hua Ming LLP as the intermediary of internal control auditor for 2016. After the review and consideration by the 39th meeting of the third session of Board from 29 to 30 March 2017, the Company proposed to pay Ernst & Young Hua Ming LLP the fee for the 2016 annual internal control and other related service of RMB2.6 million, and such proposal is subject to submission to the 2016 Annual General Meeting for approval.

In order to ensure the objectivity and independence of external auditors, the Company proposed to change the external auditor in 2017 and to hire Deloitte & Touche LLP as the internal control auditor for 2017. See details in "(I) The matter concerning the change of the external auditor" in "XII. Subsequent Events" in this Section.

Explanation on the change of accounting firms during the audit period

Applicable Not Applicable

VIII. RISK OF SUSPENSION OF LISTING

(I) *Causes of Suspension of Listing*

Applicable Not Applicable

(II) *Measures to be taken by the Company*

Applicable Not Applicable

IX. SITUATION AND CAUSES FOR TERMINATION OF LISTING

Applicable Not Applicable

Section VI Significant Events (continued)

X. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not Applicable

XI. MATERIAL LITIGATION AND ARBITRATION

There existed material litigation and arbitration during the Reporting Period No material litigation and arbitration occurred during the Reporting Period

XII. PUNISHMENTS AND RECTIFICATIONS INVOLVED BY LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR BUYER

Applicable Not Applicable

XIII. EXPLANATION ON CREDIBILITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

Applicable Not Applicable

XIV. INFORMATION ABOUT THE COMPANY'S SHARE INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

(I) **Related incentive disclosure which were disclosed in the temporary announcements and the consecutive operation without progress or change**

Applicable Not Applicable

(II) **Incentives which were not disclosed in the temporary announcements or with subsequent progress**

Information on share incentive

Applicable Not Applicable

Other explanation

Applicable Not Applicable

Section VI Significant Events (continued)

Information on employee stock ownership plan

Applicable Not Applicable

Other incentive measures

Applicable Not Applicable

XV. CONNECTED TRANSACTIONS, MATERIAL RELATED PARTY TRANSACTIONS AND CLAIMS AND LIABILITIES WITH RELATED PARTIES

During the Reporting Period, the connected transactions/related party transactions did not impose significant impacts on the production and operation of the Company.

(I) **Non-exempt continuing connected transactions (disclosure pursuant to the requirements of the Stock Exchange Listing Rules)**

1. Continuing connected transactions under the Services Provision Framework Agreement between the Company and CRCCG

CRCCG, being the controlling Shareholder and connected person of the Company, retained certain ancillary operations in the process of the restructuring and listing of the Company. Following the listing of the H shares of the Company on the Hong Kong Stock Exchange, these ancillary operations continued to provide ancillary construction survey and supervisory services and designing services to the Company and/or its subsidiaries.

In order to regulate the above continuing connected transactions between the Group and CRCCG, among others, the Company and CRCCG entered into the Services Mutual Provision Framework Agreement (as supplemented by a supplemental agreement dated 29 January 2008) on 5 November 2007, and set the relevant annual caps for the continuing connected transactions contemplated thereunder.

The Services Mutual Provision Framework Agreement and the continuing connected transactions contemplated thereunder were renewed on 28 December 2009 and 28 December 2012. Given that both the Services Mutual Provision Framework Agreement entered into between the Company and CRCCG on 28 December 2012 and the annual caps of the related continuing connected transactions set thereunder expired on 31 December 2015, and in a bid to regulate the continuing connected transactions for purchase of related services by the Group from CRCCG and/or its associates, the Company and CRCCG renewed the Services Provision Framework Agreement on 28 December 2015 for a term from 1 January 2016 to 31 December 2018, and set the annual caps of the continuing connected transactions thereunder for the three years ending 31 December 2018.

Section VI Significant Events (continued)

Set out below are the approved annual cap and actual amount of transaction in relation to non-exempt continuing connected transactions under the aforementioned Services Provision Framework Agreement by the Group and CRCCG and/or its associates for the year ended 31 December 2016:

Unit: thousand yuan

Nature of transaction	Annual cap of 2016	Consolidated amount of transaction of the Group in 2016
Expenditure		
Expenditure payable by the Group in respect of the services provided by CRCCG and/or its associates under the Services Provision Framework Agreement	600,000	387,881

2. Continuing connected transaction under the Property Leasing Framework Agreement and its supplementary agreement between the Company and CRCCG

The Company entered into the Property Leasing Framework Agreement with CRCCG on 5 November 2007, for a term of 10 years commencing from 5 November 2007. The principal term of the Property Leasing Framework Agreement is that CRCCG and/or its related parties/associates have agreed to lease certain of their lawfully owned properties (hereinafter as "Leased Properties") to the Company and/or its subsidiaries on the terms and conditions set out in the Property Leasing Framework Agreement, and the Company and/or its subsidiaries have agreed to pay consideration for the lease of the Leased Properties as provided for under the Property Leasing Framework Agreement.

In order to regulate the continuing connected transactions for the lease of properties by the Group from CRCCG and/or its related parties/associates, the Company and CRCCG entered into a supplementary agreement to the Property Leasing Framework Agreement on 28 December 2012, to amend Article 2.2 of the Property Leasing Framework Agreement as follows: Leased Properties include the properties that had been leased to the Company and/or its subsidiaries by CRCCG and/or its related parties/associates at the time of the incorporation of the Company and certain properties built thereafter. In addition, CRCCG and/or its related parties/associates confirm that at the time of delivery, the Leased Properties are under good conditions satisfying the requirements of the Company and/or its subsidiaries. Save for the above amendments, other terms of the Property Leasing Framework Agreement entered into on 5 November 2007 remain the same and shall continue to be legally binding.

Section VI Significant Events (continued)

Besides, the Company entered into the Land Use Rights Leasing Framework Agreement with CRCCG on 5 November 2007, for a term of 20 years commencing from 5 November 2007. The principal term of Land Use Rights Leasing Framework Agreement is that CRCCG and/or its related parties/associates have agreed to lease certain of their lawfully owned land use rights to the Company and/or its subsidiaries on the terms and conditions set out in the Land Use Rights Leasing Framework Agreement, and the Company and/or its subsidiaries agreed to pay the consideration as provided for in the Land Use Rights Leasing Framework Agreement.

Considering the abovementioned Property Leasing Framework Agreement entered into in 2007 for a term of 10 years will expire by 2017, the Company, on 28 December 2015, set the annual caps for the transactions of leasing properties and land use rights by the Company from CRCCG and/or its associates under the above mentioned Property Leasing Framework Agreement (as supplemented by a supplementary agreement dated 28 December 2012) and the Land Use Rights Leasing Framework Agreement for only two years ending 31 December 2017.

Set out below are approved annual cap and actual amount of transaction of the non-exempt continuing connected transactions under the Property Leasing Framework Agreement and the Land Use Rights Leasing Framework Agreement for the year ended 31 December 2016:

Unit: thousand yuan

Nature of transaction	Annual cap of 2016	Consolidated amount of transaction of the Group in 2016
Expenditure		
Expenditures payable by the Group for leasing properties and land use rights from CRCCG and/or its associates under the Property Leasing Framework Agreement (as supplemented by a supplementary agreement dated 28 December 2012) and the Land Use Rights Leasing Framework Agreement	300,000	81,890

Section VI Significant Events (continued)

3. Continuing connected transactions under the Financial Services Agreement between Finance Company and CRCCG

As the Financial Services Agreement entered into between CRCC Finance Company Limited, the controlling subsidiary of the Company (hereinafter referred to as "Finance Company") and CRCCG, (the controlling shareholder of the Company) in 2012 had expired, in order to regulate the continuing connected transactions under such agreement, the Company held the 22nd meeting of the third session of the Board on 25 January 2016, considered and approved the "Proposal in Relation to the Renewal of the Financial Services Agreement between CRCC Finance Company Limited and CRCCG", and agreed the parties to renew the Financial Services Agreement for a term of three years from 1 January 2016 to 31 December 2018. According to the Financial Services Agreement, Finance Company shall provide the following financial services to CRCCG and its subsidiaries:

Deposit Services: CRCCG or its subsidiaries shall establish deposit accounts at Finance Company and deposit funds into the deposit accounts established at Finance Company under the principle of free access to these accounts. Deposits can be in the form of current deposits, time deposits, call deposits or agreement deposits, etc. For the deposits of CRCCG and its subsidiaries at Finance Company, the floating range of interest rates shall be subject to the requirements of the interest rates for the same kind of deposits for the same period offered by the People's Bank of China, and shall not be higher than the applicable interest rates offered by major commercial banks in the PRC for the same kind of deposits services for the same period. During the valid period of the Financial Services Agreement, the maximum daily balance (including accrued interest thereon) deposited at Finance Company by CRCCG and its subsidiaries shall not exceed RMB30 billion in principle.

Loan Services: In compliance with the PRC's relevant laws and regulations, Finance Company shall provide CRCCG and its subsidiaries with loan services according to the needs for operation and development of CRCCG. CRCCG and its subsidiaries shall pay loan interests to Finance Company. The loan interest rates shall not be lower than the applicable interest rates offered by major commercial banks in the PRC for the same type of loan services for the same period. During the valid period of the Financial Services Agreement, the daily loan balance (including accrued interest thereon) obtained from Finance Company by CRCCG and its subsidiaries shall not exceed RMB3 billion in total.

Clearing Services: Finance Company shall provide CRCCG and its subsidiaries with collection and payment services and other auxiliary services in relation to settlement business as instructed by CRCCG. Finance Company shall provide CRCCG and its subsidiaries with the abovementioned clearing services, with the charges not less than the fee scale of normal commercial banks. The limit of the annual service fees shall not exceed RMB100 million.

Other Financial Services: Finance Company shall provide other financial services to CRCCG and its subsidiaries within its scope of operation, according to the demands of CRCCG and its subsidiaries as well as its own conditions and in line with the Financial Services Agreement. The fees charged by Finance Company for the provision of other financial services shall be in compliance with the charging standards for such type of services as stipulated by the People's Bank of China or China Banking Regulatory Commission, and shall not be less than the fee scale for same type of service projects from major financial institutions in the PRC. The limit of the annual service fees shall not exceed RMB100 million.

Section VI Significant Events (continued)

Set out below are approved annual caps and actual amount of transaction of the non-exempt continuing connected transactions under the Financial Services Agreement for the year ended 31 December 2016:

Unit: thousand yuan

Nature of transaction	Annual cap of 2016	Consolidated amount of transaction of the Group in 2016
Loan services	3,000,000 ^{Note}	1,414,029 ^{Note}
Clearing services	100,000	0
Other financial services	100,000	5

Note: During the valid period of the Financial Services Agreement, the daily loan balance (including accrued interest thereon) obtained from Finance Company by CRCCG and its subsidiaries shall not exceed RMB3 billion in total. During the Reporting Period, the maximum daily loan balance (including accrued interest thereon) obtained from Finance Company by CRCCG and its subsidiaries was RMB1,414.029 million on 31 December 2016.

The proposed annual caps of the continuing connected transactions mentioned in paragraphs 1, 2 and 3 above were determined based on the estimated amount of transactions involved with reference to the historical transaction volumes. For details of the abovementioned continuing connected transactions, please refer to the announcements of continuing connected transactions dated 29 December 2015 and 26 January 2016 as published by the Company.

Independent non-executive directors of the Company have reviewed such non-exempt continuing connected transactions mentioned in paragraphs 1, 2, and 3 above and confirmed that:

- (i) The above connected transactions were conducted by the Group in the ordinary course of business;
- (ii) The terms of the above connected transactions were fair and reasonable, and in the interest of the shareholders as a whole;
- (iii) The above connected transactions were conducted upon normal commercial terms or, where comparisons were available, on terms no less favorable than those available from/to independent third parties; and
- (iv) The above connected transactions were conducted in accordance with the terms of the agreements governing such transactions.

Section VI Significant Events (continued)

The Company's auditors had provided a letter to the Board of the Company stating the following with respect to the non-exempt continuing connected transactions mentioned in paragraphs 1, 2 and 3 above:

- (i) Nothing had come to the auditors' attention that had caused them to believe that the continuing connected transactions as disclosed had not been approved by the Board;
- (ii) In respect of the continuing connected transactions relating to the provision of goods and services by the Group, nothing had come to the auditors' attention that caused them to believe that such transactions had not been consistent with the pricing policy of the Company in all material aspects;
- (iii) Nothing had come to the auditors' attention that caused them to believe that such transactions had not complied with the terms under relevant agreements in all material aspects; and
- (iv) Nothing had come to the auditors' attention that caused them to believe that the continuing connected transactions as disclosed had exceeded the 2016 annual caps set out in the continuing connected transactions announcement dated 29 December 2015 and 26 January 2016.

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2016 are set out in Note XII to the financial statements to this report. Except for the related party transactions between the Company and joint ventures and associates set out in Note XII, all related party transactions are connected transactions of the Company under Chapter 14A of the Stock Exchange Listing Rules. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Stock Exchange Listing Rules.

(II) *The related party transactions in relation to the ordinary operations (disclosure pursuant to the requirements of the SSE)*

According to the requirements of No. 2 Guidelines for the Content and Format of Information Disclosure by Companies with Public Issue of Securities – Content and Format of Annual Report (as revised in 2016) by the China Securities Regulatory Commission (CSRC), the SSE Listing Rules and the Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange, the related parties involved in related party transactions of the Company mainly include CRCCG, the controlling shareholder, and subsidiaries controlled by it.

Section VI Significant Events (continued)

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not Applicable

Summary of the event

Document for inspection

The twenty-first meeting of the third session of the Board of Directors of the Company was held on 28 December 2015. At the meeting, the Proposal in Relation to the Determination of the Caps of Continuing Connected Transactions for 2016–2018 and the Renewal of the Services Provision Framework Agreement was approved; the Company and CRCCG were approved to renew the Provision of Services Framework Agreement and to determine the related transaction caps. According to the Services Provision Framework Agreement entered into between the Company and CRCCG, the annual transaction caps for 2016–2018 were determined to be no more than RMB600 million; according to the Property Leasing Framework Agreement (including a supplementary agreement) and the Land Use Rights Leasing Framework Agreement, the annual transaction caps of expenditures for 2016–2017 in respect of leasing of all properties and lands by CRCCG will amount to RMB300 million respectively, upon considering that the 10-year valid period of the Property Leasing Framework Agreement signed in 2007 will expire in 2017. Before submission to the Board for review, the Proposal has been approved by independent non-executive directors of the Company; in process of the review by the Board, independent non-executive directors also gave independent opinions of approving the Proposal, that the voting procedure complied with the normative legal documents like laws and regulations and the Articles of Association; pricing methods for all transactions were objective and fair; trading procedures complied with the normative legal documents like laws and regulations and were fair and reasonable. All transactions are favorable for development of the Company and will not damage the interests of the Company and its shareholders, especially medium and small shareholders.

For details, please refer to the announcement of the Company dated 29 December 2015 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.com.cn).

Section VI Significant Events (continued)

Major related party transactions in relation to ordinary operations of the Group during the year 2016 are as follows:

Unit: thousand yuan

Related party	Related party transactions type	Related party transactions content	Pricing principle of related party transactions	Related party transactions price	Related party transactions amount	Proportion in similar transactions	Settlement method of related party transactions	Market price	Reason for the difference between transaction price and market price
11 units including Shaanxi Railway Engineering Investigation Co., Ltd.	Expenditure for labor service	Survey, design and consultancy operations	Agreement pricing	-	387,881	0.07%	Cash	-	-
Controlling shareholder, Jinli Assets Management Center	Property leasing expense	Property leasing	Agreement pricing	-	81,890	0.01%	Cash	-	-

Continuing connected transaction between the Company and CRCC Financial Leasing Co., Ltd.

According to the requirements of “No. 2 Guidelines for the Content and Format of Information Disclosure by Companies with Public Issue of Securities – Content and Format of Annual Report (as revised in 2016)” by the China Securities Regulatory Commission (CSRC), the SSE Listing Rules and the Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange, CRCC Financial Leasing Co., Ltd. (hereinafter refer as “CRFL”), the associate enterprise of the Company, is the Associated legal person of the Company.

On 30 December 2016, the Company and CRFL signed the Services Mutual Provision Framework Agreement, the term of validity of which is from the date of establishment of CRFL (27 June 2016) to 31 December 2018. Chinese Railway Finance Company Limited, a controlling subsidiary of CRCC, provides CRFL with deposit services, loan services and other financial services. CRFL shall purchase mechanical equipment from China Railway Construction Heavy Industry Co. Ltd., CRCC High-tech Equipment Corporation Limited (CRCCE) and other enterprises under the Company, which will be used for leasing business.

Section VI Significant Events (continued)

For the year ended 31 December 2016, the approved annual cap and actual amount of transaction of above connected transactions are set out below:

Unit: thousand yuan

Nature of transaction	Annual cap of 2016	Consolidated amount of transaction of the Group in 2016
Revenue		
With the comparable market price which is no less than that of the third party, CRFL will purchase tunnel boring machines and other mechanical equipment from the Company and its related subsidiaries, but the cumulative amount per year shall not exceed RMB1.650 billion.	1,650,000	467,262
Under the pre-condition of complying with the relevant laws and regulations of the state, according to the needs of leasing operation and development of CRFL, the Finance Company will provide loan services for CRFL. The loan rate paid by CRFL shall not be less than the applicable loan rate that domestic major commercial banks provide similar loan services within the same period. With the term of validity of the Agreement, the daily loan balance (including accrued interest) that CRFL obtains from the Finance Company shall not exceed RMB3.396 billion.	3,396,000	2,573,981
Expense		
CRFL provides financial leasing services and operating leasing services for the Company or its related subsidiaries. With the term of validity of the Agreement, the leasing services provided by CRFL for the Company shall charge the fees based on the charging standard which is not higher than that of the similar service item provided by the similar financial institution in China. The total amount of annual charge for leasing services shall not exceed RMB520 million.	520,000	74,305

Section VI Significant Events (continued)

Continuing connected transactions under the Financial Service Agreement between the Company and CRCCG and its subsidiary

See “Non-exempt continuing connected transactions” in xv. (I) of this section.

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not Applicable

3. Events undisclosed in the temporary announcements

Applicable Not Applicable

(III) Compliance with the Non-competition Agreement

CRCCG stated that in the year 2016, it had no violations of the undertakings in the “Non-competition Agreement” signed on 5 November 2007 with the Company.

(IV) Related party transactions from acquisition and disposal of assets, equity interests

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not Applicable

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not Applicable

3. Issues not disclosed in temporary announcements

Applicable Not Applicable

4. If agreement upon performance is involved, the performance achievements during the Reporting Period shall be disclosed

Applicable Not Applicable

Section VI Significant Events (continued)

(V) Significant related party transactions on the joint external investment

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not Applicable

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not Applicable

3. Events not disclosed in temporary announcements

Applicable Not Applicable

(VI) Claims and liabilities between related parties

According to the requirements of No. 2 Guidelines for the Content and Format of Information Disclosure by Companies with Public Issue of Securities – Content and Format of Annual Report (as revised in 2016) by the China Securities Regulatory Commission (CSRC), the SSE Listing Rules and the Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange, the related parties involved in related party transactions of the Company mainly include CRCCG, the controlling shareholder and subsidiaries controlled by it.

1. Events disclosed in the temporary announcements and with no progress or change in subsequent implementation

Applicable Not Applicable

Section VI Significant Events (continued)

2. Events disclosed in the temporary announcements but with progress or change in subsequent implementation

Applicable Not Applicable

Unit: thousand yuan

Related party	Related party relationship	Provision of funds to related party by the listed company			Provision of funds to the listed company by related party		
		Balance at the beginning of the period	Accrual	Ending balance	Beginning balance	Accrual	Ending balance
CRCCG ^{Note 1}	Controlling shareholder	-	1,400,000	1,400,000	976,189	127,384	1,103,573
CRCCG ^{Note 2}	Controlling shareholder	3,777	-3,777	-	-	-	-
CRCCG ^{Note 3}	Controlling shareholder	-	-	-	4,914,466	-4,663,488	250,978
Jinli Assets Management Center ^{Note 3}	Wholly-owned subsidiary of the controlling shareholder	-	-	-	129,594	145,034	274,628
Beijing Tongda Jingcheng Highway Co., Ltd. ^{Note 3}	Non-wholly owned subsidiary of the controlling shareholder	-	-	-	72,075	38,526	110,601
Railway Construction Technology Magazine ^{Note 3}	Non-wholly owned subsidiary of the controlling shareholder	-	-	-	4,073	-3,009	1,064
Total		3,777	1,396,223	1,400,000	6,095,997	-4,355,553	1,740,844

During the Reporting Period, the amount of funds to CRCCG and its subsidiaries by the Company (in RMB'000) 1,396,223

Cause to claims and liabilities between related parties Claims and liabilities resulted from the Company's operations with the related parties.

Settlement of claims and liabilities between related parties Settlement by normal progress.

Commitments related to claims and liabilities between related parties None.

Impact of such claims and liabilities between related parties on the Company's operating result and financial position No significant impact.

Section VI Significant Events (continued)

Note 1: The capital provided by the listed company to the related party is the loan principle from CRCC Finance Company Limited to the controlling shareholders. The capital provided by the related party to the listed company was mainly the amount appropriated by the Ministry of Finance to the controlling shareholder. Pursuant to the requirements in the Temporary Regulations on Enhancing the Management of Financial Information of Enterprise, the controlling shareholder lent out such amount to the Company by way of entrusted loan.

Note 2: The amount derives from the non-exempt continuing related party transactions between the Company and the Controlling Shareholder together with its subsidiaries in previous years.

Note 3: The amount represents the deposits of the Controlling Shareholder and its subsidiaries, which is deposited in CRCC Finance Company Limited as a subsidiary of the Group.

3. Issues not disclosed in temporary announcements

Applicable Not Applicable

(VII) Others

Applicable Not Applicable

XVI. MAJOR CONTRACTS AND PERFORMANCE

(I) Trusteeship, contracting and leasing matters

1. Information on trusteeship

Applicable Not Applicable

2. Information on contracting

Applicable Not Applicable

3. Information on leasing

Applicable Not Applicable

(II) Related guarantee

Applicable Not Applicable

Section VI Significant Events (continued)

Unit: thousand yuan Currency: RMB

Guarantees (Other than guarantees for subsidiaries)													
Guarantor	Relationship with the listed company	Party guaranteed	Guarantee amount	Date of Guarantee Occurrence (date of signing the agreement)	Guarantee Starting date	Guarantee Due date	Guarantee type	Performance			Counter guaranteed or not	Guarantee by related party	Connected Relationship
								completed or not	Overdue or not	Overdue amount			
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	67,200	28 December 2006	28 December 2006	28 December 2026	General guarantee	No	No	No	No	No	
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	50,400	16 April 2008	16 April 2008	16 April 2028	General guarantee	No	No	No	No	No	
The Company	Within the Company	CRCC-Tongguan Investment Co., Ltd	299,678	20 May 2015	20 May 2015	20 November 2023	General guarantee	No	No	No	Yes	Associate	
The Company	Within the Company	CRCC-Tongguan Investment Co., Ltd	1,040,550	17 March 2014	17 March 2014	30 December 2023	General guarantee	No	No	No	Yes	Associate	

Total amount of guarantees for the Reporting Period (exclusive of the guarantees to subsidiaries)	670,088
Ending balance of guarantees for the Reporting Period (A) (exclusive of the guarantees to subsidiaries)	1,457,828

Guarantees to subsidiaries by the Company together with its subsidiaries

Total amount of guarantees to subsidiaries for the Reporting Period	6,363,586
Ending balance of guarantees to subsidiaries for the Reporting Period (B)	24,505,929

Total guarantees by the Company (inclusive of such guarantees to its subsidiaries)

Total guarantees (A+B)	25,963,757
The proportion of total guarantees in net assets of the Company (%)	17.46
Of which:	
The amount of guarantees to the Company's shareholders, actual controllers and their related parties (C)	0
Debt guarantees directly or indirectly to guaranteed objects with the gearing ratio higher than 70% (D)	24,623,529
Of total guarantees, the portion in excess of 50% net assets of the Company (E)	0
Total of the above three categories of guarantees (C+D+E)	24,623,529
Explanation on the potential joint liability arising from the immature guarantees	N/A

Section VI Significant Events (continued)

Explanation on the guarantees

In 2014, Luzhou Sichuan Railway Co., Ltd. and Sichuan Naxu Railway Co., Ltd. were consolidated through merger. All assets, liabilities and personnel of Sichuan Naxu Railway Co., Ltd. were merged into Luzhou Sichuan Railway Co., Ltd. After the consolidation, the company name was changed into "Chuantie (Luzhou) Tielu Co., Ltd.". The guaranteed party was changed from "Sichuan Naxu Railway Co., Ltd." into "Chuantie (Luzhou) Tielu Co., Ltd.". The guarantee amount did not change. The actual amount guaranteed of CRCC Tongguan Investment Co., Ltd. by the end of 2016 increased by RMB670.1 million (not exceeding the scope approved by Board) by comparing with that of 2015. For the increase of loan amount of CRCC Tongguan Investment Co., Ltd., our guarantee amount will be increased according to the corresponding shareholding proportion affected by the change in exchange rate of RMB against USD.

The Company's Decision-Making Procedures of Guarantees:

- (1) Decision-making procedures of guarantees granted to wholly-owned subsidiaries

It was considered and approved at the 24th meeting of the third session of the Board held from 29 to 30 March 2016 and the 2015 annual general meeting of the Company that the total cap for internal guarantees of the Company in 2016 was determined to be RMB70 billion. During the Reporting Period, guarantee granted to wholly-owned subsidiaries by the Company was in strict compliance with the guarantee cap. As of 31 December 2016, the total balance of external guarantees to its wholly-owned subsidiaries by the Company was of RMB24.5059 billion and did not exceed the approved cap of guarantee.

- (2) Decision-making procedures of external guarantees

As of 31 December 2016, the total balance of external guarantees by the Company was of RMB1.4578 billion, including the following two guarantees:

- ① In 2006, CRCCG had provided RMB400 million of loans and RMB67.2 million of guarantee, pursuant to 16.8% of capital contribution, to Sichuan Naxu Railway Co., Ltd., the joint stock company. Due to the reform of the Company in December 2007, it entered into a tripartite agreement with China Railway Construction Corporation Limited and the Luzhou Branch of China Construction Bank to revise the subject of the contract to China Railway Construction Corporation Limited. The resolutions in relation to provision of guarantee to the

Section VI Significant Events (continued)

Naxu Company for loans were considered and approved at the tenth meeting of the first session of the Board in October 2008. In proportion to the capital contribution of 16.8%, RMB50.4 million of guarantee for RMB300 million of loans was agreed to be provided to Sichuan Naxu Railway Co., Ltd., the joint stock company. As at 31 December 2016, the balance of actual guarantee amount was RMB0.1176 billion. In 2014, Sichuan Naxu Railway Co., Ltd. was renamed as “Chuantie (Luzhou) Tielu Co., Ltd.”, with the amount guaranteed unchanged.

- ② The resolution in relation to the investment for the development and construction of Mirador Copper Mine Project in Ecuador was considered and approved at the fourteenth meeting of the second session of the Board in August 2012, pursuant to which the Company was agreed to provide guarantee of USD387 million, according to the shareholding proportion, for the loan applied by CRCC-Tongguan Investment Co., Ltd. As at 31 December 2016, the balance of actual guarantee amount was RMB1.0405 billion. The resolution in relation to the provision of guarantee for the loan advanced to CRCC Tongguan Investment Co., Ltd. by the Export-Import Bank was considered and approved in the 32nd meeting of the second session of the Board of the Company on 29 April 2014, pursuant to which it was agreed that a guarantee in proportion to its shareholding of 30% of USD0.0432 billion would be provided to CRCC-Tongguan Investment Co., Ltd. As at 31 December 2016, the balance of actual guarantee amount provided by the Company was RMB299.7 million in equivalence. The total of the two guarantee amounts above was RMB 1.3402 billion.

(III) *Entrusted others to manage cash assets*

1. Entrusted wealth management

<input type="checkbox"/> Applicable	<input checked="" type="checkbox"/> Not Applicable
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2. Entrusted loan

<input type="checkbox"/> Applicable	<input checked="" type="checkbox"/> Not Applicable
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3. Other investment and wealth management programmes and derivative investment

<input type="checkbox"/> Applicable	<input checked="" type="checkbox"/> Not Applicable
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Section VI Significant Events (continued)

(IV) Other Major Contracts

Applicable Not Applicable

1. Domestic business contract

Unit: one hundred million yuan Currency: RMB

No.	Date of contract/ successful bid- winning	Name of project	Contract amount/ bidding amount	Contracting party/ bid-winning units of the Company	Term of performance
1	15 January 2016	Investment + EPC General Contracting Agreement for Zunyi City High-Speed Railway New Town Construction Project	60	China Railway 11th Bureau Group Co., Ltd.	730 calendar days for planned construction period
2	21 January 2016	PPP Project of Xuzhou Urban Rail Transit Line 2 (Phase I)	169.79	China Railway Construction Corporation Limited (consortium)	Cooperation period of 25 years, including: construction period of 5 years and operation period of 20 years
3	21 January 2016	Chengdu IT Avenue Modern Tracked Tram and Municipal Renovation and Construction Project	37.01	China Railway Construction Corporation Limited	Construction period of 3 years
4	23 April 2016	Pujiang-Duijiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	355.59	A consortium comprising China Railway Group Limited and China Railway Construction Corporation Limited	Charges period of 29 years and 6 months
5	28 April 2016	Section I (JQSG-1) of the main construction works of the reconstruction and expansion project of Jinan-Qingdao Expressway	34.042	A consortium comprising China Railway 14th Bureau Group Co., Ltd. and Shandong Luzhifeng Co., Ltd.	42 months
6	25 May 2016	PPP Project of Ningxia Shizuishan Guyuan Inter-city Rail (Wuzhong to Zhongwei Section)	136.15	China Railway Construction Corporation Limited	28 months for planned construction period
7	25 May 2016	PPP Project of Rail Transport Line 5 in Kunming City	213.51	A consortium comprising China Railway Construction Corporation Limited and China Railway Siyuan Group Investment Co., Ltd.	Construction period of 48 months
8	30 June 2016	Urumqi Metro Line No. 2 (Phase I) PPP Project	162	A consortium comprising China Railway Construction Corporation Limited, Beijing Infrastructure Investment Co., Ltd. and Beijing Rail Transit Construction and Management Co., Ltd.	Cooperation period of 35 years, including: construction period of 5 years and operation period of 30 years
9	24 August 2016	General construction contracting for Sections YX-SG-ZQ1, YX-SG-ZQ2, YX-SG-ZQ3 and YX-SG-ZQ5 of the pre-construction work of Yinchuan-Xi'an Railway (Gansu-Ningxia Section)	96.8646	China Railway 12th Bureau Group Co., Ltd., China Railway 22nd Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd. and China Railway 21st Bureau Group Co., Ltd.	52 months
10	1 September 2016	Chongqing Hechuan-Sichuan Anyue Expressway (Chongqing Section)	92.78	A consortium comprising China Railway Construction Corporation Limited and Chongqing Expressway Group Co., Ltd.	Construction period of 3 years and charges period of 29 years and 8 months
11	1 September 2016	Chongqing Hechuan-Bishan-Jiangjin Expressway	120.89	A consortium comprising China Railway Construction Corporation Limited and Chongqing Expressway Group Co., Ltd.	Construction period of 4 years and charges period of 29 years and 8 months

Section VI Significant Events (continued)

No.	Date of contract/ successful bid- winning	Name of project	Contract amount/ bidding amount	Contracting party/ bid-winning units of the Company	Term of performance
12	29 September 2016	Wujiaba Tuqiao Area Class I Development Integration Project	150	A consortium comprising China Railway Construction Corporation Limited, China Railway Construction Kunlun Investment Co., Ltd. and CRCC Urban Construction Group Co., Ltd.	Construction period of 2 years and repayment period of 3 years
13	30 September 2016	PPP Project of Nanjing Jiangbei New District Comprehensive Pipeline Gallery Phase II	43.19	A consortium comprising China Railway Construction Corporation Limited and China Railway 17th Bureau Group Co., Ltd.	Cooperation period of 25 years, including: construction period of 5 years and operation period of 20 years
14	13 October 2016	PPP Project of Jiangxi Changning Industrial Park Longtongan New District Resettlement Housing and Infrastructure	34.28	China Railway 16th Bureau Group Co., Ltd.	Cooperation period of 10 years
15	26 October 2016	Financing and agent construction of Yibin-Bijie Expressway (Weixin to Zhenxiong Section) and Dongchuan - Gele to Qiaojiahulukou Expressway	287.2	A consortium comprising China Railway 11th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd. and Yunnan Highway Bureau Daoqiao Technology Engineering Company	Construction period of 45 months
16	28 October 2016	Investment, financing and construction project of Phase I and II of Line 6 of Chengdu Subway	176.3	China Railway Construction Corporation Limited	Approximately 4 years for planned construction period
17	9 November 2016	Ancillary municipal project of Shenzhen International Convention and Exhibition Center	59.34	China Railway Construction Corporation Limited	25 months
18	15 November 2016	PPP project of Attraction of Social Capital for the Beijing New Airport Express	149.94	A consortium comprising China Railway Construction Corporation Limited, China Railway 12th Bureau Group Co., Ltd., China Railway 14th Bureau Group Co., Ltd., Beijing Rail Transit Construction and Management Co., Ltd., Beijing Rail Transit and Traffic Operation and Management Co., Ltd., Beijing Urban Construction Group Co., Ltd., Beijing Municipal Road & Bridge Group Co., Ltd. and Beijing Municipal Construction Group Co., Ltd.	Construction period of approximately 35 months and concession period of 30 years

Section VI Significant Events (continued)

No.	Date of contract/ successful bid- winning	Name of project	Contract amount/ bidding amount	Contracting party/ bid-winning units of the Company	Term of performance
19	16 November 2016	PPP project of Qingdao Subway Line 4 Engineering	229.19	A consortium comprising China Railway Construction Corporation Limited, China Railway Construction Investment Group Co., Ltd., China Railway 11th Bureau Group Co., Ltd., China Railway 11th Bureau Group Electrical Engineering Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway 12th Bureau Group Electrical Engineering Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway Construction Bridge Electrical Engineering Co., Ltd., China Railway 14th Bureau Group Co., Ltd., China Railway 14th Bureau Group Electrical Engineering Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 17th Bureau Group Co., Ltd., China Railway 18th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 19th Bureau Group Electrical Engineering Co., Ltd., China Railway 20th Bureau Group Co., Ltd., China Railway 22nd Bureau Group Co., Ltd., China Railway 23rd Bureau Group Co., Ltd., China Railway 24th Bureau Group Co., Ltd., China Railway 25th Bureau Group Co., Ltd., China Railway Electrification Bureau Group Co., Ltd. and Qingdao Urban Construction and Development Group Co., Ltd.	Cooperation period of 25 years, including: construction period of 5 years
20	1 December 2016	The general construction contracting of Section PM-2 and Section PM-3 of the pre-construction work of Jianning-Guanzhai Mountain Section of the entire newly-built Pucheng-Meizhou Railway	30.8536	China Railway 11th Bureau Group Co., Ltd. and China Railway 17th Bureau Group Co., Ltd.	43 months, 33 months
21	1 December 2016	The general construction contracting of Section ZWZQ-5, Section ZWZQ-7, Section ZWZQ-6 and Section ZWZQ-3 of the pre-construction work of Hubei Section of the newly-built Zhengzhou-Wanzhou Railway	113.782	China Railway 11th Bureau Group Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway 18th Bureau Group Co., Ltd. and China Railway 19th Bureau Group Co., Ltd.	36/66 months, 66 months and 36 months
22	20 December 2016	The PPP project of Section LQTJ-1, Section LQTJ-2 and Section LQTJ-3 of the newly-built Southern Shandong High-speed Railway of Linyi-Qufu section	76.05	China Railway Construction Corporation Limited	Construction period of 48 months
23	23 December 2016	The cooperation project for Kunming (Fude Overpass) – Yiliang Expressway (Kunshi Double-line) between the government and social capital	172.57	A consortium comprising China Railway Construction Corporation Limited, China Railway 11th Bureau Group Co., Ltd., China Railway 15th Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 24th Bureau Group Co., Ltd. and China Railway Fourth Survey and Design Institute Group Co., Ltd.	Construction period of 3 years and operation period of 30 years

Section VI Significant Events (continued)

No.	Date of contract/ successful bid- winning	Name of project	Contract amount/ bidding amount	Contracting party/ bid-winning units of the Company	Term of performance
24	23 December 2016	The cooperation project for Qujing Sanbao to Kunming Qingshui Expressway (Kunming Section) between the government and social capital	109.48	A consortium comprising China Railway Construction Corporation Limited, China Railway 11th Bureau Group Co., Ltd., China Railway 15th Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 24th Bureau Group Co., Ltd. and China Railway Fourth Survey and Design Institute Group Co., Ltd.	Construction period of 3 years and operation period of 30 years
25	28 December 2016	Section GFHD-2 (Guangzhou South Railway Station – Baiyun Airport section) of Guangzhou-Foshan Circle Line of Inter-city Rail Transit in Pearl River Delta	54.69	A consortium comprising China Railway 14th Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 22nd Bureau Group Co., Ltd., China Railway 25th Bureau Group Co., Ltd., China Railway Construction Electrification Bureau Group Co., Ltd. and Guangdong No.2 Hydropower Engineering Company, Ltd.	1,680 calendar days

Section VI Significant Events (continued)

2. Overseas business contract

No.	Contract time	Name of project	Contract value	The Company's contracting entity	Time limit of performance
1	31 August 2016	Supplementary contract for Nigerian Railway Modernization Project (Kaduna-Kano Section)	USD1.685 billion	China Civil Engineering Construction Corporation	36 months
2	27 October 2016	Design, construction, supply, installation, completion, testing, commissioning and maintenance works of double electrified railways between Gemas and Johor Bahru in Malaysia	Malaysian ringgit 3.560 billion	China Railway Construction Corporation Limited	48 months
3	10 October 2016	Design and Construction Contract of Zambia Chipata via Petauke to Serenje Railway	USD2.26352 billion	China Civil Engineering Construction Corporation	4 years
4	6 December 2016	Engineering Procurement Construction (EPC) Contract of Thailand Ecological Agricultural Factory Project	Thai Baht 19.3563 billion	CRCC (Southeast Asia) Co., Ltd.	2 years

XVII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

Applicable Not Applicable

XVIII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

(I) The Work of the Listed Company on Poverty Alleviation

Applicable Not Applicable

1. Planning of taking targeted measures to help people lift themselves out of poverty

Basic principle: Conscientiously implementing a series of important instructions of General Secretary Xi Jinping, Premier Li Keqiang and other leaders on fixed-point poverty alleviation as well as the work arrangement of the State Council Leading Group Office of Poverty Alleviation and Development of China, following the working policy of "sincerely making great efforts on poverty alleviation, taking targeted measures to help people lift themselves out of poverty, achieving win-win results on poverty alleviation and making innovations on poverty alleviation", combining with the characteristics of the enterprise itself, adhering to the combination of government predominance and enterprise help, adhering to the combination of mutual benefit and poverty alleviation, adhering to the principle of combining whole advancement with key breakthroughs, promoting the work of taking targeted measures to help people lift themselves out of poverty, and resolutely winning the fight against poverty.

Section VI Significant Events (continued)

Overall objective: Working together with the local government to achieve “two ensuring”. By 2020, ensuring that the poor in the assisted areas will be out of poverty, and ensuring that the poor districts and counties in the assisted areas will be out of poverty.

Main tasks: Providing poverty alleviation aid to Shangyi County and Wanquan District in Zhangjiakou City; Shahukou Village in Youyu County, Shanxi Province; Jiaojiahe Village in Zhajiasuo Township and Zhongchuan Village in Zhongchuan Town, Huining County, Gansu Province; Songzha Village in Pangjia Township and Chenjiagou Village in Lichuan Town, Tanchang County, Gansu Province; Chean Village, Wushan County, Gansu Province; Dalu Village in Dubu Town, Yangshan County, Guangdong Province; Wutai Village, Ningshan County, Shaanxi Province; Dianjun District in Yichang City, and Yinmenghu Village in Langhe Town, Danjiangkou City, Hubei Province; Qianshan Township, Yiwu County, Xinjiang; Maye Village in Qinxu Township, Minxian County, Dingxi City, Gansu Province; Beiguan Village, Longxian County, Shaanxi; Xiadang School, Shouning County, Fujian Province; and other villages and schools.

Safeguard measures: Firstly, making vigorous efforts to lead and supervise the work of poverty alleviation. Strengthening the leadership responsibility system of poverty alleviation and development work, promoting the shift-down of the focus of the work, going deep into the realities of life, going deep into the grassroots, going deep into the masses, seriously studying the practical problems of poverty alleviation and development, and carrying out creative work. Ensuring that the poverty alleviation organization has been established, the system is complete, and the human, financial, and material resources are strongly guaranteed. Determining the subsidiaries which have good economic benefits and rich experience in poverty alleviation, making great efforts in supervision and inspection, and strengthening financial supervision so as to ensure the substantial progress of poverty alleviation.

Secondly, making vigorous efforts to select the cadres for the work of poverty alleviation. Comprehensively strengthening the construction of the leadership of poverty alleviation. Selecting outstanding young cadres who have good political and ideological quality, strong sense of responsibility and dedication, strong working ability and development potential to the assisted areas to take a temporary post (or to hold a post). Adhering to the combination of strict management and positive incentives, and strengthening the application of the results of the assessment on term objectives and annual targets so as to stimulate the enthusiasm of the work of poverty alleviation cadres.

Thirdly, deepening the work of poverty alleviation from multiple channels. Acting according to circumstances, and making joint efforts to construct precise, comprehensive and sustainable poverty alleviation system. Through the export of labor services, cultivating a great number of contract workers who have rich experience in construction and first-rate technical level so that the government and the enterprises can achieve win-win results and the masses can gain immediate benefits; winning poverty alleviation through intellectual skills, teaching the poor how to fish so that they can learn the skills of getting rich; winning poverty alleviation through export sales, purchasing the agricultural and sideline products and tooling from the assisted areas so that the local people can get benefits; constructing special breeding and planting bases so that the people in the areas where the bases are located can increase their income; increasing financial donations to help develop education and strengthening “one-on-one” partner assistance so as to truly achieve the precise allocation of poverty alleviation resources and the precise support for the poor families; transforming emergency livelihood facilities, and solving the difficult problems of the assisted areas.

Section VI Significant Events (continued)

2. Summary of annual targeted poverty alleviation

In 2016, the Company sent six young cadres for fixed-point poverty alleviation and partner assistance to Xinjiang and Tibet, and paid the funds of RMB3.855 million. The materials donated by the Company were equivalent to RMB3.3546 million. The Company helps 887 people who were on the records of the poor households to lift themselves out of poverty. The Company invested RMB5.73 million into 25 industrial poverty alleviation projects. The Company's precision-poverty relief measures were steadily advanced.

- (1) The Company attached great importance to the work of fixed-point poverty alleviation and made timely arrangement for it. After the working conference of fixed-point poverty alleviation, the Party Committee of the Company held a special meeting of the Standing Committee, specially passed and studied the spirit of the important instructions of General Secretary Xi Jinping, discussed and arranged a series of measures for promoting the work of poverty alleviation, and required the Company to comprehensively promote poverty alleviation and development as an important work while making vigorous efforts to deepen reform and development. The Company should take forceful steps and deliver tangible results, and, with more powerful measures, more effective organizing and more solid work, resolutely win the fight against poverty at the first year of the "13th Five-Year Plan". The leader of the Party Committee attached great importance to the work of poverty alleviation and made specific arrangements for it, sent personnel to reside in three counties for poverty alleviation so that all the students in the three counties can enjoy national excellent educational resources. By organizing the working team of the Education Bureau of Wanquan District in Zhangjiakou City to inspect Yunxiao, the working team of poverty alleviation facilitated Yunxiao (Beijing) Technology Co., Ltd. to provide over RMB7 million of education software to 21 primary and middle schools in Wanquan District for free, narrowing the teaching gap between Wanquan District and advanced regions. China Railway 21st Bureau Group Co., Ltd., a subsidiary of CRCC, set up the "leading group of double contact work". Party Secretary & Chairman and General Manager simultaneously served as the leader of the leading group of double contact work. The member of the leadership who is in charge of social undertakings shall be specifically responsible for double contact work. The major leaders and the leader in charge of social undertakings respectively went to the designated sister village in April, August, September and November to have a heart-to-heart talk with the poor villagers and understand their voice so as to formulate targeted assisting measures. The working practices of China Railway 21st Bureau Group Co., Ltd. on fixed-point poverty alleviation were widely publicized on xinhuanet.com, Gansu Daily as well as the websites of Gansu Agriculture Office and Gansu Provincial League Committee, as well as were recognized and awarded by Gansu Provincial CPC Committee and the People's Government of Gansu Province.
- (2) Acted according to circumstances and gave full play to the advantages of the enterprise itself. Poverty alleviation and assistance work in depend on precise measures, innovative practices and win-win results. In order to win the fight against poverty, we must adhere to improve the accuracy and effectiveness of poverty alleviation and assistance. In our work, we strove to find the "root causes of poverty", clarified the targets, formulated targeted measures and

Section VI Significant Events (continued)

found specific ways to solve problems so as to make substantial achievements in poverty alleviation. Firstly, formulated targeted measures to help people lift themselves out of poverty. According to the actual situation of the poor areas and combining with the enterprise characteristics of CRCC, the Company set up new labor service companies and housekeeping companies and supported for the existing construction companies. According to the principles of “strict management and good benefits, preferable employment of the poor, establishment of archives and cards as well as targeted persons”, the Company signed the labor subcontract of the project, enhanced the poor people’s ability of getting employed and increasing their income, and strove to achieve the working objective of “lifting one family out of poverty by employing one person”. Secondly, formulated innovative poverty alleviation measures. According to the guiding opinions of the enterprise on innovative poverty alleviation, China Railway 11th Bureau Group Co., Ltd. and China Railway 14th Bureau Group Co., Ltd., subsidiaries of CRCC, kept a foothold in resources endowment, respected the wishes of the masses, achieved poverty alleviation through the export of agricultural resources, the export of labor services and preferred projects. If a family had rich labor resources, they would help the family on finding jobs elsewhere. If a village had the conditions for exporting products, they would help the village to export products. If a person was poor or returned to poverty due to illness, they would help the person with the “project of pulling together in times of trouble”. They used the “Internet plus” means to comprehensively complete the poverty alleviation work in a three-dimensional way, and took the most effective measures to truly improve the effectiveness of poverty alleviation. In September, China Railway 11th Bureau Group Co., Ltd. placed a one-time order of RMB1 million for purchasing the agricultural and sideline products of Wanquan District such as fresh corn, oats, buckwheat and selenium enriched rice. The Group specially invited Hebei Wanquan Mine Machinery Factory to participate in equipment bidding. Through bidding, the Factory successfully won the bid of RMB500,000 of supply contract of crusher equipment for Yuxi-Mojiang Railway Project of the fourth company. At the beginning of 2016, China Railway Fifth Survey and Design Institute Group Co., Ltd., which was responsible for the poverty alleviation of Nanchaonian Village in Xiamajuan Township, Shangyi County, Zhangjiakou City, on the basis of timely contributing RMB500,000 of poverty alleviation funds, directly or indirectly invested RMB1.7 million of poverty alleviation funds, which directly assisted 150 people and lifted 106 families out of poverty. With the help of “Internet plus”, the Group set up the micro shop “micro agricultural hometown” to help farmers sell high-quality agricultural farm and sideline products; gave full play to its resources and technical advantages of the planning and design in green building, ecological garden, municipal road and other aspects, provided preliminary planning consultation for Nanchaonian Village to build “a beautiful village”, and laid a foundation for the implementation of the construction in the next step so that the green hills and clear waters would produce endogenous economic momentum of “gold and silver mountains”. According to the market price, the Group successively invested RMB870,000 of personnel and materials resources. The head office of China Railway Fifth Survey and Design Institute Group Co., Ltd. organized education-supporting team to the Central Primary School of Xiamajuan Township to carry out

Section VI Significant Events (continued)

education-supporting activities; the poverty alleviation cadres involved in compiling the “Annals of Nanchaonian Village”, and undertook the research and development of mobile phone APP “Wisdom Shangyi”; assisted to establish Nanchaonian Village Housekeeping Company to recruit cleaning and sanitation, catering services, security and other service employees for Beijing, Tianjin, Shanxi, Inner Mongolia and other places, so as to achieve the objective of lifting one family out of poverty by assisting one person in the export of labor services. Thirdly, formulated win-win poverty alleviation measures. The Company adhered to “sharing and win-win” ideas, worked together with local government, combined with local economic and social development plan, clearly defined the priorities of poverty alleviation, improved poverty alleviation mechanism, and formulated poverty alleviation plan. By assisting poor areas to export labor services and resources, China Railway 11th Bureau Group Co., Ltd. created employment opportunities, increased local taxes, and achieved poverty alleviation objectives; replenished the ability of enterprise construction, trained backbone construction team, and, by working together with local government to fight against poverty, formed mutually beneficial and win-win situations. Wanquan District exported three labor services teams composed of 70 people for Wuhan-Shiyan passenger rail line, Yinchuan-Xi’an passenger rail line and other projects. Shangnong Labor Services Company has been set up, which is registered by Shangyi County Urban Investment Company and is contributed with initial RMB1 million by China Railway 14th Bureau Group Co., Ltd., a subsidiary of CRCC. In the next step, Shangnong Labor Services Company should strengthen the mobilization and organization of contract workers, make efforts on labor export training, improve the employment skills of exported services, and become a “thorough train” of labor services export for China Railway 14th Bureau Group Co., Ltd. China Railway 14th Bureau Group Co., Ltd. also signed the directional training framework agreement with the Vocational Education Center of Shangyi County, for the special purpose of training professional talents who meet the requirements of China Railway 14th Bureau Group Co., Ltd. Within two years, they plan to build the Vocational Education Center of Shangyi County into the labor training base of China Railway 14th Bureau Group Co., Ltd. so as to conduct ordered directional training. China Railway Construction Business Management Co., Ltd., a subsidiary of CRCC, invested a total of RMB300,000 to harden the village roadways of 500 square meters and to reconstruct broken walls of 500 meters for Sunjiaxiaozhuang Village in Gelei Zhuang Town; subsidized RMB50,000 to fill the financing gap for drilling two new motor-pumped wells for Sanlizhuang Village in Jiubao Township; and distributed RMB50,000 to the poor families during the festivals. Zhangjiakou Wantie Trading Co., Ltd. has been set up, which opens up the green channel between Beijing and Wanquan for the sale of agricultural and sideline products so that the local green products can enter into Beijing communities. On the one hand, the assisting organization can eat fresh pollution-free vegetables; on the other hand, the problems of poverty alleviation for some employees and poor families are solved. As of December 2016, China Railway Construction Business Management Co., Ltd. and its subsidiaries worked together with Zhangjiakou Wantie Trading Co., Ltd. to sell 15 batches of grains, vegetables and livestock products, which were specially distributed to the dining hall of CRCC head office, the large dining hall of CRCC and east Yuquan Market and were retailed to the communities of CRCC head office, with total sales of 36.9 tons and a value of nearly RMB200,000.

Section VI Significant Events (continued)

- (3) Stressed the priorities to ensure the implementation of fixed-point poverty alleviation tasks. In most of the regions where the Company undertakes poverty alleviation and assistance, the ecological environment is fragile; the living conditions are poor; natural disasters happen from time to time; infrastructure and social undertakings seriously lag behind; people's education level is low; and the problem of poverty is regional, comprehensive and universal. These are "tough issues", "deep-water zones" and "fighting areas". According to the requirements of the central authorities and the spirit of relevant meetings, when studying and formulating the work on fixed-point poverty alleviation, the Company focuses on promoting the following work. Firstly, making efforts to implement the responsibilities. For CRCC's subsidiaries, including China Railway 11th Bureau Group Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway 14th Bureau Group Co., Ltd., China Railway 20th Bureau Group Co., Ltd., China Railway Fifth Survey and Design Institute Group Co., Ltd. and China Railway Construction Business Management Co., Ltd., which implement partner assistance, the Party Committee shall fulfill the main responsibility for fixed-point poverty alleviation. The main leaders of the Party Committee and the management shall take the lead in making arrangements, residing in the assisted areas, conducting investigation and inspecting and supervising. Secondly, making efforts to select cadres to take temporary posts. According to the needs of poverty alleviation in the assisted areas, on the basis of sending one Party secretary to reside in the village in each county, the top three powerful group companies shall respectively send one temporary deputy Party secretary or vice governor of the county for poverty alleviation. Each responsible unit shall determine one liaison staff for poverty alleviation. The following way shall be adopted: the group company shall contact with the county, the engineering company shall contact with the township, and the project department shall contact with the village, so as to strengthen the forces for the work of fixed-point poverty alleviation. Thirdly, making efforts on performance evaluation. In accordance with the standards for lifting the poor out of poverty, the Company shall improve the evaluation system, detail the measures for implementing evaluation, assign adequate personnel for evaluation, and give full play to the supervisory role of evaluation. Fourthly, making efforts to create atmosphere and to conduct publicity and interpretation. The Company shall clearly explain the facing situation, the basic principle as well as the policies and opportunities. The cadres of taking temporary posts who have made outstanding achievements shall be recognized, awarded and promoted so as to enhance morale, to promote fighting will and to form powerful joint efforts for poverty alleviation.

Section VI Significant Events (continued)

3. Statistical table of the listed company on 2016 targeted poverty alleviation

Unit: ten-thousand yuan Currency: RMB

Indicator	Quantity and implementation												
I. Overall situation													
Including: 1. Funds	385.5												
2. Amount of money converted from materials	335.46												
3. Number of the people lifted out of poverty, who were on the records	887												
II. Itemized investments													
1. Lifting the poor out of poverty through industrial development													
Including: 1.1 Types of industrial poverty alleviation projects	<table border="1" style="border-collapse: collapse;"> <tr> <td style="text-align: center;">✓</td> <td>Poverty alleviation in agriculture and forestry industry</td> </tr> <tr> <td style="text-align: center;">□</td> <td>Poverty alleviation in tourism</td> </tr> <tr> <td style="text-align: center;">✓</td> <td>Poverty alleviation in e-commerce</td> </tr> <tr> <td style="text-align: center;">□</td> <td>Poverty alleviation in assets profit</td> </tr> <tr> <td style="text-align: center;">✓</td> <td>Poverty alleviation in science and technology</td> </tr> <tr> <td style="text-align: center;">✓</td> <td>Others</td> </tr> </table>	✓	Poverty alleviation in agriculture and forestry industry	□	Poverty alleviation in tourism	✓	Poverty alleviation in e-commerce	□	Poverty alleviation in assets profit	✓	Poverty alleviation in science and technology	✓	Others
✓	Poverty alleviation in agriculture and forestry industry												
□	Poverty alleviation in tourism												
✓	Poverty alleviation in e-commerce												
□	Poverty alleviation in assets profit												
✓	Poverty alleviation in science and technology												
✓	Others												
1.2 Number of industrial poverty alleviation projects	25												
1.3 Amount invested in industrial poverty alleviation projects	573												
1.4 Number of the people lifted out of poverty, who were on the records	887												
2. Lifting the poor out of poverty through finding jobs elsewhere													
Including: 2.1 Amount invested in vocational skills training	0.5												
2.2 Number of the poor received vocational skills training	91												
2.3 Number of the poor on the records who are helped to get employed	15												
3. Lifting the poor out of poverty through relocation:													
4. Lifting the poor out of poverty through education													
Including: 4.1 Amount invested for helping the poor students	8.2												
4.2 Number of the poor students who are funded	72												
4.3 Amount invested for improving educational resources in poor areas	26.8												
5. Lifting the poor out of poverty through better health care													

Section VI Significant Events (continued)

Indicator	Quantity and implementation
6. Poverty alleviation through ecological protection Including: 6.1 Project title	<input checked="" type="checkbox"/> Ecological protection and construction <input type="checkbox"/> Establishing Compensation Mode of Ecological Protection <input type="checkbox"/> Establish ecological public welfare post <input type="checkbox"/> Others
6.2 Amount invested	50
7. Guaranteeing basic living standard for people unable to work	
8. Social poverty alleviation	
9. Other projects	
Including: 9.1. Number of projects	5
9.2. Amount invested	100
9.4. Explanation for other projects	Drinking water projects for people and animals, the construction of the road to the relocation resettlement site, conveying greetings to the five guarantees family and the poor people, partner assistance to the migrants from Three Gorges area who are living in Dianjun District in Yichang City, and selling agricultural products
III. Honors (contents and levels) China Railway 21th Bureau Group Co., Ltd. won the "Minxin Award" of the provincial government and provincial government Comrade Chen Feng was rated as Excellent First Secretary by Hebei Organization Department China Railway First Investigation and Design Institute Group Co., Ltd. is assessed as "Excellent" in Shaanxi Province in 2016.	

4. Subsequent targeted poverty alleviation plan

In 2017, we will conscientiously conduct our targeted poverty alleviation work be in accordance with the requirements of Poverty Alleviation Office of the State Council and those of the CPC Committee of the SASAC, with the view of making our due contributions to the realization of the goals for poverty alleviation with more robust measures, more effective organization, greater perseverance and more practical work and through better organization. To be specific, we will invest a total of CNY 8.14 million for civil projects, education assistance and support for sectors of special local characteristics in Wanquan District and Shangyi County, Zhangjiakou city, Hebei Province and Gande County, Qinghai Province.

Section VI Significant Events (continued)

Firstly, we will enhance the supervision of the work and develop detailed measures. We will deepen the understanding and enhance power in thought and organization. Key leaders of share companies of the Group will personally participate in the poverty alleviation work and the enterprises appointed for the detailed work will conscientiously implement the plans with the view ensuring the establishment of a complete supervision system and the supports in terms of personnel, financial and material arrangements for the work. We will conduct in-depth research with the view of better establishing the targets of poverty alleviation work, more specific measures and better use of the resources. We will seek to help the registered target population to increase their income and get alleviated from poverty. We will formulate precise assistance plan, allocate resources, launch programs and use the funds in accordance with the reality of the registered poor villages and families. We will fully mobilize the enthusiasm, proactivity and creativity of the poor villages and families to motivate the endogenous driving force.

Secondly, we will continue to select and make the best use of the best cadres for poverty alleviation work. We will select cadres of sound political quality, excellent innovation capacities, sound work status and strong will to work through a rigorous process and make the best of the knowledge, skill and resource advantages of our selected cadres so that they can practically solve problems confronting the targeted poor areas. The poverty alleviation work performance will be considered as an important basis for the selection and appointment of cadres, with the view of strengthening the incentive measures and fully mobilizing their enthusiasm for the work.

Thirdly, we will innovate our modes of assistance and support to improve the efficiency of our poverty alleviation work. We will continue to connect the advantages of enterprises and the reality of the targeted areas and optimize our work mechanism, focusing on the development of the independent poverty alleviation capacities. We will further improve the precision and efficiency of our targeted support work. For examples, we will train and recruit workers for our construction enterprises, place orders for the farming produces and work suits from the targeted areas and build breeding and planting bases. We will realize precise allocation of resources and precise assistance to poor families through educational donation and one-on-one support programs. We will transform poor local dwelling quarters, schools and homes for the elderly and other facilities to meet the urgent needs of the target areas. In short, we will implement all effective measures to win the battle of poverty alleviation.

(II) Activities in social responsibilities

Applicable Not Applicable

2016 Social Responsibility Report of CRCC is published on the websites of the Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.crcc.cn).

(III) Explanation for the environment protection of the companies and their subsidiaries which belong to the key pollutant discharging units announced by the environmental protection department

Applicable Not Applicable

(IV) Other Explanation

Applicable Not Applicable

Section VI Significant Events (continued)

XIX. CONVERTIBLE BONDS

(I) Issuance of convertible bonds

Applicable Not Applicable

1. As of the disclosure date of this report, the Company did not issue A share convertible corporate bonds.
2. Matters in relation to the issuance of H share convertible bonds by the Company

In 2016, the Company issued two tranches of H share convertible bonds in total as follows.

(1) Issuance of USD500,000,000 zero coupon convertible bonds due 2021

On 29 January 2016, the Company issued the H share convertible bonds at an aggregate principal amount of US\$500,000,000 (hereinafter referred to as “USD H Share Convertible Bonds”), which will due on 29 January 2021, with a par value of US\$250,000 each and were issued at 100% of its par value with zero coupon. The initial conversion price of the convertible bonds is HK\$10.30 per H share, and the adjusted conversion price is HK\$10.15 per H share. The subscribers are not less than six independent placees (each of who is independent individual, enterprise and/or institutional investor). Calculated based on the net proceeds from the issuance of the USD H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable in connection with this offering, the net price for each share to be converted will be approximately HK\$10.07 (at the pre-determined exchange rate of US\$1.00 = HK\$7.7944). The last closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 18 January 2016 (being the trading day on which the subscription agreement was signed) is HK\$7.49 per H share and the last closing price as quoted on the Hong Kong Stock Exchange on 19 July 2016 (being the effective date of the abovementioned adjusted conversion price) is HK\$9.39 per H share. The proceeds from the issuance of the USD H Share Convertible Bonds were intended to be used for, among others, domestic and overseas projects investment, merger and acquisition, capital contribution and replenishment of working capital for domestic and overseas construction projects, replenishment of working capital of the Company and repayment of bank loans. As of 31 December 2016, all proceeds from the abovementioned issuance of the USD H Share Convertible Bonds have been used for replenishment of working capital of the Company and repayment of domestic and overseas bank loans.

(2) Issuance of RMB3.450 billion USD settled 1.5% convertible bonds due 2021

On 21 December 2016, the Company issued the RMB3.450 billion USD settled 1.5% convertible bonds (hereinafter referred to as “RMB H Share Convertible Bonds”), which will due in 2021 and can be converted into H shares of the Company. The bonds were issued in registered form in minimum denominations of RMB2,000,000 each and integral multiples of RMB1,000,000 in excess thereof. The aggregate issuance price represented 100% of the principal

Section VI Significant Events (continued)

amount of the bonds. The subscribers are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). The initial conversion price of the RMB H Share Convertible Bonds is HK\$13.7750 per H share. Calculated based on the net proceeds from the issuance of the RMB H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable in connection with this offering, the net price for each share to be converted will be approximately HK\$13.62 (for reference purpose only, at the exchange rate of US\$1.00 = HK\$7.73). The last closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 7 December 2016 (being the trading day on which the subscription agreement was signed) is HK\$11.02 per H share.

The proceeds from this issuance of the RMB H Share Convertible Bonds were intended to be used for, among others, domestic and overseas projects investment, merger and acquisition, capital contribution and replenishment of working capital for domestic and overseas construction projects, replenishment of working capital of the Company and repayment of bank loans. As of 31 December 2016, the remaining proceeds from the abovementioned issuance of the RMB H Share Convertible Bonds were US\$496 million (including the outstanding issuance fees of US\$5.04,000).

For more details, please see relevant announcements published on 3 June 2015, 29 October 2015, 30 October 2015, 19 January 2016, 28 January 2016, 8 December 2016 and 21 December 2016, respectively, on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn), respectively.

(II) **Holders and guarantors of convertible bonds during the Reporting Period**

Applicable Not Applicable

The USD H Share Convertible bonds of an amount of US\$500 million issued by the Company on 29 January 2016 and the RMB H Share Convertible Bonds of an amount of RMB3.45 billion issued by the Company on 21 December 2016 were held by The Hong Kong and Shanghai Banking Corporation Limited, the trustee on behalf of the Company with no guarantee provided. Pursuant to the relevant requirements of the H share convertible bonds, information of the bondholders was only recorded in the clearing system. No customers' information was allowed to be disclosed by the trustee to any third parties without the authorization from the customers.

(III) **Changes in convertible bonds during the Reporting Period**

Applicable Not Applicable

Accumulated conversion of convertible bonds during the Reporting Period

Applicable Not Applicable

Section VI Significant Events (continued)

(IV) Previous adjustments to conversion price

Applicable Not Applicable

1. Previous adjustments to the conversion price of US\$500,000,000 USD H Share Convertible Bonds

Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2016	10.15	18 July 2016	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and our corporate website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2015
The latest conversion price as of the end of Reporting Period				10.15

2. No adjustment has been made to the initial conversion price of RMB3.45 billion RMB H Share Convertible Bonds.

(V) The Company's liabilities, creditworthiness and availability of cash for repayment of debts in future years

Applicable Not Applicable

During the Reporting Period, there was no significant change in the Company's liabilities and creditworthiness. Credit rating granted by all credit rating agencies to the Company remained unchanged. The initial conversion price of the issuance of the convertible bonds of the Company was HK\$10.30 (adjusted conversion price: HK\$10.15) and there were several trading days the closing price of which exceeding the initial conversion price during the Reporting Period, and no investor has demanded for conversion, which illustrated the high value of the conversion price of the issuance of the Company's convertible bonds and the investors were willing strongly to hold the Company's convertible bonds. The USD H Share Convertible Bonds with US\$500,000,000 issued by Company bore zero coupons, while the RMB H Share Convertible Bonds with RMB3.45 billion, which are settled in USD, bore a coupon of 1.5%, which is far lower than that of the U.S. dollar bond with the same rating in the market. Hence, the investors are possibly not to hold the bonds for principal to maturity. Even though the holders hold such bonds to maturity, the Company is fully capable of redeeming in cash due to its sufficient cash flows and the plenty of credit granted by the banks.

Section VI Significant Events (continued)

(VI) Other description of convertible bonds

Applicable Not Applicable

1. Dilution impact of H Share Convertible Bonds on shares

(1) Dilution impact of USD H Share Convertible Bonds on shares

As at the end of the Reporting Period, the outstanding principal amount of USD H Share Convertible Bonds was US\$500 million. If all outstanding USD H Share Convertible Bonds are converted based on the adjusted conversion price (HK\$10.15 per H share), the maximum total number of H shares to be issued by the Company will be 383,960,591 H shares (based on the pre-determined exchange rate of US\$1.00 to HK\$7.7944). The Company will have sufficient general mandate to issue the shares upon full conversion to the maximum number of H shares.

The table below sets forth the changes in shareholding structure of the Company if the USD H Share Convertible Bonds had been fully converted as at the end of the Reporting Period:

Shareholders	Class of shares	No conversion of any USD H Share Convertible Bonds		If USD H Shares Convertible Bonds were fully converted based on the adjusted conversion price of HK\$10.15 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
CRCCG	A share	7,567,395,500	55.73	7,567,395,500	54.19
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	28.19
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,460,256,591	17.62
Total	-	13,579,541,500	100.00	13,963,502,091	100.00

Note: Including the H shares held by National Council for Social Security Fund.

Section VI Significant Events (continued)

(2) Dilution impact of RMB H Share Convertible Bonds on shares

As at the end of the Reporting Period, the outstanding principal amount of RMB H Share Convertible Bonds was RMB3.45 billion. If all outstanding RMB H Share Convertible Bonds are converted based on the initial conversion price (HK\$13.7750 per H share), the maximum total number of H shares to be issued by the Company will be 281,471,927 H shares (based on the fixed exchange rate of RMB0.8898 to HK\$1.00). The Company will have sufficient general mandate to issue the shares upon full conversion to the maximum number of H shares.

Shareholders	Class of shares	No conversion of any RMB H Share Convertible Bonds		If RMB H Shares Convertible Bonds were fully converted based on the initial conversion price of HK\$13.7750 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
CRCCG	A share	7,567,395,500	55.73	7,567,395,500	54.59
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	28.40
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,357,767,927	17.01
Total	-	13,579,541,500	100.00	13,861,013,427	100.00

Note: Including the H shares held by National Council for Social Security Fund.

As integrated above, diluted earnings per share as calculated were RMB1.01 per share. For analysis of the impact of dilution of earnings per share, please refer to Note V “61. Earnings per share” to the financial report in this report.

2. Accounting for H Share Convertible Bonds

(1) Accounting of USD H Share Convertible Bonds

The Group evaluated the fair value of such bonds as at the date of issuance and separated the liability component and financial derivative component for the convertible bonds. In the separation, the initial recognition of financial derivatives is made at the fair value, whereas the total issuance amount shall deduct the initially recognized amount of the portion of financial derivatives recognized as liabilities. The transaction fee of the issuance of such bonds will be allocated to the liability component and the derivative component based on their respective fair values.

For the liability component, the Group conducted subsequent calculation through effective interest method according to the initial recognition amount during the term of the bonds based on the amortized cost, and carried out revaluation based on the then exchange rate at the end of the period.

For the derivative component, as at 31 December 2016, the Group revaluated the fair value of the derivatives. The increase of US\$38,313,000 in derivatives will be recognized through profit or loss.

Section VI Significant Events (continued)

(2) Accounting for RMB H Share Convertible Bonds

The RMB H Share Convertible Bonds issued by the Company contain a liability and an equity component according to their terms. On initial recognition, the liability component is separated from the equity component.

The Group evaluated the fair value of such bonds as at the date of issuance and separated the liability component and equity instruments component for the convertible bonds. In the separation, the initial recognition of liability component is made at the fair value, whereas the total issuance amount shall deduct the initially recognized amount of the portion of liability component recognized as equity; the transaction fees will be allocated on a pro rata basis based on the fair price of the allotment of liability component and equity component at the initial recognition. Transaction fees associated with liability component will be recognized as liability whereas transaction fees associated with equity component will be recognized as other equity instruments. See details in the Note V. “43. Other equity instruments” of the Financial Reports attached to this Report.

For the liability component, the Group conducted subsequent calculation through effective interest method according to the initial recognition amount during the term of the bonds based on the amortized cost. The equity component is not remeasured in subsequent years.

XX. USE OF PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES OF THE COMPANY

According to the resolutions passed at 2015 first extraordinary general meeting, 2015 first A share class meeting and the 2015 first H share class meeting held by the Company on 5 February 2015, the “Reply to Certain Matters in Relation to the Non-public Issuance of A Shares of China Railway Construction Corporation Limited” (《關於中國鐵建股份有限公司非公開發行A股股票有關問題的批覆》) (Guo Zi Chan Quan [2015] No. 31) from the State-owned Assets Supervision and Administration Commission and the “Reply to the Non-public Issuance of Shares of China Railway Construction Corporation Limited” (《關於核准中國鐵建股份有限公司非公開發行股票的批覆》) (Zheng Jian Xu Ke [2015] No. 1412) from CSRC, the Company issued a total of 1,242,000,000 ordinary shares (A shares) denominated in Renminbi to targeted investors under non-public issuance at the issue price of RMB8.00 per share. As of 13 July 2015, the actual proceeds received by the Company under this non-public issuance amounted to RMB9.936 billion and the net proceeds amounted to RMB9.823 billion after deducting various issuance expenses. Ernst & Young Hua Ming LLP had conducted inspection on the receipt of proceeds by the Company and issued an Asset Inspection Report (Ernst & Young Hua Ming (2015) Yan Zi No. 60618770_A02). As of 31 December 2016, the interest accrued on proceeds deposited with banks (after deducting bank charges) amounted to an aggregate of RMB0.018 billion. The utilized proceeds of the Company amounted to RMB1.510 billion for the year with an accumulated gross proceeds used amounting to RMB9.840 billion (including the use of idle proceeds to temporarily replenish the working capital of RMB1.5 billion) and a balance of unutilized proceeds of RMB0.001 billion (including the interest accrued on proceeds deposited with banks after deducting bank charges). For details of the use of proceeds, please see the Special Report in Relation to Repository for and Actual Use of Proceeds of China Railway Construction Corporation Limited disclosed by the Company on the same day. As of 31

Section VI Significant Events (continued)

December 2016, the use for net proceeds from the aforementioned non-public issuance of A shares is as follows:

Unit: one hundred million yuan Currency: RMB

Proposed use of proceeds as disclosed in the circular dated 20 January 2015	Proposed investment amount from the proceeds as disclosed in the circular dated 20 January 2015	Actual utilized amount as of 31 December 2016	Unutilized amount as of 31 December 2016
Chongqing Rail Transit Construction BT Project (Phase II) (重慶市軌道交通環線二期工程BT項目)	25	25	0
Xiaohuilou to Shijiazhuang section of Phase I BT project of the Rail Transit Line 3 in Shijiazhuang (石家莊市城市軌道交通3號線一期小灰樓站至石家莊站工程BT項目)	18	9.34	8.66
Chengdu Subway Line 10 Construction BT Project (Phase I) (成都市地鐵10號線一期工程BT項目)	16	10.81	5.19
Xiajin-Liaocheng section of BOT project of Dezhou-Shangqiu Expressway (德州至商丘高速公路夏津至聊城段BOT項目)	12	10.94	1.06
Repayment of bank loans and replenishment of working capital	Not more than 28.36	27.30	0
Total	98.23	83.39	14.91

XXI. SUBSEQUENT EVENTS

(I) **The matter concerning the change of the external auditor**

The Company has hired Ernst & Young Hua Ming LLP to provide audit services for the Company for 10 years. In order to ensure the objectivity and independence of external auditors, the Company proposed to change it. From 16 January to 17 January of 2017, the Company held the 38th meeting of the 3rd session of Board to consider and approve the Proposal in relation to the Proposed Change in the External Auditor for 2017. The Company proposed to hire Deloitte & Touche LLP as the Company's external auditor for 2017, which will audit 2017 annual financial statements of the Company and review 2017 interim financial statements. Meanwhile, the Company proposed to hire Deloitte & Touche LLP as the internal control auditor for 2017. The charges for auditing 2017 annual report of the Company and related service charges will be RMB25.38 million. The charges for 2017 annual internal control audit and related service charges will be RMB2.16 million. The matter concerning the change of the external auditor needs to be submitted to the general meeting for consideration and approval.

For details, please refer to the announcement of the Company dated 18 January 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section VI Significant Events (continued)

(II) Matter in relation to the resigning of the Framework Agreement on Mutual Provision of Services with CRCC Financial Leasing Co., Ltd.

It is anticipated that due to the development of the leasing business of the Company, the annual cap scheduled for the year 2017 and 2018 under the Framework Agreement on Mutual Provision of Services signed in 2016 will not meet the needs of business development. The Company has adjusted the trading business contents with CRFL and rescheduled the annual cap. Through the consideration by the thirty-ninth meeting of the third session of the board of directors from March 29 to March 30 of 2017, the Company and CRFL signed a new Framework Agreement on Mutual Provision of Services, effective from 1 January 2017 to 31 December 2019. The proposal is subject to be submitted to the Company's 2016 annual shareholders' meeting for approval.

For details, please refer to the announcement of the Company dated 31 March 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section VII Changes in Ordinary Shares and Particulars of Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary shares

1. Table of changes in ordinary shares

Unit: share

	Before Change		Increase or decrease of this change (+, -)					After this change	
	Quantity	Percentage (%)	Issue of new shares	Bonus share	Conversion from reserves	Others	Subtotal	Quantity	Percentage (%)
I. Shares subject to trading moratorium	1,242,000,000	9.15	-	-	-	-1,242,000,000	-1,242,000,000	0	0
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	184,500,000	1.36	-	-	-	-184,500,000	-184,500,000	0	0
3. Other domestic shares	1,057,500,000	7.79	-	-	-	-1,057,500,000	-1,057,500,000	0	0
Of which: Domestic									
non-state-owned									
legal person shares	1,057,500,000	7.79	-	-	-	-1,057,500,000	-1,057,500,000	0	0
Domestic natural									
person shares	-	-	-	-	-	-	-	-	-
4. Foreign shares	-	-	-	-	-	-	-	-	-
Of which: Overseas legal person									
shares	-	-	-	-	-	-	-	-	-
Foreign natural person									
holding	-	-	-	-	-	-	-	-	-
II. Circulating shares not subject to trading moratorium	12,337,541,500	90.85	-	-	-	1,242,000,000	1,242,000,000	13,579,541,500	100
1. RMB ordinary shares	10,261,245,500	75.56	-	-	-	1,242,000,000	1,242,000,000	11,503,245,500	84.71
2. Foreign shares listed domestically	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	2,076,296,000	15.29	-	-	-	-	-	2,076,296,000	15.29
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	13,579,541,500	100	-	-	-	-	-	13,579,541,500	100

2. Particulars of changes in ordinary shares

Applicable Not Applicable

For the 1,242,000,000 ordinary shares issued by the Company under non-public issuance on 16 July 2015, the restrictions on tradings were lifted on 18 July 2016.

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

3. Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share within the year or the period

Applicable Not Applicable

4. Other discloseable contents that the Company deemed necessary or were required by security regulatory authorities

Applicable Not Applicable

(II) Changes in shares subject to trading moratorium

Applicable Not Applicable

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Number of shares increased subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reason for trading moratorium	Release date of trading moratorium
Caitong Fund Management Co., Ltd	267,500,000	267,500,000	0	0	Non-public issuance	18 July 2016
Everbright Pramerica Fund Management Co., Ltd.	163,750,000	163,750,000	0	0	Non-public issuance	18 July 2016
Chang'an Funds Management Co., Ltd	126,250,000	126,250,000	0	0	Non-public issuance	18 July 2016
Anhui Expressway Construction Investment Co., Ltd	125,000,000	125,000,000	0	0	Non-public issuance	18 July 2016
Bosera Funds Management Co., Ltd	125,000,000	125,000,000	0	0	Non-public issuance	18 July 2016
Kuo Hua Life Insurance Co., Ltd.	125,000,000	125,000,000	0	0	Non-public issuance	18 July 2016
Huaxia Life Insurance Co., Ltd.	125,000,000	125,000,000	0	0	Non-public issuance	18 July 2016
SMS MU (Shanghai) Fund Management Co., Ltd	125,000,000	125,000,000	0	0	Non-public issuance	18 July 2016
China Great Wall Asset Management Corporation	29,750,000	29,750,000	0	0	Non-public issuance	18 July 2016
China Life Insurance Co., Ltd.	29,750,000	29,750,000	0	0	Non-public issuance	18 July 2016
Total	1,242,000,000	1,242,000,000	0	0	/	/

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

Applicable Not Applicable

Unit: share Currency: RMB

Types of shares and derivative securities thereof	Date of issue	Issue price (or interest rate)	Amount to be issued	Date of Listing	Number of the approved transactions	Date of transaction termination
Convertible corporate bonds, warrant bonds and corporate bonds						
The 2016 renewable corporation bond (Term I)	29 June 2016	3.53%	8 billion	22 July 2016	8 billion	
USD500,000,000 Zero Coupon Convertible Bonds Due 2021	29 January 2016	0	USD0.5 billion	1 February 2016	USD0.5 billion	29 January 2021
Convertible bonds with RMB3.45 billion with 1.5% coupon rate due 2021	21 December 2016	1.5%	3.45 billion	22 December 2016	3.45 billion	21 December 2021

Notes on issuance of securities during the Reporting Period (please specify respectively for the bonds with different interest rate in the duration):

Applicable Not Applicable

With the approval of the official writing reply of CSRC “Zheng Jian Xu Ke [2016] No. 1337”, the Company may publicly issue to qualified investors the renewable corporate bonds with a face value of no more than RMB15 billion (including RMB15 billion), which will be issued by installment. The work of issuing 2016 renewable corporate bonds (term I) of CRCC ended on 29 June 2016. The final issuance size was RMB8 billion. The final coupon rate for the first period was 3.53%. The initial benchmark interest rate was 2.69%. The initial spread was 0.84%. The bonds of this term were listed in Shanghai Stock Exchange on 22 July 2016.

On 18 January 2016 (after the trading hours), the Company and the joint lead managers entered into a subscription agreement for issuing a Zero Coupon Convertible Bond at US\$500 million, of which the conversion rights will be expired on 29 January 2021. Under the terms and conditions, based on the initial conversion price of HK\$10.30 per H share (which can be adjusted), the bonds can be converted to the shares of H share with a face value of RMB1.00 per share in the capital stock issued by the Company. The bond was listed in the Hong Kong Stock Exchange on 1 February 2016. Due to payment of dividends, the conversion price of the bonds was adjusted from HK\$10.30 per H share to HK\$10.15 per H share, which would be effective since 19 July 2016.

On 7 December 2016 (after the trading hours), the Company and the joint lead managers entered into a subscription agreement for issuing RMB3.45 billion Convertible Bond settled in USD at a coupon rate of 1.5%, of which the conversion rights will be expired on 21 December 2021. Under the terms and conditions, based on the initial conversion price of HK\$13.7550 per H share (which can be adjusted), the bonds can be converted to the shares of H share with a face value of RMB1.00 per share in the capital stock issued by the Company. The bond was listed in the Hong Kong Stock Exchange on 22 December 2016.

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

(II) Changes in total common shares, shareholding structure and assets and liabilities structure of the Company

Applicable Not Applicable

(III) Existing internal employee shares

Applicable Not Applicable

III. PARTICULARS OF SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Structure of share capital and public float

1. Share Capital Structure

As at 31 December 2016, the share capital structure of the Company is set out as follows:

Shareholder	Class of shares	Number of shares (share)	Approximate percentage of the issued share capital (%)
CRCCG	A share	7,567,395,500	55.73
Public holders of A shares	A share	3,935,850,000	28.98
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29
Total		13,579,541,500	100.00

Note: Including the H shares held by National Council for Social Security Fund.

2. Public float

As at the latest practicable date prior to the publication of this annual report, and according to all public information and as far as the directors are aware, the public holders of the Company held 6,012.146 million shares, representing 44.27% of the issued capital of the Company. In particular, public holders of H shares held 2,076.296 million shares, representing 15.29% of the issued capital of the Company; public holders of A shares held 3,935.85 million shares, representing 28.98% of the issued share capital of the Company. The Company has sufficient public float which satisfies the requirements under the Stock Exchange Listing Rules.

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

(II) The total number of shareholders

As at the end the Reporting Period, the total number of shareholders of the Company was 352,530, of which 334,599 were holders of A shares and 17,931 were holders of H shares. At the end of last month prior to the publishing date of this annual report, the total number of common shareholders of the Company was 325,719, of which 307,919 were holders of A shares and 17,800 were holders

Total number of common shareholders as at the end of the Reporting Period	352,530
Total number of common shareholders at the end of last month prior to the date of the issuance of the annual report	325,719
Total number of preference shareholders with voting right restored as at the end of the Reporting Period	N/A
Total number of preference shareholders with voting right restored at the end of last month prior to the date of the issuance of the annual report	N/A

(III) Particulars of shareholdings of the top ten shareholders and the top ten shareholders of tradable shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: share

Particulars of Top 10 Shareholders

Name of shareholder (full title)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to trading moratorium	Shares pledged or frozen Share status	Nature of shareholder
China Railway Construction Corporation	0	7,567,395,500	55.73	0	Nil	0 State-owned
HKSCC NOMINEES LIMITED	279,200	2,060,036,081	15.17	0	Unknown	0 Overseas legal person
China Securities Finance Corporation	47,302,274	378,641,393	2.79	0	Nil	0 Unknown
Anbang asset management – Anbang Asset – CMBC – Anbang Asset – win-win No. 3 aggregate asset management product rated asset management products	275,253,346	275,253,346	2.03	0	Nil	0 Others
Hexie Health Insurance – traditional – common insurance product	198,468,468	198,468,468	1.46	0	Nil	0 Others
Central Huijin Investment Company	0	141,519,100	1.04	0	Nil	0 Unknown
Anbang Asset – Minsheng Bank – Anbang Asset – best selection No. 2 aggregate asset management product	86,409,412	86,409,412	0.64	0	Nil	0 Others
Anbang Pension Insurance – group universal products	85,948,223	85,948,223	0.63	0	Nil	0 Others
Everbright Pramerica Fund – Bank of Ningbo – Shanghai Municipal Investment Holdings Co., Ltd.	0	62,500,000	0.46	0	Nil	0 Others
Hong Kong Securities Clearing Co., Ltd	26,019,752	50,279,366	0.37	0	Nil	0 Overseas legal person

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

Particulars of Shareholdings of the Top Ten Shareholders not Subject to Trading Moratorium

Name of shareholder (in full)	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
China Railway Construction Corporation	7,567,395,500	RMB ordinary shares Overseas Listed	7,567,395,500
HKSCC NOMINEES LIMITED	2,060,036,081	foreign shares	2,060,036,081
China Securities Finance Corporation Limited	378,641,393	RMB ordinary shares	378,641,393
Anbang Asset Management – CMBC – Anbang Asset – CMBC – Anbang Asset – win-win No. 3 aggregate asset management product rated asset management products	275,253,346	RMB ordinary shares	275,253,346
Hexie Health Insurance – traditional – common insurance product	198,468,468	RMB ordinary shares	198,468,468
Central Huijin Investment Company	141,519,100	RMB ordinary shares	141,519,100
Anbang Asset – Minsheng Bank – Anbang Asset – best selection No. 2 aggregate asset management product	86,409,412	RMB ordinary shares	86,409,412
Anbang Pension Insurance – group universal products	85,948,223	RMB ordinary shares	85,948,223
Everbright Pramerica Fund – Bank of Ningbo – Shanghai Municipal Investment Holdings Co., Ltd.	62,500,000	RMB ordinary shares	62,500,000
Hong Kong Central Securities Clearing Co., Ltd	50,279,366	RMB ordinary shares	50,279,366

Explanations on the connected relationship or concerted action among the above shareholders Hong Kong Securities Clearing Company Ltd. (HKSCC) and HKSCC Nominees Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Ltd. (HKEx). In addition to the disclosures above, the company doesn't know whether there exists the association between the top ten shareholders without limited sales of shares and the top ten shareholders and whether the both shareholders belong to the persons acting in concert specified in the Measures for the Administration of the Takeover of Listed Companies.

Explanation on the preference shareholders with voting right restored and their shareholdings Not Applicable.

Note: The H shares held by HKSCC Nominees Limited are held on behalf of its various customers. The A shares held by HKSCC Limited are held on behalf of its various customers. As at the end of the Reporting Period, HKSCC NOMINEES LIMITED held 2,060,036,081 shares of the Company while the pledged or frozen status of such shares were unknown.

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

The Top Ten Shareholders Subject to Trading Moratorium and Conditions of Such Trading Moratorium

Applicable Not Applicable

(IV) Top 10 shareholders from strategic investors or general legal persons participating in the placing of the new shares

Applicable Not Applicable

(V) Particulars of interests and short positions of substantial shareholders disclosed in accordance with the SFO

So far as the directors of the Company are aware, as at 31 December 2016, the persons other than directors, supervisors or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Section 336 of Part XV of the SFO were as follows:

Unit: share

Name of substantial shareholder	Share Category	Capacity	Number of shares interested <small>Note 1</small>	Percentage of issued share capital of the relevant class of shares	Percentage of total issued share capital
China Railway Construction Corporation	A share	Beneficial owner	7,567,395,500	65.78%	55.73%
National Council for Social Security Fund	H share	Beneficial owner	188,754,500 (L)	9.09%	1.39%
JPMorgan Chase & Co. <small>Note 2</small>	H share	Beneficial owner, Investment Mangaer, Custodian-corporation/ approved lending agent	185,081,351 (L)	8.91%	1.36%
		Beneficial owner	27,013,601 (S)	1.30%	0.20%
		Custodian-corporation/ approved lending agent	96,971,018 (P)	4.67%	0.71%
BlackRock, Inc. <small>Note 3</small>	H share	Interest of corporation controlled by the substantial shareholder	140,565,206 (L)	6.77%	1.04%

Note 1: L – long position, S – short position, P – lending pool.

Note 2: As at 31 December 2016, JPMorgan Chase & Co. (including certain corporations under its control) held long positions in 185,081,351 H shares and short positions in 27,013,601 H shares of the Company.

Note 3: As at 31 December 2016, BlackRock, Inc. held long positions in 140,565,206 H shares of the Company through certain corporations under its control.

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

(I) Controlling shareholder

1. Legal Representative

Applicable Not Applicable

Name	China Railway Construction Corporation
Person in charge or legal representative	MENG Fengchao
Incorporation date	28 August 1990
Principal businesses	Supervision and administration of state-owned assets, management, operating and disposal of unlisted assets of CRCCG, construction, operating and management of franchised investment projects and publish of China Railway Construction News.
Particulars of other domestic and overseas listed companies held and invested by CRCCG during the Reporting Period	Nil
Explanation on other matters	Nil

2. Natural person

Applicable Not Applicable

3. Special explanation on no controlling shareholder for the Company

Applicable Not Applicable

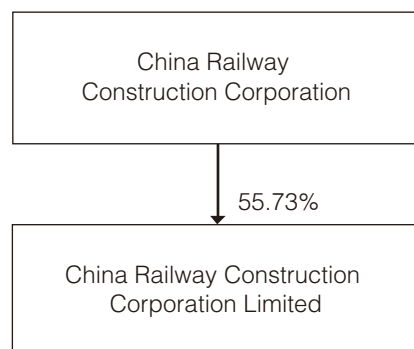
4. Index and date of changes in Controlling shareholders during the Reporting Period

Applicable Not Applicable

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

5. The chart of the relationship between the Company and the Controlling shareholders on the property ownership and controlling rights

Applicable Not Applicable



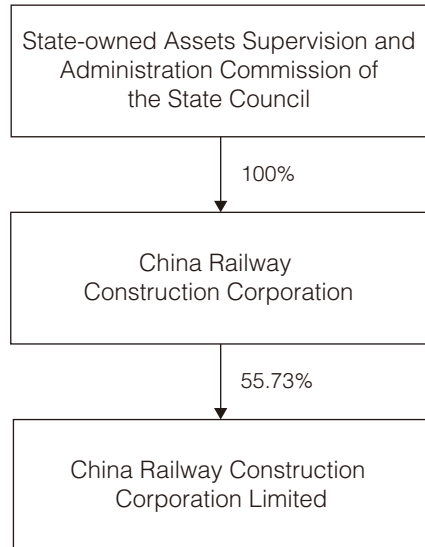
(II) Actual controller

1. Legal Representative
 Applicable Not Applicable
2. Natural person
 Applicable Not Applicable
3. Special explanation on no controlling shareholder for the Company
 Applicable Not Applicable
4. Name of actual controller: State-owned Assets Supervision and Administration Commission of the State Council
5. Index and date of changes in actual controller during the Reporting Period
 Applicable Not Applicable

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

- 6 Diagram of the assets and controlling relationships between the Company and its actual controller

Applicable Not Applicable



- 7 The actual controller controls the Company through the trust or other asset management way

Applicable Not Applicable

(III) Introduction of other information on controlling shareholder and actual controller

Applicable Not Applicable

Section VII Changes in Ordinary Shares and Particulars of Shareholders (continued)

V. OTHER SHAREHOLDERS HOLDING MORE THAN 10% OF SHARES

Applicable Not Applicable

Unit: Yuan Currency: RMB

Name of the legal shareholder	Person in charge in the Company or legal representative	Established date	Organization Code	Registered capital	The main business or management activities and other information
HKSCC NOMINEES LIMITED	N/A	14 May 1991	N/A	N/A	Security share agent deposited in the depository of CCASS security
Explanation	The H shares held by HKSCC Nominees Limited are held on behalf of its various customers.				

VI. EXPLANATION ON THE RESTRICTION OF REDUCING SHARE

Applicable Not Applicable

VII. REPURCHASE, SALES OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary had repurchased, sold or redeemed any securities of the Company during the Reporting Period.

Section VIII Particulars of Preference Shares

Applicable Not Applicable

Section IX Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) The changes in shareholding and remuneration of current and resigned directors, supervisors and senior management during the Reporting Period

Applicable Not Applicable

Unit: share

Name	Title	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Number of shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Of which:				Welfare (Replenishment of person insurance and housing funds paid for personal payment of the Company) (RMB'000)	Remuneration whether received from related parties of the Company
											Base pay (RMB'000)	2016 annual performance salary pre-paid (RMB'000)	2015 annual performance salary (RMB'000)	Supplement of 2015 annual base salary (RMB'000)		
MENG Fengchao	Chairman, executive director and Deputy secretary of the communist party committee	Male	58	28 December 2010 (Chairman, executive director), February 2015 (Deputy secretary of the communist party committee)	27 October 2017 (Chairman, executive director), December 5, 2016 (Deputy secretary of the communist party committee)	-	-	-	-	71.18	17.3	17.3	30.82	1.3	4.46	No
	Chairman, executive director and Secretary of the communist party committee			28 December 2010 (Chairman, executive director), 5 December 2016 (Secretary of the communist party committee)	27 October 2017 (Chairman, executive director)											
ZHUANG Shangbiao	Executive director and president, deputy secretary of the communist party committee	Male	54	28 October 2014 (Executive director), 4 December 2015 (President, Deputy secretary of the communist party committee)	27 October 2017 (Executive director), 28 October 2017 (President)	-	-	-	-	68.72	17.3	17.3	28.73	1.12	4.27	No
GE Fuxing	Non-executive director	Male	60	28 October 2014	27 October 2017	-	-	-	-	0	-	-	-	-	-	No
WANG Huacheng	Independent non-executive director	Male	53	28 October 2014	27 October 2017	-	-	-	-	19.20	19.20	-	-	-	-	No
Patrick SUN	Independent non-executive director	Male	58	28 October 2014	27 October 2017	-	-	-	-	16.30	16.30	-	-	-	-	No
CHENG Wen	Independent non-executive director	Male	64	28 October 2014	27 October 2017	-	-	-	-	12.23	12.23	-	-	-	-	No
Amanda Xiao Qiang LU	Independent non-executive director	Female	62	28 October 2014	27 October 2017	-	-	-	-	14.50	14.50	-	-	-	-	No
HUANG Shaqun	Chairman of Supervisory Committee	Male	60	28 October 2014	27 October 2017	-	-	-	-	60.18	13.84	13.84	27.00	1.04	4.46	No
LI Xuefu	Supervisor, deputy chief economist	Male	51	28 October 2014	27 October 2017	-	-	-	-	56.90	26.41	-	26.41	-	4.08	No
ZHANG Liangcai	Employee supervisor	Male	58	31 May 2011	27 October 2017	-	-	-	-	58.76	26.65	-	27.65	-	4.46	No
XIA Guobin	Vice president	Male	58	5 November 2007	28 October 2017	-	-	-	-	63.19	14.71	14.71	28.20	1.11	4.46	No
LIU Ruchen	Vice president	Male	53	16 April 2009	28 October 2017	-	-	-	-	62.89	14.71	14.71	28.09	1.11	4.27	No
WANG Xiuning	Chief accountant	Male	54	29 April 2014	28 October 2017	-	-	-	-	62.82	14.71	14.71	28.21	1.11	4.08	No
YU Xingqi	Secretary to the Board	Male	58	12 October 2010	28 October 2017	-	-	-	-	60.18	13.84	13.84	27.00	1.04	4.46	No
Qi Xiaofei	Secretary of the communist party committee, deputy chairman and executive director	Male	59	5 February 2015 (Deputy chairman, executive director), February 2015 (Secretary of the communist party committee)	25 November 2016	-	-	-	-	70.97	17.3	17.3	30.63	1.28	4.46	No
Total	/	/	/	/	/	-	-	-	/	698.02	239	123.71	282.74	9.11	43.46	/

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Notes:

1. The total remuneration consists of basic remuneration, performance-based remuneration paid in advance for the current year, housing fund, enterprise supplementary pension insurance and the previous year's performance-based remuneration paid in the Reporting Period.
2. The basic salary and performance pay standard for the year 2016 of Mr. MENG Fengchao, Mr. ZHUANG Shangbiao and Mr. QI Xiaofei is RMB185.4 thousand, and the actual payment is RMB173.0 thousand, and the balance will be supplemented in 2017. The basic salary and performance pay standard of Mr. XIA Guobin, Mr. LIU Ruchen and Mr. WANG Xiuming in 2016 is RMB157.6 thousand, and the actual payment is RMB147.1 thousand, and the balance will be supplemented in 2017. The basic salary and performance remuneration standard for the year 2016 of Mr. HUANG Shaojun and Mr. Yu Xingxi is RMB148.3 thousand, and the actual payment is RMB138.4 thousand, and the balance will be supplemented in 2017.
3. 2015 performance salary payable in 2016 and retroactivity of basic salary for the year 2015 has yet been paid by Mr. Meng Fengchao, Mr. Zhuang Shangbiao, Mr. Xia Guobin and thus, their actual salaries in 2016 is RMB390.6 thousand, RMB388.7 thousand and RMB338.8 thousand, respectively.
4. Based on the matter mentioned in Note 3, the actual total payment in 2016 was RMB6.0674 million.

Name	Main working experience
MENG Fengchao	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
ZHUANG Shangbiao	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
GE Fuxing	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
WANG Huacheng	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
Patrick SUN	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
CHENG Wen	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
Amanda Xiao Qiang LU	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
HUANG Shaojun	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
LI Xuefu	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.
ZHANG Liangcai	For details, please refer to "II. (I) Biographies of incumbent directors, supervisors and senior management" in this section.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Name	Main working experience
XIA Guobin	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LIU Ruchen	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Xiuming	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
YU Xingxi	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
QI Xiaofei	From April 2011 to May 2011, Mr. QI served as the deputy secretary to the communist party committee and secretary to the disciplinary committee of CRCCG. From May 2011 to October 2014, Mr. QI has been serving as the chairman of the second session the Supervisory Committee of the Company, the deputy secretary to the communist party committee and secretary to the disciplinary committee of the Company and concurrently the deputy secretary to the communist party committee and secretary to the disciplinary committee of CRCCG. From October 2014 to December 2014, he served as the deputy secretary to the communist party committee and secretary to the disciplinary committee of the Company and concurrently the deputy secretary to the communist party committee and secretary to the disciplinary committee of CRCCG. From December 2014 to February 2015, he served as the deputy secretary to the communist party committee of the Company and concurrently the vice chairman and the deputy secretary to the communist party committee of CRCCG. Since February 2015, he has served as the secretary to the communist party committee of the Company, an executive director and the vice chairman of the third session of the Board and concurrently the vice chairman, general manager and deputy secretary to the communist party committee of CRCCG. In November 2016, Mr. QI resigned from the positions as the secretary to the communist party committee, an executive director and the vice chairman of the Company and the vice chairman, general manager, the deputy secretary to the communist party committee and the chairman of the labor union of CRCCG.

Explanation for other matters

Applicable Not Applicable

(II) The equity incentives granted to the directors, supervisors and senior management during the Reporting Period

Applicable Not Applicable

Section IX Directors, Supervisors, Senior Management and Staff (continued)

II. OCCUPATIONS OF INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) *Biographies of incumbent directors, supervisors and senior management*

1. Director

Mr. MENG Fengchao, aged 58, a Chinese with no right of abode overseas, is currently the chairman, an executive director and the secretary to the communist party committee of the Company. Mr. MENG is also the chairman and secretary to the communist party committee of CRCCG. Mr. Meng, has in-depth knowledge and understanding of, profound expertise and extensive operation and management experience in the PRC construction industry. From January 1982 to May 1998, Mr. MENG held various positions in the Ministry of Railways and its engineering companies. From May 1998 to January 2000, he was the assistant to the general manager of China Railway Construction Development Center. From January 2001 to December 2004, he was the deputy general manager and a member of the standing committee of the communist party committee of China Railway Engineering Corporation. He also served as chairman of China Railway Major Bridge Engineering Group Co. Ltd. from April 2001 to August 2002. From December 2004 to September 2005, he served as general manager and deputy secretary to the communist party committee of China Harbour Engineering Company (Group) (which is one of the predecessors of China Communications Construction Company Limited). From September 2005 to May 2010, he successively served as a director, general manager, vice chairman and secretary to the communist party committee of China Communications Construction Group (Limited) (a company listed on The Main Board of the Hong Kong Stock Exchange, stock code: 1800). From August 2006 to May 2010, he was vice chairman, general manager and secretary to the communist party committee of China Communications Construction Company Limited. During May 2010 to February 2015, Mr. MENG has been serving as chairman, general manager and deputy secretary to the communist party committee of CRCCG. From February 2015 to November 2016, he has been serving as the chairman and deputy secretary to the communist party committee. Since November 2016, Mr. MENG serves as the chairman of CRCC and secretary to the communist party committee. He has also been serving as the chairman and an executive director of the first session of the Board and the secretary to the communist party committee of the Company since December 2010 and the chairman, an executive director of the second session of the Board of the Company and the secretary to the communist party committee since May 2011. From October 2014 to February 2015, he served as the chairman, executive director of the third session of the Board of the Company and secretary to the communist party committee. From February 2015 to December 2016, he has been the chairman and an executive director of the third session of the Board and the deputy secretary to the communist party committee of the Company as well as the chairman and deputy secretary to the communist party committee of CRCCG. Since December 2016, Mr. MENG serves as the chairman, secretary to the communist party committee as well as chairman and secretary to the communist party committee of CRCCG. Mr. MENG graduated from Southwest Jiaotong University with a bachelor's degree of engineering, majoring in tunnel and subway with master engineering. Mr. MENG is a professor-level senior engineer and enjoys special government allowance granted by the State Council.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Mr. ZHUANG Shangbiao, aged 54, a Chinese with no right of abode overseas, is currently executive director, president and deputy secretary to the communist party committee, as well as a director, general manager and deputy secretary to the communist party committee of CRCCG. Mr. ZHUANG has in-depth knowledge and understanding of the PRC construction industry and in-depth financial expertise and extensive corporate finance and financial management experience. Mr. ZHUANG joined CRCCG in 2005. He served as the deputy general manager of the finance department of China Road and Bridge Construction Corporation from March 1992 to February 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from February 1994 to March 2001, the chief accountant of China Road and Bridge (Group) Corporation from March 2001 to August 2005, the chief accountant of CRCCG from August 2005 to November 2007, the general legal counsel of CRCCG from April 2006 to November 2007. He has been serving as the chief accountant and the general legal counsel of the Company from November 2007 to April 2008 and a vice president, the chief accountant and the general legal counsel of the Company from April 2008 to April 2014. From April 2014 to October 2014, he served as the vice president and the chief legal counsel of the Company. From October 2014 to December 2015, he was the executive director of the third session of the Board, as well as vice-president and chief legal counsel of the Company. He has served as an executive director, president and deputy secretary to the communist party committee of the Company, as well as a director and secretary to the communist party committee of CRCCG from December 2015 to December 2016. From November 2016, he serves as the executive director of third session of the Board, president and deputy secretary to the communist party committee of the Company as well as director, general manager and deputy secretary to the communist party committee of CRCCG. Mr. ZHUANG graduated from Changsha Jiaotong Institute, majoring in engineering and financial accounting and obtained a bachelor's degree in engineering. He is a senior accountant and is granted special allowance by the State Council.

Mr. GE Fuxing, aged 60, a Chinese with no right of abode overseas, was graduated from the Party School of the Central Committee of C.P.C. and is currently a non-executive director of the Company. He once served as the deputy director of the Division of Cadres of the Political Department of Beijing PAP Corps, and the head of Division of Personnel II and III, assistant government affairs commissioner, inspector and deputy head, and of the General Office of the State Council. He is currently a full-time external director of a central enterprise and serves as an external director of Sinolight Corporation. He is familiar with human resources management and macroeconomic policy.

Mr. WANG Huacheng, aged 53, a Chinese with no right of abode overseas, holds a doctorate and is currently an independent non-executive director of the Company. He once served as the deputy director of the Department of Accounting, deputy dean of the School of Business of Renmin University of China and secretary-general of China National MPAcc Education Steering Committee. He is currently a professor and doctoral supervisor of the School of Business of Renmin University of China. He is familiar with financial management and served as an independent director of CAMCE and an external director of Sinotrans & CSC Holdings Co., Ltd. He is an independent director of Hua Xia Bank and BOE.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Mr. Patrick SUN, aged 58, is a Hong Kong citizen with the right of abode in the European Union countries, and is currently an independent non-executive director of the Company. Mr. SUN acts as independent non-executive directors of Trinity Limited, Sihuan Pharmaceutical Holding Group Ltd., China NT Pharma Group Company Limited, China Railway Signal & Communication Corporation and Kunlun Energy Company Limited (all of them are listed in Hong Kong). Mr. SUN also serves as an independent non-executive director of CRRC Corporation Limited, which is listed in Shanghai and Hong Kong stock exchanges. Now Mr. SUN is vice chairman of Chamber of Commerce of Hong Kong-listed Company after acting as chairman (during 2013–2015) and Honorary director-general of the chamber. He once acted as Senior Regional Director and Head of Hong Kong Investment Bank Business of JP Morgan Chase Hong Kong; Executive Director and Head of Greater China Investment Bank Business of Fleming Holdings Limited. In addition, Mr. SUN was a member of Takeovers and Mergers Panel and Takeovers Appeal Committee of The Securities and Futures Commission (SFC), Co-convenor of Listing Committee and member of Council of The Stock Exchange of Hong Kong Ltd. Mr. SUN graduated from Wharton School, University of Pennsylvania in 1981, holding Bachelor of Science Degree in Economics. In 2000, he completed the Stanford Executive Program offered by Stanford Graduate School of Business. He is a senior member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He is a senior member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Mr. CHENG Wen, aged 64, a Chinese with no right of abode overseas, is currently an independent non-executive director of the Company. He holds a doctorate in management and is a researcher. He was once the assistant to the director and the deputy director of Institute No. 31 of the Third Academy under China Aerospace Industry Corporation (中國航天工業總公司三院31所), vice president of the Third Academy under China Aerospace Industry Corporation (中國航天工業總公司三院), vice president of the Third Academy under China Aerospace Electromechanical Group Corporation (中國航天機電集團公司三院), assistant to the general manager and vice general manager and a member of the communist party committee of China Aerospace Electromechanical Group Corporation, and vice general manager, a member of the communist party committee and deputy director of the science and technology committee of China Aerospace Science and Industry Corporation. He is currently an external director of China North Industries Group Corporation. Mr. CHENG is familiar with business management, technological innovation and quality management.

Ms. Amanda Xiao Qiang LU, aged 62, a Canadian with the right of abode in Hong Kong, is currently an independent non-executive director of the Company. Ms. LU received her Ph. D. in economics in Canada. She was once a teacher in the University of International Business and Economics in the PRC and a staff in Corporate Banking of CIBC and Corporate Banking of the Royal Bank of Canada, respectively. Ms. LU also worked as the vice president and a director of Investment Banking for Asia of BNP, the vice president and a director of Investment Banking for Asia of Merrill Lynch, a director of Corporate and Investment Banking for Asia of Citibank, and managing director and head of Corporate and Investment Banking for China and deputy chairman of Corporate and Investment Banking for Greater China of Deutsche Bank and a member of the British Standard Lives Asia-Pacific Advisory Committee. Ms. LU is currently an external director of the board of directors of China National Building Material Group Corporation and a director of Asia board of British Standard Life, and a member of the Global Strategy Advisory Committee of British Standard Life. She is familiar with the domestic and overseas business acquisitions and financing, domestic and overseas listing rules, financial analysis, auditing, marketing and macroeconomics.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

2. Supervisor

Mr. HUANG Shaojun, aged 60, a Chinese with no right of abode overseas, the chairman of the Supervisory Committee of the Company. He also serves as the chief of audit and supervision bureau of the Company, a supervisor of Beijing Tongda Jingcheng Highway Co., Ltd. and chief supervisor of CRCC Finance Company Limited, as well as a member of the standing committee of China Institute of Internal Audit Association and China Risk Managers Association. Mr. HUANG joined CRCCG Group in 1976. He served as the deputy director of the planning and finance department of Ganzhou commanding unit of the Beijing-Kowloon Railway of CRCCG from February 1993 to April 1994, the deputy head of finance department of CRCCG and the deputy head of the planning and finance department of Ganzhou commanding unit of Beijing-Kowloon Railway of CRCCG from April 1994 to November 1998, the chief of the audit division of CRCCG from November 1998 to August 2002, the chief of the audit bureau of CRCCG from August 2002 to November 2007. Mr. HUANG has been serving as a supervisor of the Company since November 2007 and the chairman of the Supervisory Committee of the Company since October 2014. Mr. HUANG graduated from Central Communist Party School, majoring in economics and management and is a senior accountant and certified senior enterprise risk manager.

Mr. LI Xuefu, aged 51, a Chinese with no right of abode overseas, is currently the supervisor and deputy chief economist of the Company and a non-executive director of CRCC High-Tech Equipment Corporation Limited. Mr. LI has substantial work experience in our industry and has been handling the daily work for the Board for a long period and has abundant knowledge and experience in modern corporate management and operation management. Mr. LI started his career in 1988 and served as the deputy head of the education and sanitation department of CRCCG from November 1998 to August 2002. He concurrently served as the deputy head of the education and sanitation department of CRCCG and the deputy director of the training center in Beijing from August 2002 to December 2005, and the director of the office of the board of directors of CRCCG from December 2005 to July 2008. Mr. LI served as the director of the Secretariat of the Board of the Company from July 2008 to September 2014. He has served as the deputy chief economist of the Company since September 2014 and the supervisor and the deputy chief economist of the Company since October 2014. Mr. LI successively graduated from Shijiazhuang Tiedao College (石家莊鐵道學院) majoring in crane transport and engineering machinery with a bachelor's degree in engineering machinery, the Central Party School majoring in economic management and from Northern Jiaotong University majoring in business administration with a master's degree in business administration. Mr. LI is a senior engineer.

Mr. ZHANG Liangcai, aged 58, a Chinese with no right of abode overseas, is currently the employee representative supervisor of the Company as well as the head of the Organization Department of the communist party committee of the Company. Mr. ZHANG started his career in 1978, and served as the manager of the Bridge Engineering Branch of China Railway Bridge Construction Company (中鐵建造橋工程分公司), secretary to the communist party committee of Research & Design Institute of Railway Construction (鐵道建築研究設計院) and head of the Organization Department of the communist party committee of CRCCG. He has been serving as the head of the Organization Department of the communist party committee of the Company since July 2008 and as the employee representative supervisor of the Supervisory Committee of the Company since May 2011. He successively graduated from the former Institute of Engineering of Railway Corps (原鐵道兵工程學院), majoring in engineering machinery (Bachelor) in 1983 and Southwest Jiaotong University, majoring in management science and engineering (Master) in 2004. Mr. ZHANG is a professor-level senior engineer.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

3. Senior management

For biographies of **Mr. ZHUANG Shangbiao**, please refer to “Directors”.

Mr. XIA Guobin, aged 58, a Chinese with no right of abode overseas, is currently a vice president of the Company. Mr. XIA has in-depth knowledge and understanding of the construction industry in the PRC, as well as abundant knowledge in science and technology development, survey and design. He also has extensive skills and experience in engineering management and construction management. Mr. XIA joined the CRCCG Group in 1975. He served as the deputy chief engineer and then chief engineer of the 13th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.) from April 1996 to December 1999, the chief engineer of 13th Engineering Bureau of China Railway from December 1999 to April 2001, the deputy general manager and chief engineer of CRCCG from April 2001 to November 2007. He served as the vice president and chief engineer of the Company from November 2007. Mr. XIA no longer served as the chief engineer of the Company from October 2009. Mr. XIA graduated from Railway Guard Engineering Institute majoring in bridge engineering and obtained his bachelor's degree in engineering. Mr. XIA is a professor-level senior engineer and enjoys special allowance granted by the State Council.

Mr. LIU Ruchen, aged 53, a Chinese with no right of abode overseas, is currently a vice president of the Company. Mr. LIU has in-depth knowledge and understanding of, profound expertise and extensive operation and management experience in the PRC construction industry. Mr. LIU joined CRCCG Group in 1981. He served as the deputy head of the 19th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 19th Bureau Group Company Limited) from August 1998, the deputy head, vice chairman, general manager and deputy secretary to the communist party committee of China Railway 19th Bureau Group Company Limited from December 1999 to January 2005, chairman and deputy secretary to the communist party committee of China Railway 16th Bureau Group Company Limited from January 2005 to July 2008, vice chairman (in charge of the work of the board of directors) and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from July 2008 to December 2008, chairman and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from December 2008 to April 2009. He has been serving as the vice president of the Company since April 2009. Mr. LIU graduated from Southwest Jiaotong University with a master's degree in Management Science and Engineering and is a professor-level senior engineer.

Mr. WANG Xiuming, aged 54, a Chinese with no right of abode overseas, is currently the Chief Accountant of the Company. He concurrently serves as the member of the standing committee of the Communist party committee of CRCCG. From July 1986 to July 2000, Mr. WANG held various positions in the National Audit Office. From July 2000 to April 2002, Mr. WANG successively served as the deputy director of the Auditing Bureau of Tianjin City, a member of the Communist party committee and the deputy commissioner of the Special Commissioner's Office for Beijing, Tianjin and Hebei of the National Audit Office. From April 2002 to March 2014, Mr. WANG successively served as the deputy director of the General Office, the director of the Policy Study Office, deputy head and head of the Legal Department (now renamed as “Department of Policies, Laws and Regulations”), the director of Audit Scientific and Research Institute, the curator of Audit Museum, as well as the commissioner and secretary to the Communist party committee of Shenzhen Special Commissioner's Office of the National Audit Office. He has served as the Chief Accountant of the Company since April 2014. Mr. WANG graduated from the Finance Department of Anhui University of Finance & Economics, majoring in Finance. Mr. WANG is a senior auditor.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

4. Secretary to the Board

Mr. YU Xingxi, aged 58, a Chinese with no right of adobe overseas, is currently the secretary to the Board of the Company. Mr. YU has in-depth knowledge and understanding of the PRC construction industry and abundant knowledge and experience in financial affairs, accounting, finance and corporate management. Mr. YU joined CRCCG Group in 1976. Mr. YU served as chief accountant of the construction division of the 20th Bureau of the Ministry of Railways (the predecessor of China Railway 20th Bureau Group Co., Ltd.) from July 1991 to February 1995, chief accountant of the finance division of CRCCG from February 1995 to November 1998, deputy head of the finance division and head of the capital settlement center of CRCCG from November 1998 to November 2001, manager of the investment division of CRCCG from November 2001 to December 2005 and head of the finance division of CRCCG from December 2005 to November 2007. He was head of the finance division of the Company from November 2007 to October 2010 and has been the secretary to the Board of the Company since October 2010. From February 2002 to May 2006, Mr. YU acted as the director and general manager of Xianyang Zhongtieluqiao Co., Ltd (subsidiary of the company). Mr. YU was the chairman of Chenghe Insurance Brokers Co., Ltd. (a wholly-owned subsidiary of the Company) from April 2009 to August 2010, and a director of CRCC-Tongguan Investment Co., Ltd. (a joint venture of the Company) from December 2009 to April 2012, and a director of CRCC-Tongguan Investment (Canada) Co., Ltd. (a wholly-owned subsidiary of CRCC Tongguan Co., Ltd.) and Corriente Resources Inc. (a wholly-owned subsidiary of CRCC Tongguan Investment (Canada) Co., Ltd.) from May 2010 to April 2012, and a director of China Railway Shandong Jinhu Highway Co., Ltd. (a non-wholly owned subsidiary of the Company). Mr. YU graduated from Shaanxi College of Finance and Economics and from Beijing Jiaotong University and obtained a bachelor's degree in economics and a master's degree in management. Mr. YU is a senior accountant and is qualified as a PRC certified public accountant, a Chinese Certified Tax Agent and a corporate legal advisor, and obtains the performance certificate of all three subjects in fund practitioner's qualification examination.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

(II) Occupations in shareholder entities

Applicable Not Applicable

Name of the employee	Name of shareholder entity	Position in shareholder entity	Start date of the term	Closing date of the term
MENG Fengchao	China Railway Construction Corporation	Chairman and deputy secretary of the communist party committee	May, 2010	November, 2016
		Chairman, secretary of the communist party committee	November, 2016	November, 2016
Zhuang Shangbiao	China Railway Construction Corporation	Director, Secretary of the communist party committee	December, 2015 November, 2016	November, 2016
		Director, Deputy secretary of the communist party committee	November, 2016	
QI Xiaofei	China Railway Construction Corporation	General manager	November, 2016	
		Deputy chairman	December, 2014	November, 2016
		General manager	February, 2015	November, 2016

Description on the position in shareholder entity Nil

(III) Occupations in other entities

Applicable Not Applicable

Name of the employee	Name of other entities	Positions held in other organizations	Start date of the term	Closing date of the term
Wang Xiuming	CRCC Finance Company Limited	Chairman	September, 2014	
	CRCC Financial Leasing Co., Ltd.	Chairman	May, 2016	
Ge Fuxing	Sinolight Corporation	External director	February, 2014	
Wang Huacheng	School of Business of Renmin University of China	Professor and doctoral supervisor	June, 2001	
	Hua Xia Bank	Independent director	April, 2014	
	BOE	Independent director	July, 2015	
Patrick Sun	Trinity Limited	Independent non-executive director	October, 2008	
	Sihuan Pharmaceutical Holding Group Ltd.	Independent non-executive director	October, 2010	
	China NT Pharma Group Company Limited	Independent non-executive director	March, 2010	
	CRR Corporation Limited	Independent non-executive director	May, 2015	
	China Railway Signal & Communication Corporation	Independent non-executive director	May, 2015	
	Kunlun Energy Company Limited	Independent non-executive director	February, 2016	

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Name of the employee	Name of other entities	Positions held in other organizations	Start date of the term	Closing date of the term
Cheng Wen	China North Industries Group Corporation	External director	September, 2014	
Amanda Xiao Qiang LU	China National Building Material Group Corporation	External director	October, 2011	August, 2016
	Advisory Committee in APAC of British Standard Life	Council member	December, 2013	March, 2016
	Global Strategic Advisory Committee of British Standard Life	Council member	March, 2016	
	Asian board of directors of British Standard Life	Director	June, 2015	
Huang Shaojun	Beijing Tongda Jingcheng Highway Co., Ltd.	Supervisor	April, 2004	
	CRCC Finance Company Limited	Chief supervisor	August, 2011	
Li Xuefu	CRCC High-Tech Equipment Corporation Limited	Non-executive director	June, 2015	

Description on position in other entities Nil

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not Applicable

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Decision-making procedures for remuneration of directors, supervisors and senior management

1 Decision-making procedures for remuneration of directors and supervisors

Pursuant to the procedures and standards under the Measures for the Management of Remuneration of Directors and Supervisors of the Company passed and approved at the general meeting, the Remuneration and Evaluation Committee proposed the annual remuneration standards for the directors and supervisors of the Company, which would be put forward for approval at the general meeting upon consideration by the Board.

2 Decision-making procedures for remuneration of senior management

The Remuneration and Evaluation Committee proposed the annual remuneration results for senior management of the Company in accordance with the Measures for the Management of Remuneration of Senior Management of China Railway Construction Corporation Limited and the Board's assessment results on the annual performance of the senior management of the Company to determine the annual remuneration of the senior management, and submitted it to the Board for consideration before implementation.

Determination basis for remuneration of directors, supervisors and senior management

1. Determination basis for remuneration of directors

The determination basis for remuneration of Directors of the Company shall be relevant provisions under the Measures for the Management of Remuneration of Directors and Supervisors of China Railway Construction Corporation Limited and the Company's assessment results for Directors.

2 Determination basis for remuneration of Supervisors

The determination basis for remuneration of Supervisors of the Company shall be in compliance with relevant requirements under the Measures for the Management of Remuneration of Directors and Supervisors of China Railway Construction Corporation Limited. The Supervisors' remuneration shall be determined in accordance with the measures for the management of remuneration and evaluation in the head office authority of the Company and their duties.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

3 Determination basis for remuneration of senior management

The determination basis for remuneration of senior management of the Company shall be in compliance with the Measures for the management of Remuneration of Senior Management of China Railways Construction Corporation Limited and the Board's assessment results on the annual performance for the senior management of the Company.

Particulars of remuneration paid for the remuneration of directors, supervisors and senior management

Please refer to "(I) the changes in shareholding and remuneration of current and resigned directors, supervisors and senior management during the Reporting Period" of this section for the details of total the salary payable and actual salary from the Company and the company of the shareholder for and resigned directors, supervisors, and senior management.

Total of actual remuneration received by directors, supervisors and senior management at the end of this Reporting Period

The total remuneration was RMB6.9802 million. However, as the performance remuneration in 2015 and the actual basic salary for the year 2015 which is payable by Mr. MENG Fengchao, Mr. ZHUANG Shangbiao and Mr. XIA Guobin in 2016 has yet been paid by them, the actual total payment for the year 2016 was RMB6.0674 million. (Please refer to "(I) The changes in shareholding and remuneration of current and resigned directors, supervisors and senior management during the Reporting Period" in this Section)

IV CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not Applicable

Name	Position held	Information on the change	Reason of change
MENG Fengchao	Secretary to the communist party committee	Appointed	Work demand
	Deputy secretary of communist party committee	Resigned	Work demand
ZHUANG Shangbiao	Chief legal counsel	Resigned	Work demand
WANG Xiuming	Chief legal counsel	Engaged	Work demand
QI Xiaofei	Secretary to communist party committee, deputy chairman	Resigned	Work arrangement

Notes: Mr. WANG Xiuming, the chief accountant of the Company, has served as the chief accountant and the chief legal counsel of the Company since 25 May 2016. Mr. ZHUANG Shangbiao, the executive director, president, deputy secretary to the communist party committee and chief legal counsel of the Company ceased to serve as the chief legal counsel of the Company.

Section IX Directors, Supervisors, Senior Management and Staff (continued)

On 25 November 2016, the Board received a letter of resignation by Mr. QI Xiaofei, who resigned from the positions of the vice chairman and executive director of the Company due to other work arrangement and ceased to be the secretary to communist party committee and a member of the Nomination Committee of the Board. According to the requirements of the Company Law and Articles of Association, the resignation of Mr. QI Xiaofei took effect upon the delivery of his letter of resignation to the Board (i.e. 25 November 2016). Mr. MENG Fengchao, chairman and the secretary to the communist party committee of the Company, served as chairman, the secretary to the party committee from 25 November 2016, and deputy secretary of the party committee of the Company.

V. INTERESTS IN THE COMPANY HELD BY DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE

As at the end of the Reporting Period, none of the directors, supervisors or the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) (a) which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (b) which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

VI. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors and supervisors had entered into a three-year service contract with the Company. None of the directors or supervisors had entered into a service contract with the Company which could not be terminated by the employer within one year without compensation (other than statutory compensation). Remuneration of directors and supervisors and details of the five persons with the highest remuneration are set out in “3(ii) directors, supervisors and key managements remuneration” in Note XIII to the financial report in this report. During the Reporting Period, none of the directors or supervisors of the Company waived or agreed to waive any remuneration.

VII. DIRECTORS’ AND SUPERVISORS’ OR THEIR RELATED ENTITIES’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Company nor its subsidiaries had entered into any transactions, arrangements or contracts in which any director or supervisor had a material interest, whether directly or indirectly. None of the Company or its subsidiaries had provided any loan or quasi-loan to any directors or other members of senior management of the Company.

VIII. PUNISHMENT IMPOSED BY SECURITIES REGULATORY DESCRIPTION IN RECENT THREE YEARS

Applicable Not Applicable

IX. EMPLOYEES OF THE PARENT AND THE MAJOR SUBSIDIARIES

(I) Employees

Number of existing employees of the parent	297
Number of existing employees of major subsidiaries	259,163
Total number of existing employees	259,460
Number of the resigned and retired staff in the parent company and its major subsidiaries	0

Section IX Directors, Supervisors, Senior Management and Staff (continued)

Professional composition

Category of professionals	Number of employees
Management talents	54,577
Professional and technical talents	116,624
Skilled talents	88,259
Total	259,460

Educational level

Category of educational level	Number (person)
Master degree or above	8,272
Bachelor Degree	117,814
College degree	58,835
Technical secondary school education	23,914
High school and below	50,625
Total	259,460

(II) Remuneration policy

Applicable Not Applicable

The Group implements a remuneration policy with remuneration budget management and links between remuneration and performance based on the principle of “the better performance, the higher remuneration”. The total salary is linked with the total profits. And remuneration of employees is determined based on efficiency of the enterprises and each individual.

The remuneration of the employees includes wages, performance bonus and allowance. The employees of the Company are also entitled to pension, medical, unemployment, work injury, maternity insurance and housing funds as well as other benefits.

According to the applicable PRC laws and regulations, the premiums for pension insurance and unemployment insurance shall be paid for in strict compliance with the requirements of the PRC national, provincial and municipal regulations, among which employees shall be 8%, and the for employers shall be 10% to 22% to the basic pension insurance. Employees shall pay for 0.2% to 1% and the employers shall pay for 1% to 2% to the unemployment insurance. Individual employees are exempted from paying for the workplace injury insurance while enterprises shall pay for 0.3% to 2%. The contribution rates for medical insurance, maternity insurance and housing provident funds are implemented subject to local regulations.

(III) Training plan

Applicable Not Applicable

Section IX Directors, Supervisors, Senior Management and Staff (continued)

As for the focuses of the employees training in 2017 according to the requirements of overall planning, the Company stressed the key points, level-to-level administration and level-to-level responsibility, and organized the implementation of training work for various types of employees. Firstly, the Company put great efforts to the training on leading cadres, adopted the way of outsourcing training, held the training classes by hierarchical classification for the leaders of prefectures or equivalents; continued to independently hold on-the-job training for new leaders of counties or equivalents, and focused on strengthening the training of leading cadres in macroscopic view, strategic management, operating management, education on the nature of parties, leadership quality and other aspects so as to improve the overall quality, scientific decision-making level and leadership of the leading cadres. Secondly, the Company put great efforts on high-end, innovative and key job business training in an overall manner. According to the development requirements of enterprise diversification, intensification, internationalization and specialization, the Company continued to hold business training classes in enterprise management, engineering management, financial management, science and technology management, equipment and materials management, project management, human resources management, party affairs management and other aspects, so as to further consolidate the management foundation, to strengthen implementation capacity and to improve the overall quality of the staff. Thirdly, the Company put great efforts on post certificate training for emergency personnel in critical shortage. adopted the ways of sending out and inviting into, entrusted the universities, professional training institutions and trade associations to hold training classes as well as independently held training classes, continued to strengthen the training for the registered licensed personnel required in the production management and quality management of the enterprise, focused on strengthening the pre-exam training for registered level-one constructors, registered structural engineers, registered geotechnical engineers and registered safety engineers so as to improve the rate of passing the exam. The Company also strengthened the post certificate training for key working personnel and special operation personnel in the frontline of construction so as to meet the needs of enterprise production and management and on-site management with certificates. Fourthly, the Company continued to strengthen the training on overseas personnel, entrusted the relevant universities and professional training institutions, focused on strengthening the training on the personnel in international project manager, international project business management, international project foreign languages and other aspects, as well as cultivated and reserved overseas talents needed by enterprise so as to meet the enterprise's need of going global.

(IV) Labor outsourcing

Applicable Not Applicable

Total working hours on labor outsourcing
Total payment for labor outsourcing

approximately 6.98 billion working hours
approximately RMB153.4 billion

X. OTHERS

Applicable Not Applicable

Section X Corporate Governance (Corporate Governance Report)

I. BASIC INFORMATION OF CORPORATE GOVERNANCE OF THE COMPANY

Applicable Not Applicable

During the Reporting Period, the Company constantly improved corporate governance structure, facilitated internal control, standardized the operation of the Company, strengthened information disclosure management and safeguarded the interests of all shareholders of the Company in strict compliance with laws and regulations such as the *Company Law*, the *Securities Law* and the *Guidelines for Corporate Governance of Listed Companies* issued by CSRC and the relevant provisions and requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. There was no substantial difference between the actual situation of corporate governance structure of the Company and the provisions and requirements of relevant documents of CSRC. The Company complied with the code provisions of the Corporate Governance Code (hereinafter referred to as the “Code”) published by the Hong Kong Stock Exchange.

During the Reporting Period, the Company carried out the following work in terms of corporate governance:

1. Strengthened corporate governance for standardized operation. The General Meetings were held in strict accordance with the *Articles of Association* and the *Rules of Procedure of General Meetings*. We enabled the exercise of shareholders' rights according to laws and earnestly safeguarded the interests of shareholders. The Board and its special committees operated in strict compliance with *the Articles of Association*, *the Rules of Procedure of the Board* and detailed rules of special committees of the Board and made prudent decisions. The Supervisory Committee performed its duties earnestly in accordance with *the Articles of Association and the Rules of Procedure of the Supervisory Committee* in order to supervise the financial affairs, internal control system building and duty performance of directors and senior management. President and other senior management carried out activities in relation to production, operation and management in strict compliance with the *Articles of Association* and the *Working Rules for the President* and other provisions, and implemented the resolutions made by the Board under the supervision of the Supervisory Committee.
2. Continued to perfect the corporate governance system. In 2016, the Company amended the *Articles of Association of China Railway Construction Corporation Limited (CRCC)*, the *Rules of Procedure for the Board of Directors of CRCC*, the *Working Rules for the Audit and Risk Management Committee of CRCC*, the *Working Rules for the President of CRCC*, the *External Investment Management System of CRCC*, and the *Management System for Change in Shareholding of Directors, Supervisors and Senior Management of CRCC*, and formulated the *Management System for Information Disclosure Deferral and Exemption* according to the stipulations of the regulatory authorities, in combination with the actual situation of the enterprise.
3. Enhanced management of information disclosure. The Company disclosed information in a true, accurate, complete, timely and fair manner in strict compliance with the requirements of the listing rules of the stock exchanges where the Company's shares are listed and kept improving its information disclosure. In 2016, the Company adhered to the principle of combining statutory information disclosure and proactive information disclosure and continuously enhanced the pertinence and practicality of periodic report disclosure. In the whole year, 350 documents in English and Chinese were disclosed in total, including 132 documents disclosed at the Shanghai Stock Exchange, 128 Chinese documents and 90 English documents disclosed at the Hong Kong Stock Exchange.

Section X Corporate Governance (Corporate Governance Report) (continued)

During the Reporting Period, none of the directors, supervisors, senior management members, shareholders or actual controller of the Company was subject to any punishment or criticism by the CSRC or the Securities and Futures Commission of Hong Kong or any public condemnation by the Shanghai Stock Exchange or the Hong Kong Stock Exchange.

The corporate governance has any discrepancies with the relevant requirements of the CSRC or not. If yes, please explain the reasons

Applicable Not Applicable

II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE BY THE COMPANY

In accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Stock Exchange Listing Rules, the Company established its corporate governance system. The *Articles of Association*, the Terms of Reference of the Nomination Committee, the Strategy and Investment Committee, the Remuneration and Evaluation Committee and the Audit and Risk Management Committee, the scope of authority of the Supervisory Committee, and the code of conduct of directors and relevant employees for securities trading constitute the reference basis of the code of corporate governance of the Company. During the Reporting Period, the Company had complied with the code provisions in the Corporate Governance Code and adopted the recommended best practices as appropriate.

The General Meeting, the Board and the Supervisory Committee of the Company operated effectively in strict compliance with the *Articles of Association* and requirements of their respective rules of procedure. For details of the contents required to be disclosed in accordance with the *Corporate Governance Report* in Appendix 14 to the Stock Exchange Listing Rules, please refer to relevant contents of this section and relevant contents of “Section V Discussion and Analysis on Business Operations (Report of Directors)” and “Section IX Directors, Supervisors, Senior Management and Staff” of this report.

Risk Management and Internal Control: The Company formulated complete risk assessment specification. For strategic objective, business objective, reporting objective, regulation compliance objective and assets safety objective, the Company identified the respective scope of risk assessment, and carried out initial information collection and identification. For the identified risks, at the beginning of each year, the Company comprehensively used the quantitative and qualitative method to analyze and assess the possibility and degree of impact of risk occurrence, identify the importance level of risks according to risk analysis result so as to identify major risks of the Company, and identify the order of precedence for risk management. After risk analysis and assessment, the Company identified the control plan for major risks, and implemented the detailed plan. During the implementation process, the management of the Company carried out dynamic management on major risks, periodically or unperiodically analyzed all kinds of uncertain internal and external factors, and took corresponding measures to strengthen control. The Board is responsible for the effectiveness of overall internal control and risk management. The Board has audit and risk management committee was established under the Board exercise, on behalf of the Board, the independent assessment, supervision and inspection function over the establishment of procedures and systems for the internal audit of the Company and internal control and risk management of the management as well as the formulation and implementation of major risk management strategy and control measures. The audit and risk management committee continued to monitor the risk management and internal control system on behalf of the Board, and ensure to conduct a review on the effectiveness of the risk management and internal control system of the Company and its subsidiaries at least once a year regarding all significant aspects of risk management and internal control, including financial control, operation control and compliance control. The Board, the audit and risk management committee and the Supervisory Committee,

Section X Corporate Governance (Corporate Governance Report) (continued)

according to the applicable rules at home and aboard, check if the Company's operation, financial and accounting policies are in compliance with the laws and regulations, meanwhile coordinate with management, internal and external auditors to jointly audit the adequacy and effectiveness of internal control and risk management of the Company by annual internal control audit, self-assessment and other works and pay close attention to the major defects and corrective actions, so as to ensure that it can make a full play in internal control and risk management of the Company. To practically fulfill the abovementioned responsibilities, the Board has not only identified the guidelines of "risk management oriented and internal control based", but also realized the integration and effective operation of internal control and risk management system of the Company. By establishing the organization structure of reasonable work allocation, clear definition of responsibilities and clear reporting relationships, the Company stipulated the responsibilities and obligations of internal control and risk management decision-making body, management body, execution body and supervision body, to ensure the responsibilities, authorities and the interrelation of internal control and risk management of the Company are communicated. The Board acknowledges that such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. During the Reporting Period, the Board has complied with the code provisions of risk management and internal control specified in the Corporate Governance Code as set out in Appendix 14 to the Stock Exchange Listing Rules. The audit and risk management committee of the Board has completed the review of the internal control and risk management systems for the Company and its subsidiaries regarding all significant aspects, including financial control, operation control and compliance control. The Board confirms that such systems are sound, effective and adequate.

Procedures and internal control measures for the handling and disclosure of inside information: The Company formulated the *Management Rules for Insiders* and the *Management System for Information Disclosure Deferral and Exemption*, which set out the detailed rules for the handling, disclosure and internal control of inside information. In 2016, the Company strictly implemented the abovementioned policies, further strengthened the identification and evaluation work for inside information and narrowed down the scope of insiders as far as possible. Besides, before the disclosure of an inside information in accordance with law, the Company conducted strict registration for and management over the insiders. In case of major events which require deferral or exemption of disclosure, in addition to the registration of the insiders involved in the events, the Company also requires the relevant insiders to sign the responsibilities notification, so as to ensure the relevant insiders to fulfill their confidentiality obligation, and effectively prevent the leakage of the information which is deferred or exempted from disclosing.

Section X Corporate Governance (Corporate Governance Report) (continued)

III. BRIEF INTRODUCTION OF GENERAL MEETINGS

The General Meeting is the Company's highest authority, and shareholders exercise their rights through General Meetings. The Company ensures that all shareholders enjoy equal status, and that the rights of all shareholders are safeguarded. During the Reporting Period, the Company held one annual general meeting.

Session of the meeting	Date	Inquiry index at designated website for which the resolutions were published	Disclosure date of the resolutions published
Annual General Meeting of 2015	16 June 2016	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	17 June 2016

Explanation for General Meeting

Applicable Not Applicable

IV. SHAREHOLDER RIGHTS

(I) Shareholder(s) to call an extraordinary General Meeting

According to the provisions of the *Articles of Association*, a shareholder alone or shareholders together holding at least 10 percent of the Company's shares shall have the right to make a request to the Board in writing to convene an extraordinary General Meeting. The Board shall, in accordance with laws and the provisions of the *Articles of Association*, give a written response on whether or not it agrees to convene such a meeting within 10 days after receipt of the request. If the Board agrees to convene an extraordinary General Meeting, it shall issue a notice convening such meeting within 5 days after it has so resolved. The consent of the relevant shareholder(s) shall be obtained if any change is to be made in the notice to the original request. If the Board does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the request, a shareholder alone or shareholders together holding at least 10 percent of the Company's shares shall have the right to propose to the Supervisory Committee in writing to convene the extraordinary General Meeting. If the Supervisory Committee agrees to call the extraordinary General Meeting, it shall issue a notice convening such meeting within 5 days after receipt of the request. The consent of the relevant shareholder(s) shall be obtained if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice convening the General Meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over such meeting, and a shareholder alone or shareholders together having held at least 10 percent of the shares of the Company for at least 90 days in succession may himself/themselves convene and preside over such meeting.

Contact details of the Company:

Address:	East, No. 40 Fuxing Road, Haidian District, Beijing
Investor relations hotline:	010-52688600
Fax:	010-52688302
E-mail address:	ir@crcc.cn

Section X Corporate Governance (Corporate Governance Report) (continued)

(II) **Procedures for shareholders to make requests to the Board and the Company to provide sufficient contact information for the proper handling of the requests**

According to the provisions of the *Articles of Association*, if a shareholder asks to review or request for relevant information in accordance with the *Articles of Association*, he or she shall submit to the Company written documents evidencing the class and number of shares he or she holds. The Company shall provide the requested information to the shareholder after authenticating his or her identity and receiving the related fees.

The Company has announced in details the Company's address, investor relations hotline number, fax number and email address on the Company website and its periodic reports. Personnel are assigned to answer the calls and handle the mails from investors, and to report timely to the Company's management.

(III) **Procedures for shareholders to submit proposals to General Meetings and the Company to provide sufficient contact information**

In accordance to the Rules of Procedure of General Meetings, a shareholder alone or shareholders together holding at least 3 percent of the shares of the Company may submit new proposal(s) in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the General Meeting and make a public announcement of the contents of such new proposals within two days after receipt of the proposals, and submit such new proposal(s) to the General Meeting for consideration.

The notice of the General Meeting shall include the following contact information: the date, place and duration of the meeting; the time and place for serving the form of proxy appointed for voting at the meeting; the date of record for the shareholders who are entitled to attend the meeting; the name and contact information of the contact person for the meeting. For the detailed contact information of the Company, please refer to "(I) Shareholder(s) to call an extraordinary General Meeting" in this section.

V. THE BOARD OF DIRECTORS

(I) **Overview of the Board**

The Board is a permanent body of the Company for making business decisions, and shall be accountable to the General Meeting. The Board consists of nine directors (temporarily short of two executive directors), with one chairman and one vice chairman, and at least one third of them are independent non-executive directors.

At the end of the Reporting Period, the third session of the Board of the Company consisted of seven directors, Mr. MENG Fengchao and Mr. ZHUANG Shangbiao are executive directors, Mr. GE Fuxing is a non-executive director, Mr. WANG Huacheng, Mr. Patrick Sun, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU are independent non-executive directors. Mr. MENG Fengchao is the chairman of the Company, with the same term as that of the directors of the third session of the Board.

Since 25 November 2016, Mr. QI Xiaofei no longer held his position as a director, vice-Chairman and member of the nomination committee of the Board of the Company.

Save for their services to the Company, there is no financial, commercial and familial connection among the members of the Board, nor any other material relationship among them.

Save for their respective contracts entered into with the Company, no directors are materially interested, either directly or indirectly, in the contracts of significance entered into by the Company or any of its subsidiaries during the Reporting Period.

During the Reporting Period, the Board held 16 meetings.

Section X Corporate Governance (Corporate Governance Report) (continued)

(II) **The Board and the management**

The positions of chairman and president of the Company are held by different persons. The Board and the management carry out their respective duties in strict accordance with the division of work as specified in the *Articles of Association*, the *Rules of Procedure of the Board of Directors*, the *Working Rules of the President* and other relevant laws and regulations.

1. The Board

The Board shall exercise the following functions and duties: to convene the General Meetings and report on its work thereat, and to carry out the resolutions passed at the General Meetings; to decide on the operation plans and investment plans, formulate the Company's annual financial budgets, final accounts, profit distribution plans and plans for making up losses of the Company; to formulate the plans for increase or reduction of the Company's registered capital and issuance of bonds and other securities as well as its listing plan; to draft plans for major acquisitions of the Company and repurchase of the Company's own shares, and to formulate the plans for merger, division, dissolution and changes in corporate forms of the Company; to decide on the Company's external investments, acquisition and sale of assets, pledges of assets, external guarantees, entrusted wealth management and connected transactions within the scope of authorization granted at the General Meetings; to appoint or dismiss the Company's president and Secretary to the Board; to appoint or dismiss the Company's senior management members such as the vice president(s) and chief accountant of the Company in accordance with the nominations of the president, and decide on their respective remuneration, reward and punishment, and to propose at General Meetings the appointment or change of the accounting firm(s) to provide auditing services to the Company; to decide on the setting of the Company's internal management organizations, formulate the Company's basic management system, manage the Company's information disclosure matters, etc.; and any other powers granted by the General Meeting or the Articles of Association.

The Nomination Committee, the Strategy and Investment Committee, the Remuneration and Evaluation Committee, and the Audit and Risk Management Committee were established under the Board. Each of the special committees has their detailed working rules and shall be accountable to the Board. Under the unified leadership of the Board, the special committees shall provide recommendations, opinions and advice for the decisions to be made by the Board. The special committees may engage intermediary organizations to provide independent professional advice, and the relevant expenses therefor shall be borne by the Company.

During the Reporting Period, to improve the scientific decision-making and enhance the standardized and effective operation, the Board actively widened the information communication channels, carried out special survey activities, strengthened the communication with the management, and paid attention to major issues in a timely manner.

During the Reporting Period, all members of the Board diligently fulfilled their duties and carried out their work in accordance with the *Articles of Association*, the *Rules of Procedure of the Board of Directors* and working rules for each special committee.

Section X Corporate Governance (Corporate Governance Report) (continued)

2. The management

The daily operation of the Company is carried out under the president accountability system. The Company shall have one president, multiple vice presidents and a chief accountant. The vice presidents and the chief accountant are responsible for assisting the work of the president and serve together with the president as senior management members of the Company.

The president shall be accountable to the Board and exercise the following functions and powers: to be in charge of the production, operation and management of the Company and to organize the implementation of the resolutions of the Board; to arrange for the implementation of the Company's annual business plans and investment plans; as authorized by the Board, to decide on the Company's annual investment and financing plans and its annual guarantee plans for subordinate units; to propose the Company's financial budgets and final accountants, and the Company's donation and sponsorship plans; to propose the profit distribution plans and plans for making up losses of the Company; to propose the Company's annual financing plans and its annual guarantee plans for subordinate units; to propose plans for the issuance of corporate bonds; to propose the Company's allocation plans of employees' income; to propose the corporate culture development plans; to propose the basic management systems of the Company; to formulate the basic rules and regulations of the Company; to request the Board to engage or dismiss the Company's vice presidents and chief accountant; to propose, upon engaging the vice presidents and the chief accountant, the plans relating to their remuneration, rewards and punishments; to engage or dismiss management personnel other than those to be engaged or dismissed by the Board; and other functions and powers granted by the Board.

At the request of the Board, the president timely reported on important information related to the Company's operating results, major transactions and material contracts, financial condition and business prospect and regularly reported to the Board on his work, and ensured the truthfulness, objectivity and completeness of such reports.

Section X Corporate Governance (Corporate Governance Report) (continued)

VI. PERFORMANCE OF DUTIES OF DIRECTORS

(I) Directors' attendance at the Board meetings and General Meetings

Name of directors	Independent director or not	Required attendance for the year	Attendance at the Board meetings				Two consecutive absences from the Board meeting	Attendance at the General Meetings		
			Attendance in person	Attendance by communication	Attendance by proxy	Absence		Attendance	Number of attendance	Attendance
MENG Fengchao	No	16	9	7	0	0	No	100%	1	100%
QI Xiaofei	No	13	6	5	2	0	No	84.62%	1	100%
ZHUANG Shangbiao	No	16	8	7	1	0	No	93.75%	1	100%
GE Fuxing	No	16	9	7	0	0	No	100%	1	100%
WANG Huacheng	Yes	16	9	7	0	0	No	100%	1	100%
Patrick SUN	Yes	16	8	7	1	0	No	93.75%	1	100%
CHENG Wen	Yes	16	9	7	0	0	No	100%	1	100%
Amanda Xiao Qiang LU	Yes	16	8	7	1	0	No	93.75%	1	100%

Note: Since 25 November 2016, Mr. QI Xiaofei no longer held his position as a director, vice chairman and member of the nomination committee of the Board of the Company.

Notes on the two consecutive absences from the Board meeting

Applicable Not Applicable

Number of the Board meetings within the year	16
Among which: Number of meetings held on site	9
Number of meetings held by communication	7
Number of meetings held on site in combination with communication	0

Section X Corporate Governance (Corporate Governance Report) (continued)

(II) *Training of directors*

Mr. MENG Fengchao attended the 3rd session of specialized training 2016 for directors and supervisors of listed companies in Beijing region of the Listed Companies Association of Beijing on 29 June 2016; attended the 4th session of the specialized training 2016 for directors and supervisors of listed companies in Beijing region of Listed Companies Association of Beijing on 20 July 2016.

Mr. ZHUANG Shangbiao attended the first directors communication training course 2016 organized by the SASAC on 30 March 2016; attended the budget communication meeting 2016 organized by the SASAC on 30 March 2016; attended the 5th session of chairman of the board and president seminar 2016 organized by China Association for Public Companies from 14 July to 15 July 2016; and attended the training course on continued education for senior accountants from 24 August to 26 August 2016.

Mr. GE Fuxing attended the state-owned enterprise legal counsel practice capability enhancement training course 2016 organized by the SASAC from 29 March to 1 April 2016; attended the first directors communication training course 2016 organized by the State-owned Assets Supervision and Administration Committee of the State Council on 30 March 2016; attended the first directors communication training course 2016 organized by the SASAC on 30 March 2016; attended the second directors communication training course 2016 organized by the on 21 July 2016; attended the specialized training course on economic running and stabling growth 2016 organized by the SASAC from 20 September to 23 September 2016; and attended the 8th session of specialized training 2016 for directors and supervisors of listed companies in Beijing region of Listed Companies Association of Beijing on 19 October 2016.

Mr. WANG Huacheng attended the layout meeting for debt risk management and control work for certain enterprises 2016 organized by the SASAC on 21 March 2016.

Mr. Patrick SUN attended the first directors communication training course 2016 organized by the SASAC on 30 March 2016; attended the training for the board of directors organized by Trinity Limited on 23 May 2016; attended the medical beauty pharmaceuticals and market analysis training organized by Sihuan Pharmaceutical Holdings Group Ltd. on 28 June 2016; attended the China Retail Industry Development Trend training course organized by Trinity Limited on 8 November 2016; and attended the medical beauty pharmaceuticals and market analysis training organized by Sihuan Pharmaceutical Holdings Group Ltd. on 3 December 2016.

Mr. CHENG Wen attended the first directors communication training course 2016 organized by the SASAC on 30 March 2016; participated in the training course of director of Tsinghua University from 20 to 21 September 2016; and participated in the special training course for independent director of listed companies in Beijing region on 13 October 2016.

Ms. Amanda Xiao Qiang LU attended the first directors communication training course 2016 organized by the SASAC on 30 March 2016.

Section X Corporate Governance (Corporate Governance Report) (continued)

(III) **Performance of the duties of corporate governance by the Board**

In compliance with the regulatory requirements of the place where the shares of the Company are listed, the Board strictly complied with Article 6 of the *Rules of Procedure of the Board of Directors* to execute its responsibilities on corporate governance, including but not limited to:

Develop and review the Company's policies and practices on corporate governance.

Review and monitor the training and continuous professional development of directors and senior management. The Board actively arranged directors and senior management personnel to participate in training related to their duties, and communicated with directors and senior management personnel on the updates and changes of regulatory laws and regulations in a timely manner, so that the directors and senior management personnel could sustainably develop their professional competence and improve their performance of duties.

Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board had paid close attention to the compliance of the Company's operations and established and refined the general legal consultation system. With the establishment of the legal and compliance department and engagement of law firms, the Company was able to comply with the requirements of laws and regulatory regulations.

Review the Company's compliance with the relevant corporate governance requirements of the listing rules of the stock exchanges at the place where the shares of the Company are listed and the disclosure in the *Corporate Governance Report*. The Board required the Company to strictly comply with the relevant corporate governance requirements of the listing rules of the stock exchanges at the place where the Company is listed, and disclose information related to corporate governance in a timely manner.

(IV) **The independence of independent non-executive directors**

The Company has appointed sufficient number of independent non-executive directors with relevant professional qualifications including expertise in accounting or financial management according to the regulations of CSRC, the Shanghai Stock Exchange and the requirements of the Stock Exchange Listing Rules. The Company has received the annual confirmation issued by all independent non-executive directors to acknowledge their respective independence. After due inquiry, the Board is of the view that each of the four independent non-executive directors of the Company maintains the independence as required by the directions set out in Rule 3.13 of the Stock Exchange Listing Rules. They have backgrounds in accounting, finance and corporate management and abundant professional experience, and they have diligently and earnestly performed their duties. They have provided professional advice for the Company's steady operation and sustainable development, and carried out monitoring and coordination to safeguard the interests of the Company and the shareholders.

(V) **Objections raised by Independent directors to relevant matters of the Company**

Applicable Not Applicable

(VI) **Others**

Applicable Not Applicable

Section X Corporate Governance (Corporate Governance Report) (continued)

VII. CHAIRMAN AND PRESIDENT

(I) Chairman of the Board

Mr. MENG Fengchao serves as the chairman of the Company. The chairman shall carry out work according to the requirements specified by the corporate governance systems such as the *Articles of Association* and the *Rules of Procedure of the Board of Directors*. The chairman is the legal representative of the Company, mainly responsible for convening and presiding over the Board meeting, inspecting the implementation of the resolutions of the Board, attending the annual General Meeting, arranging the chairmen of special committees of the Board to attend the annual General Meetings and answer shareholders' questions, signing securities issued by the Company and other important documents, and exercising other functions and powers authorized by the Board. The chairman is responsible to the Board and reports his work to the Board.

(II) President

Mr. ZHUANG Shangbiao serves as the president of the Company. The president is responsible for the daily operation of the Company, mainly including implementing strategies and policies approved by the Board, as well as business plans and investment plans of the Company, drafting internal management structure and basic management system of the Company, formulating basic rules and regulations of the Company, proposing to the Board to appoint or dismiss senior management members and exercising other functions and powers authorized by the *Articles of Association* and the Board. The president takes responsibility to the Board for the operating conditions of the Company and reports his work to the Board on a regular basis.

VIII. IMPORTANT OPINIONS AND SUGGESTIONS PROPOSED BY SPECIAL COMMITTEES OF THE BOARD UPON PERFORMANCE OF DUTIES DURING THE REPORTING PERIOD AND DISCLOSURE THE PARTICULARS WITH OBJECTIONS RAISED

Applicable Not Applicable

(I) Nomination Committee

During the Reporting Period, the Nomination Committee of the 3rd Session of the Board consisted of Mr. MENG Fengchao (chairman), Mr. QI Xiaofei (vice chairman), Mr. WANG Huacheng, Mr. Patrick Sun and Mr. CHENG Wen (independent non-executive directors). Mr. MENG Fengchao acts as the chairman. On 25 November 2016, Mr. QI Xiaofei ceased to be the member of the Nomination Committee of the Board due to other work arrangements.

The main duties of the Nomination Committee include regulating the selection standards and procedures of the directors, president and other senior management of the Company, implementing and reviewing the Board diversity policy, etc.

Pursuant to the Board diversity policy, when reviewing the scale and composition of the Board and searching for and proposing the candidates for the directors, the Nomination Committee will consider the diversity of the Board from various aspects based on the business mode and specific needs, including but not limited to the gender, age, education background or professional experiences.

During the Reporting Period, the Nomination Committee implemented its responsibilities conscientiously pursuant to the requirements of the *Company Law*, the *Articles of Association*, *Working Rules of the Nomination Committee* and relevant laws and regulations and reviewed the structure, number of members and the composition (including skills, knowledge and experiences) of the Board.

Section X Corporate Governance (Corporate Governance Report) (continued)

(II) Strategy and Investment Committee

During the Reporting Period, the Strategy and Investment Committee of the third session of the Board of the Company consisted of Mr. ZHUANG Shangbiao (executive director), Mr. GE Fuxing (non-executive director), Mr. WANG Huacheng and Mr. Patrick SUN (independent non-executive directors) with Mr. ZHUANG Shangbiao serving as the chairman.

The main duties of the Strategy and Investment Committee are to conduct research and make recommendations for the development strategies and plans, significant investment decisions of the Company, etc. During the Reporting Period, in accordance with the requirements of the *Company Law*, the *Articles of Association*, the *Working Rules for the Strategy and Investment Committee* and other relevant laws and regulations, the Strategy and Investment Committee earnestly performed its duties and held a total of 14 meetings, the details of which are as follows:

Name of the meeting	Time of meeting	Main contents	Participants
The 10th meeting of the third session	25 January 2016	<ol style="list-style-type: none"> 1. Considered the proposal on the implementation of the production and operation plan for 2015 and the production and operation plan for 2016; 2. Considered the proposal on the status of corporate investment in 2015 and the corporate investment plan for 2016; 3. Considered the proposal on the investment in Huanghe Property Insurance Co., Ltd. (黄河財產保險股份有限公司) by the Investment Group. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.
The 11th meeting of the third session	8 March 2016	<ol style="list-style-type: none"> 1. Considered the Deliberate the proposal on the participation of the consortium formed by China Railway Siyuan Group Investment Co., Ltd. and the Company in the bid for Kunming rail transit line 5 PPP project; 2. Considered the Deliberate the proposal on the participation of the consortium formed by China Railway Group Limited and the Company in the bid for Pujiang-Dujiangyan segment of the Loop Line of Chengdu Economic Zone, and the Chengdu new airport highway BOT project; 3. Considered the Deliberate the proposal in relation to the Participation in the Bids for the Phase I PPP Project of Line 2 of Huhhot Rail Transit participated by the Company; 4. Considered the Deliberate the proposal on the participation of the consortium formed by Singapore SMRT Corporation Limited, SMRT International Private Limited and the Company in the bid for the mechanical and electrical PPP project of Fuzhou rail transit line 5. Considered the Deliberate the proposal for change in management relationship between CRCC Southwest Investment Co., Ltd. and CRCC North China Investment and Development Co., Ltd. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 12th meeting of the third session	29 March 2016	<ol style="list-style-type: none"> 1. Considered the Deliberate the proposal on the Company's participation in the bid for Nanchong-Tongnan (in Sichuan) Highway project, Nanchong transit to Guangyuan-Nanchong to Nanchong-Guangan segment highway project in the "BOT + EPC" mode; 2. Considered the Deliberate the proposal on the Company's participation in the bid for Chengdu IT Avenue modern trolley car BT project; 3. Considered the Deliberate the proposal on the participation of the China Railway 14th Bureau Group Co., Ltd. in the bid for the BT project of the central settlement zone (lot 1) of Doumen, Fengdong New City, Xixian New Area, Shaanxi Province. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng were present at the meeting. Mr. Patrick SUN was absent for other business.
The 13th meeting of the third session	11 April 2016	<ol style="list-style-type: none"> 1. Considered the Deliberate the proposal on increasing registered capital for some engineering bureau group corporations; 2. Considered the Deliberate the proposal on the Company's participation in the bid for the underground pipeline corridor PPP project of Xiamen new airport area; 3. Considered the Deliberate the proposal on the participation of the China Railway 17th Bureau Group Co., Ltd. in the bid for the PPP works of infrastructure construction project in Yuxi; 4. Considered the Deliberate the proposal on the participation of the China Railway 19th Bureau Group Co., Ltd. in the bid for the level one development and construction project for urban infrastructure of the 2016-2018 area in the airport economic comprehensive experimental zone of Zhengzhou in the mode of Investment + General contracting for construction. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 14th meeting of the third session	28 April 2016	<ol style="list-style-type: none"> 1. Considered the proposal on transfer of the level one qualification for road project prime contractor of relating subsidiaries to the joint stock corporation; 2. Considered the proposal on participation of the consortium formed by China Railway Urban Construction Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd. and China Railway 20th Bureau Group Co., Ltd. in the underground space PPP project of the headquarter base in Wuxiang New area of Nanning; 3. Considered the Proposal in relation to the Participation of China Railway 12th Bureau Group Co., Ltd. in the Bids for PPP Project of underground pipeline of Jinyuan East District, Taiyuan. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.
The 15th meeting of the third session	12 June 2016	Considered the Proposal in relation to the Participation of the Company in the Bids for Phase I PPP Project of Line 3 of Xuzhou urban rail transit.	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 16th meeting of the third session	16 June 2016	<ol style="list-style-type: none"> 1. Considered the proposal of increasing registered capital in China Railway Goods and Materials Co., Ltd.; 2. Considered the proposal of establishing China Railway (Russia) Co., Ltd.; 3. Considered the proposal on participation of China Railway Construction Heavy Industry Group Co., Ltd. in the new high-end underground equipment manufacturing base; 4. Considered the proposal on participation of China Civil Engineering Group Corporation Limited in investment and share-gaining in China Overseas Infrastructure Development and Investment Corporation Limited; 5. Considered the proposal on participation of China Railway 16th Bureau Group Co., Ltd. in the settlement house and infrastructure PPP project of Longtougang New Area, Changleng Industrial Park Zone, Xinjian, Jiangxi Province; 6. Considered the Proposal in relation to the Participation of the Company in the Bids PPP Project of Line 5 of Nanjing Subway; 7. Considered the proposal on participation of China Railway Construction Investment Group Co., Ltd. in the level one new town land development project of Jiangning Town, Jiangning District, Nanjing. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.
The 17th meeting of the third session	12 July 2016	Considered the proposal on participation of the Company in the underground pipeline corridor and road modification PPP project of Tonghua, Jilin.	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 18th meeting of the third session	25 July 2016	<ol style="list-style-type: none"> 1. Considered the proposal on the Company's establishment of representative office in Mozambique and Republic of Congo; 2. Considered the proposal on the participation of the consortium formed by the China Railway 17th Bureau Group Co., Ltd. and the Company in the bid for underground comprehensive pipeline corridor PPP project of Meixihu international new city (phase II) of Changsha; 3. Considered the Proposal in relation to the Participation of the Company in the Bids PPP Project of Line 4 of Qingdao Subway; 4. Considered the proposal on participation of China Railway Urban Construction Group Corporation Limited in the environmental harness and landscape project PPP works of Yuchihe basin in Yuelu Hi-tech Industrial Park of Changsha; 5. Considered the proposal on the participation of the consortium formed by Chongqing Expressway Group Co., Ltd. and the Company in the bid for Anyue-Hechuan Highway and Hechuan-Bishan-Jiangjin Highway project in the mode of BOT+ EPC; 6. Considered the proposal on the Company's participation of the transit highway project of Qianjiang District, Chongqing in the mode of BOT + EPC + governmental subsidy; 7. Considered the proposal on the Company's participation of the loop line highway project of Wanzhou, Chongqing in the mode of BOT + EPC; 8. Considered the Proposal in relation to the Participation of the Company in the Bids for PPP Project of Line 9 for phase I of Chongqing Rail transit. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 19th meeting of the third session	29 August 2016	<ol style="list-style-type: none"> 1. Considered the Proposal in relation to restructuring and establishment of China Railway (Chongqing) Investment Co., Ltd.; 2. Considered the proposal on establishing China Railway Meglev Technology Investment Co., Ltd.; 3. Considered the proposal on the Company's participation in the bid for comprehensive pipeline corridor phase II project of Nanjing Jiangbei new area; 4. Considered the proposal on the Company's participation in the bid for Chengdu subway line 6 phase I and phase II; 5. Considered the proposal on the Company's participation in the level one land development and sorting project of Wujiaba Tuqiao area; 6. Considered the proposal on the Company's participation in the bid of Yuxi-Lincang highway project; 7. Considered the proposal on the participation of China Railway Construction Real Estate Group Co., Ltd. in the level one land development project of the remaining batch of Guiyang Lancaoba project; 8. Considered the proposal in relation to the participation of the Company in the bid for PPP project of line 5 of Dalian subway; 9. Considered the proposal on the Company's participation in the bid for Dalian Bay Tunnel and Guangming Road extension PPP project; 10. Considered the proposal on the investment by China Railway Construction Investment Co., Ltd. into the level one land development project at the headquarter road in Binhai new district, north area of Qingdao; 11. Considered the Proposal for the approval of participating in the bidding of PPP project for rail line of Beijing New Airport; 12. Considered the Proposal for the approval of modifying Foreign Investment Management System of CRCC. 	<p>Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng were present at the meeting. Mr. Patrick SUN was absent for other business.</p>

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 20th meeting of the third session	30 September 2016	<ol style="list-style-type: none"> 1. Considered the Proposal in relation to the Participation of the Company in the Bids for PPP Project of the Capital Region Ring Expressway (Tongzhou-Daxing Section); 2. Considered the Proposal in relation to the Joint Bids for the Finance-Construction on Consignment Project of Yibin-Bijie Expressway (Weixin-Zhenxiang Section) and Dongchuangle-Qiaoqia Hulukou Expressway by China Railway 11th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd. and Yunnan Highway Bureau Road and Bridge Technology Engineering Company. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.
The 21st meeting of the third session	27 October 2016	<ol style="list-style-type: none"> 1. Considered the Proposal in relation to the Participation of the Company in the Bids for PPP Project of Kunming (Fude Overpass)-Yiliang Expressway (Kunming-Shilin Double line); 2. Considered the Proposal in relation to the Participation of the Company in bids for PPP Project of Qujing Sanbao-Kunming Qingshui Expressway (Kunming Section); 3. Considered the Proposal in relation to the Increase of Registered Capital of CRCC Assets Management Co., Ltd. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.
The 22nd meeting of the third session	1 December 2016	<ol style="list-style-type: none"> 1. Considered the proposal in relation to the Participation of the Company in Bids for the Underground Supporting Engineering of Line 6 of Changsha Rail Transit from Wenchang Pavilion to Dongtundu in the Mode of Investment + General Contracting; 2. Considered the Proposal in relation to the Participation of the Company in the Bids for PPP Project of Line 1 and Line 2 for Phase I of Wuhu Rail transit; 3. Considered the Proposal in relation to the Participation of the Company in Bids for the Southern Shandong High-speed Railway (Linyi-Qufu Section) in the Mode of Equity Investment + PPP; 4. Considered the Proposal in relation to the Participation of the Company in the Bids for PPP Project of Lintong Line (Line 9) for Phase I of Xi'an Subway; 5. Considered the Proposal in relation to the Participation of the Company in the Bids for PPP Project of Line 10 for phase II of Chengdu Rail Transit. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 23rd meeting of the third session	23 December 2016	<ol style="list-style-type: none"> 1. Considered the Proposal in relation to the Joint bids for PPP Project Bidding for Zunyi-Yuqing Expressway in Guizhou Province by China Railway 20th Bureau Group Co., Ltd. and China Railway First Survey and Design Institute Group Co., Ltd.; 2. Considered the Proposal in relation to the Participation of China Railway Construction Investment Group Co., Ltd. and other companies in the Bids for BOT Project of Anxiang-Cili Expressway in Hunan Province; 3. Considered the Proposal in relation to the Participation of the Company in Bids for the Civil Engineering and Relevant Engineering of Shijiazhuang Urban Rail Transit Line 1 and 3 (Phase II); 4. Considered the Proposal in relation to the establishment of China Railway Huanan Construction Co., Ltd.; 5. Considered the Proposal in relation to China Railway Construction Corporation Limited Qatar Branch. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng and Mr. Patrick SUN were present at the meeting.

(III) Remuneration and Evaluation Committee

During the Reporting Period, the Remuneration and Evaluation Committee of the third session of the Board consisted of Mr. CHENG Wen (independent non-executive director), Mr. GE Fuxing (non-executive director) and Ms. Amanda Xiao Qiang LU (independent non-executive director), with Mr. CHENG Wen serving as the chairman.

The main duties of the Remuneration and Evaluation Committee are to formulate and examine the remuneration policies and plans for the directors and senior management members of the Company; to study the evaluation criteria for directors and senior management members of the Company, and to carry out evaluation and make recommendations.

The Company has adopted the mode in which the Remuneration and Evaluation Committee makes recommendations on the remuneration for executive directors and senior management members to the Board. According to relevant provisions of the *Working Rules for the Remuneration and Evaluation Committee*, the Remuneration and Evaluation Committee is responsible for formulating the remuneration management method and remuneration plans for the directors, the chairman of the Supervisory Committee and senior management members of the Company and proposing recommendations on their specific remuneration to the Board.

Section X Corporate Governance (Corporate Governance Report) (continued)

During the Reporting Period, the Remuneration and Evaluation Committee earnestly performed their duties and held 3 meetings in accordance with the requirements of the *Company Law*, the *Articles of Association*, the *Working Rules for the Remuneration and Evaluation Committee* and other relevant laws and regulations, the details of which are as follows:

Name of the meeting	Time of meeting	Main contents	Participants
The 8th meeting of the third session	29 March 2016	Considered the Proposal in relation to the Remuneration for Directors of 2015.	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.
The 9th meeting of the third session	28 April 2016	<ol style="list-style-type: none"> 1. Considered the Proposal in relation to the Results of the Performance Appraised by the Board on the President for 2015 and the term of 2013 to 2015; 2. Considered the Proposal in relation to the Plans for the Performance Appraised by the Board on the President for 2016 and the term of 2016 to 2018. 	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.
The 10th meeting of the third session	26 October 2016	Considered the Proposal in relation to 2015 Remuneration Plan for the Officers.	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.

(IV) **Audit and Risk Management Committee**

During the Reporting Period, the Audit and Risk Management Committee of the Company consisted of Mr. WANG Huacheng (independent non-executive director), Mr. GE Fuxing (non-executive director), Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU (independent non-executive directors), with Mr. WANG Huacheng being the chairman.

The Audit and Risk Management Committee is mainly responsible for making recommendations on the appointment and change of the external auditors of the Company; the supervision of the internal audit system of the Company; the coordination, supervision and inspection of internal and external audits of the Company; the review of financial information and disclosure thereof; the inspection of internal control systems; the formulation of the Company's risk management strategies and solutions, and the risk control, management, supervision and review of major decision-makings, major events and important business procedures.

Section X Corporate Governance (Corporate Governance Report) (continued)

During the Reporting Period, the Audit and Risk Management Committee earnestly performed their duties and held 8 meetings in accordance with the requirements of the *Company Law*, the *Articles of Association* and the *Working Rules for the Audit and Risk Management Committee* and other relevant laws and regulations, the details of which are as follows:

Name of the meeting	Time of meeting	Main contents	Participants
The 11th meeting of the third session	25 January 2016	<ol style="list-style-type: none"> 1. Considered the Proposal in relation to the Changes in Accounting Estimates; 2. Considered the Proposal in relation to the Financial Service Agreement Renewed by CRCC Finance Company Limited and CRCCG; 3. Considered the Proposal in relation to the Amendment of Working Rules of Audit and Risk Management Committee of the Board of CRCC. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
The 12th meeting of the third session	8 March 2016	<ol style="list-style-type: none"> 1. Heard E&Y Hua Ming LLP's Report on the Progress of the Audit on 2015 Annual Report (Second Communication); 2. Heard the report of Supervisory Committee on the Annual Audit Thoughts and Audit Plan 2016 of the Company; 3. Considered the Proposal in relation to 2014 Annual Report Audit Fee. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN and Mr. CHENG Wen were present at the meeting. Ms. Amanda Xiao Qiang LU was absent for other business.
The 13th meeting of the third session	29 March 2016	<ol style="list-style-type: none"> 1. Heard E&Y Hua Ming LLP's Report on the Audit on 2015 Annual Report of the Company (Third Communication); 2. Considered the Proposal in relation to the Company's Annual Report of 2015; 3. Considered the Financial Report 2015 of the Company; 4. Heard the Report of the Company on the Progress of the Internal Control Evaluation for 2015; 5. Considered the Report of the Company the Internal Control Evaluation for 2015; 6. Considered the Proposal in relation to the Payment by the Company of Annual Internal Control Audit Fee for 2015. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 14th meeting of the third session	29 April 2016	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the First Quarter of 2016; 2. Considered the Proposal in relation to the Financial Report of the first quarter of the Company for 2016; 3. Considered the Proposal in relation to the Enterprise Risk Management Report of 2016; 4. Considered the Proposal in relation to the Appointment of Internal Control Audit Organization in 2016; 5. Considered the Proposal in relation to the Appointment of External Audit Organization in 2016. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
The 15th meeting of the third session	29 August 2016	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the First Half of 2016; 2. Considered the Proposal in relation to the Semiyearly Report of 2016 and the Summary; 3. Communicated with Ernst&Young about Review of Financial Report of the First Half of 2016. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Mr. Patrick SUN was absent for other business.
The 16th meeting of the third session	26 October 2016	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the Third Quarter of 2016; 2. Considered the Proposal in relation to the Report of the third quarter of 2016 of the Company; 3. Considered the Proposal in relation to the Implementation Plan of Internal Control Evaluation and Assessment of 2016. 	Mr. WANG Huacheng, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Mr. GE Fuxing was absent for other business.
The 17th meeting of the third session	1 December 2016	<ol style="list-style-type: none"> 1. Heard the Report of E&Y Hua Ming in relation to the Annual Report Audit of the Company and the Internal Control Audit Plan 2016 for the Company; 2. Heard the Report of Compliance Department on the Progress of Rule of Law of Central Enterprises. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.

Section X Corporate Governance (Corporate Governance Report) (continued)

Name of the meeting	Time of meeting	Main contents	Participants
The 18th meeting of the third session	30 December 2016	Considered the Proposal in relation to the Service Delivery Framework Agreement Signed by the Company and CRCC Financial Leasing Co., Ltd.	The meeting was held by means of a communication vote. Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU considered the proposals at the meeting.

During the Reporting Period, the Audit and Risk Management Committee held meetings at which they together reviewed the financial and accounting policies, internal control system and relevant financial matters, issued opinions on matters related to the engagement of external audit institutions and heard the external audit institutions' reporting on the audit and review of the 2015 Annual Report and 2016 Interim Report, so as to ensure the integrity, fairness and accuracy of the Company's financial statements, reports and other relevant data, and to establish and improve an effective internal control system.

IX. EXPLANATION ON THE SUPERVISORY COMMITTEE FINDING RISKS IN THE COMPANY

Applicable Not Applicable

During the Reporting Period, the Supervisory Committee of the Company did not find risks other than the risk factors that may be faced in the discussion and analysis of the Company's future development as stated in "Section V. Discussion and Analysis on Business Operations (Report of Directors)" of this report. The Supervisory Committee has no objection to matters under supervision during the Reporting Period.

X. EXPLANATION ON THE COMPANY'S INCAPABILITY TO MAINTAIN INDEPENDENCE AND INDEPENDENT OPERATING ABILITY IN ASPECTS OF BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE RELATIVE TO THE CONTROLLING SHAREHOLDER

Applicable Not Applicable

Measures, progress and follow-up plans of the Company to tackle with intra-industry competition

Applicable Not Applicable

Section X Corporate Governance (Corporate Governance Report) (continued)

XI. THE ESTABLISHMENT AND IMPLEMENTATION OF THE EVALUATION MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

Applicable Not Applicable

In accordance with the provisions of the Company's performance method and remuneration management method for senior management members and according to the annual performance evaluation plans for senior management members of the Company considered and determined by the Board meeting, the Remuneration and Evaluation Committee implemented the evaluation for senior management members, of which the results were submitted to Board for consideration and approval and served as the main basis for the remuneration incentives for senior management members. The Remuneration and Evaluation Committee formulated the proposal on the remuneration of senior management members and materialized the annual performance remuneration for senior management members after submitting the proposal to the Board for consideration.

XII. SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Board has adopted the Model Code as the guidance for the securities transactions of directors, supervisors and relevant employees of the Company. After individual inquiry by the Company, all directors, supervisors and relevant employees (as defined in the Model Code) have confirmed that they have acted in compliance with the standards as set by the guidance.

XIII. INVESTOR RELATIONS

The Company implemented the spirit of the Circular on Further Strengthening the Management of Investor Relations of Listed Companies issued by Shanghai Stock Exchange and the Circular on Carrying out Centralized Publicity for Investor Protection issued by Beijing Securities Regulatory Bureau, and effectively commenced management on investor relations by strictly implementing the relevant provisions set forth in the Working Rules for Investor Relations of the Company.

The Company paid close attention to strengthening communication with investors, answering their questions timely through channels and means such as dedicated hotline and mail boxes for investor relations and SSE E-interactive Platform. In 2016, the Company arranged 62 face-to-face meetings with investors and analysts, receiving more than 245 visitors. The Company proactively participated in communication activities held by domestic and overseas investment institutions, including 9 face-to-face meetings with investors and analysts and 54 investor receptions with 222 visitors received. To facilitate disclosure of periodic reports, the Company held 5 results presentations, carried out non-deal roadshow and 47 one-to-one and one-to-many meetings with 118 institutional investor received. Through various channels and means, the Company managed to improve investor relations management.

The Company carried out information disclosure in a true, accurate, complete, timely and fair manner. In 2016, the Company issued periodic reports and announcements, disclosed 350 documents in Chinese or English at the Shanghai Stock Exchange and the Hong Kong Stock Exchange, informing the investors of relevant situation in many aspects including the latest tendency of the industry where the Company operates, the Company's production and operation conditions and its development prospects. The Company proactively disclosed relevant information to fulfill the requirements of regulatory bodies and markets.

Section X Corporate Governance (Corporate Governance Report) (continued)

The Company's active and effective work on investor relations has been recognized by investors and capital markets. In 2016, the Company won many awards in respect of brand building, standardized governance, information disclosure, investor relation and social responsibility, etc.. The Company is awarded "Top 100 with the most core competitiveness among listed companies in 2016" and "Top 100 with the most industry brand influence among the listed companies in 2016" in the seventh communication meeting of China listed company and urban development Investment. MENG Fengchao, the chairman of the Company was awarded "entrepreneur with the innovation contribution among the listed companies in 2016"; In the selection of seventh investors relationship among listed companies, the Company is awarded "The board of the directors with best investor relationship among listed companies", and Yu Xingxi, secretary of the board of the Company is awarded with "Excellent secretary of investors relationship among listed companies in China. The Company ranks No. 25 with glory of "Top 100 with Credibility of investors relations among listed companies in China" on 2016 annual meeting for science development for China's enterprise and credibility grand ceremony; the Company is awarded "China top 100 enterprise" on the top 100 summit among 16th listed companies in China, and MENG Fengchao, chairman of the Company, is awarded "China top 100 outstanding entrepreneur, and Yu Xingxi, secretary of the board of the directors is awarded "Top 100 excellent secretary of "the board of the directors". Wang Xiuming, chief accountant of the Company is awarded "Best chief financial officer" in the award for the financing listed company in China in 2016, and Yu Xingxi, secretary of the Board is awarded with "Best secretary of board of directors or the secretary of the Company"; in the "Jinyuanzhuo" forum for the board of directors among the 12th listed company in China, the Company is awarded "Best board of directors", MENG Fengchao, chairman of the Company is awarded "Chairman with best strategic eyesight", Yu Xingxi, secretary of the Board is awarded "Secretary with contribution"; in the section of China securities golden bauhinia for 2016 hosted by Dagong Daily, Yu Xingxi, secretary of the Board is awarded "Best secretary of the board of directors among listed companies". In addition, Mr. YU Xingxi, secretary of the Board, was awarded many other prizes such as the 12th New Fortune "Top Board Secretary", New Fortune Top Board Secretary "Top 10 Capital Operation", "Best Board Secretary of Chinese Listed Companies" by Financial Report of the 21st Century and 21st Century and "Top Board Secretary" of the 13th China's Financial Annual Champion Awards.

XIV. AMENDMENTS TO THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

During the Reporting Period, according to the applicable laws and regulations of the place where the shares of the Company are listed and the actual situation of the Company, the Articles of Association of the Company were amended once after the consideration and approval by the Board meeting and the General Meeting.

Based on the alteration of the Company's registered capital and capital structure correspondently occurred after the Company's non-public issuance of A share in July 2015, according to the actual condition of share issuing and requirements of administrative registration authorities of industry and commerce as approved by the 25th meeting of the Third Session of the Board on 11 April 2016 and 2015 annual general meeting on 16 June 2016, the relevant contents in article 22 of the Articles of Association were amended. The Articles of Association (amended) were published at the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn) on 17 June 2016.

Section X Corporate Governance (Corporate Governance Report) (continued)

XV. REMUNERATION OF AUDITORS

For relevant information on the remuneration of auditors, please refer to “Section VI Significant events” of “VII. Appointment and removal of auditors” in this report.

XVI. COMPANY SECRETARY

During the Reporting Period, the secretary of the Board and the joint company secretary of the Company had respectively completed relevant professional training of not less than 15 hours.

XVII. DIRECTORS’ RESPONSIBILITIES RELATED TO FINANCIAL REPORT (DISCLOSURE PURSUANT TO THE REQUIREMENTS OF THE STOCK EXCHANGE LISTING RULES)

The Directors shall bear responsibility to supervise the preparation of financial report. In terms of the annual financial statements for the year ended 31 December 2016, the Board of Directors has selected and used appropriate accounting policies to make prudent and reasonable judgments and estimates, in order to truly and fairly reflect the financial conditions, performance and cash flows of the Group during the financial year.

The statement of reporting responsibilities of the Company’s auditors has been contained in the “Audit report” of “Section XIII Financial Reports” of the report.

XVIII. SELF-ASSESSMENT REPORT ON INTERNAL CONTROL DISCLOSED

Applicable Not Applicable

For details of the “Self-assessment Report on Internal Control”, please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Description on significant defects of the Internal Control during the Reporting Period

Applicable Not Applicable

Section X Corporate Governance (Corporate Governance Report) (continued)

XIX. RELEVANT ISSUE ON AUDIT REPORT ON INTERNAL CONTROL

Applicable Not Applicable

As approved by the 2015 annual General Meeting, Ernst & Young Hua Ming LLP was appointed by the Company to audit the effectiveness of our internal control for the year ended 31 December 2016, and issued an internal audit report with an unqualified audit opinion. Ernst & Young Hua Ming LLP was of the view that, the Company maintained an efficient internal control on financial reporting at all material aspects according to Basic Standards for Corporate Internal Control and relevant requirements.

Auditors' Report on Internal Control disclosed: Yes

For details of the "Audit Report on Internal Control", please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

XX. OTHERS

Applicable Not Applicable

Section XI Report on Environmental, Social and Governance

I. ENVIRONMENT

(I) Emissions

CRCC strictly complies with international conventions and domestic laws related to air pollution, strictly implements the policies which limit high energy consumption and high pollution, continues to promote energy-saving and emission reduction, integrating into the whole process of construction and production, increases investment in technological improvement of the energy-saving and emission reduction, eliminates backward production capacity, promotes the usage of new products, new materials, new technologies to reduce the impact of emissions on the environment.

In order to reduce the impact of emissions on the environment, the Company sets up the following measures:

Organizational System: Establish the organizational system of the energy-saving and emission reduction. Every level sets up the energy-saving and emission reduction leading group with the main leaders as the group leader, makes clear management department and equips with management personnel.

Institutional System: Formulate the Interim Measures for Energy-saving and Emission Reduction Administration of China Railway Construction Corporation Limited to guide every level to carry out the work of energy-saving and emission reduction.

Monitoring system: Establish the monitoring system of energy-saving and emission reduction, and regularly monitor and report to the supervision department.

Assessment System: Formulate Implementation Rules for Examination and Evaluation of the Targets of Energy-saving and Emission Reduction of China Railway Construction Corporation Limited; promote energy-saving and emission reduction through examination and evaluation.

(II) Usage of resources

CRCC pays attention to the development of circular economy, strengthening of resource management, rational use and protection of resources. The Company advocates green and low-carbon lifestyle, encourages employees to make something great from the small things, start with things around us to practice strict economy and eliminate waste; implements paperless office, reducing paper manuscript print; uses energy-saving lighting in offices, conference rooms, corridors, staircases, bathrooms and other places; implements power-saving management to computers, printers, copiers, air conditioners and other office equipment, reducing long-time standby; sets up recycling bins, recycling the waste toner cartridges, ink cartridges, batteries and papers for centralized processing.

The Company sets up and improves the water conservation rules and regulations, implements water conservation scientifically and regularly. For example, the Company uses water-saving appliances and equipment in office space, sets up signs to remind water conservation, regularly inspects to prevent the phenomenon of “running, emitting, dripping, leak” of water.

For the year of 2016, the Company’s total energy consumption is 5,680,400 tons of standard coal; the comprehensive energy consumption (comparable price) is 0.0906 tons of standard coal for each ten thousand non-industrial income.

Section XI Report on Environmental, Social and Governance (continued)

(III) *Environment and Natural Resources*

CRCC actively promotes environmental protection, establishes and improves the responsibility system for environmental protection, carries out environmental impact assessment, to make design, construction, and put into operation of the environmental protection and construction and production be implemented at the same time; CRCC tries the best to protect the wildlife and ecological vegetation, soil and water conservation and greening, farmland restoration and etc. For the year of 2016, the Company didn't have the accidents of environmental pollution.

In the process of construction, the Company has taken many measures to reduce the impact of construction operations on the surrounding environment. For example, in the construction of bridge pile foundation, the company set up the sedimentation tanks, the circulation pits to avoid direct discharge of mud into the river and soil. In the tunnel construction, the company implemented properly treatment of the wasted slag and sewage discharge. Canned cement has been used at the mixing station of construction site to avoid dust. The stacking of sand-gravel aggregate must be inclosed or covered.

II. SOCIETY

(I) *Employment and labor rules*

1. Employment

CRCC, abiding by Labor Law of the People's Republic of China and Contract Law of the People's Republic of China strictly, implemented benefit wage relating to work efficiency, provided a salary and welfare system with industrial and regional competitiveness for the employees, and established a business performance sharing mechanism for the employees. Moreover, CRCC paid various social insurances for the employees, built an enterprise annuity system to ensure the living quality of retired employees, perfected supplementary medical insurances to provide assistance for the employees with major diseases, encouraged paid leave for employees by formulating specific measures and implementing flexible holiday system, and implemented relevant national provisions on legal holiday, marriage leave, funeral leave, and maternity leave. In 2016, CRCC has 259,460 employees, including 54,460 female employees.

Number of employees in 2016 (by personnel type)

Personnel type	Number	Proportion (%)
Management personnel	54,577	21.03
Professional and technical personnel	116,624	44.95
Skilled personnel	88,259	34.02
Total	259,460	100

Section XI Report on Environmental, Social and Governance (continued)

Number of employees in 2016 (by educational background)

Educational background	Number	Proportion (%)
Graduate degree	8,272	3.19
Bachelor degree	117,814	45.41
Junior college	58,835	22.67
Secondary technical school	23,914	9.22
High school and below	50,625	19.51
Total	259,460	100

Number of employees in 2016 (by age structure)

Age structure	Number	Proportion (%)
35 and below	140,764	54.25
36-40	31,592	12.18
41-45	31,701	12.22
46-50	19,692	7.59
51-54	20,223	7.79
55-59	15,441	5.95
60 and above	47	0.02
Total	259,460	100

2. Health and safety

CRCC carried out the entity responsibility of production safety vigorously, implemented the system of responsibility in production safety strictly, implemented the responsibility of safety control and assurance, signed the responsibility agreements of safety control and assurance with all levels, and realized the responsibility of each post and everyone. At the same time, CRCC implemented the assessment system that the income of front-line employees is linked to the safety, and continued to strengthen the safety supervision in production process. In 2016, the situation of production of the Company was stable, and there was no major and above safety accident.

Section XI Report on Environmental, Social and Governance (continued)

CRCC built various systems including occupational health and safety management system, perfected occupational disease prevention and control, occupational health training, occupational physical examination, and implemented the occupational health and safety measures step by step. In addition, CRCC prepared labor protection articles and distributed them timely in strict accordance with the requirements of labor protection, provided regular physical examination for the employees, increased special physical examination for the employees in special post, and established health archives for the employees for tracking and reexamination. CRCC also brought mental health into the occupational health management of employees gradually, and encouraged the conditional affiliated enterprises to cooperate with professional agencies in lectures on mental health and mental health guidance, so as to ensure the physical and mental health of the employees.

CRCC carried out the training on employees' safety knowledge and operation skills, as an important part of safety work, by means of pre-service education, site broadcast, window, site school, safety knowledge contest, SMS and WeChat, safety experience area and the like, so as to promote safety education and training, improve employee safety consciousness, and strengthen the self-protection ability of employees.

3. Development and training

CRCC focused on the growth of employees. CRCC broadened the space and provided smooth channels for employees' development, strived to create a fair, just and robust work atmosphere, and aroused the creativity of all kinds of talents to realize the personnel value of employees.

By taking training as an important way of talent cultivation and taking post skills training and knowledge update training as key points, CRCC carried out all-round, multi-level and multi-channel employee training actively, adopted many teaching methods, such as instruction, discussion, case, simulation and experience, and carried out trainings of backbones in following businesses including market management, project manager, change and claim and cost management, investment and financing management, overseas operation, financial management, legal compliance, enterprise culture. Moreover, CRCC strengthened the training on the improvement of leadership of new high and middle management personnel, held 2 training courses for senior management personnel and 3 training courses for middle management personnel, accelerated the cultivation of overseas talents, and selected a batch of management and technical backbones to participate in the training of foreign language in colleges and universities. CRCC also set up a network education and training platform to intensify the network training of employees through big data, "Internet +", etc. In 2016, CRCC totally trained 378,854 employees.

Section XI Report on Environmental, Social and Governance (continued)

Employee training in 2016

Training type	Number of persons	Proportion (%)
Enterprise leader	16,312	4.31
Operation management personnel	61,427	16.21
Professional and technical personnel	213,484	56.35
Party and masses management personnel	20,925	5.52
Skilled personnel	66,706	17.61
Total	378,854	100

4. Labor principles

According to the local labor laws and regulations, CRCC adhered to non-discrimination employment policies, i.e. equality of men and women, equal pay for equal work. CRCC treated the employees in different nationality, race, gender, age, religion and cultural background fairly, protected legitimate rights and interests of employees actively, protected the employee's personal privacy strictly, prohibited and resisted the employment of child labor, and objected to forced labor of all forms.

(II) Operation routine

1. Management of supply chain

CRCC paid attention to the common development of supply chain, and set up e-commerce platforms to provide open and fair competition environment for the suppliers. CRCC established long-term cooperation relations with the suppliers with strong strength and good reputation, built a list of qualified suppliers, and carried out supplier evaluation regularly to improve the level of supplier management. CRCC and suppliers made concerted efforts to provide high-quality products and services. As at 2016, CRCC has 251 domestic material suppliers.

Domestic material suppliers in 2016

Region	Supplier (number)
Northeast	22
North China	44
East China	50
Central China	37
South China	15
Northwest	22
Southwest	61
Total	251

Section XI Report on Environmental, Social and Governance (continued)

2. Product responsibilities

CRCC improved the quality management system continuously, implemented national and industrial standards strictly, and strived to provide high-quality products. In 2016, CRCC won 10 China Building Construction Luban Awards and 34 National Super Quality Awards.

CRCC strengthened the communication with customers to provide true, fair and complete service information for customers, and realize faithful performance. Leveraging information means, CRCC realized the standardized and normalized supervision and management of contracts, and ensured the efficiency and strength of contract execution.

CRCC implemented the development strategy of promoting the development with quality and occupying the market with quality. For example, in the segment of project contracting, CRCC driven the development of project quality comprehensively with boutique projects, implemented the responsibility system of terminal quality of project, strengthened the work of quality assessment, and improved the level of quality management.

CRCC promised to provide high-quality products and services for customers, abided by business ethics and code of ethics, and taken the action of responsible sales and product and service provision. As customer's information safety is the guarantee of enterprise safety, CRCC kept the information collected properly. Moreover, CRCC carried out quality inspection and customer callback to communicate with relevant parties actively to improve customer satisfaction for product quality. In 2016, CRCC has not received customer complaints on product quality.

3. Anti-corruption

CRCC built and perfected corruption prevention and punishment system, formulated and issued a number of rules and regulations, such as Measures on Implementing Provisions for Incorruptible Employment of Leading Cadres in State-owned Enterprises of CRCC and Procedures for Discipline Inspection and Supervision and Letter-inquiring-and-accusing of CRCC.

CRCC abided by the laws and regulations of China and other countries and regions where its overseas business located strictly, and prohibited all behaviors that may be suspected of bribery strictly. CRCC carried out the education in prevention and control of integrity risk in allusion to the key fields with prone area of corruption, such as investment decision, property right trading, financial management, overseas assets, capital operation, material procurement, tendering and bidding, employment and project construction, as well as key links and important posts by means of internal audit, internal control evaluation, compliance management and special inspection of anti-malpractice, so as to prevent corruption behaviors effectively.

Section XI Report on Environmental, Social and Governance (continued)

(III) Community

Community investment

CRCC followed the concept of “community co-building” seriously, formulated the Administration Measures of China Railway Construction Limited on External Donations, and established harmonious relationship with local government and people actively. In addition, CRCC focused on community development, and participated in community construction actively by taking its own advantages, thereby helping to improve community environment while sparing no efforts to give back to local society. In 2016, CRCC donated RMB13.34 million externally.

CRCC implemented targeted poverty alleviation. In 2016, CRCC sent 6 people for fixed-point poverty alleviation and assistance in construction in Xingjiang, Tibet and Qinghai, where CRCC paid RMB3.855 million, donated materials (RMB3.3546 million), and helped 887 poor people archived to realize shake-off-poverty. Furthermore, CRCC has 25 projects for poverty alleviation, of which the investment is RMB5.73 million.

CRCC encouraged employees to participate in volunteer activities widely, promoted the standardization and normalization of volunteer service, and strived to help vulnerable groups to promote the construction of harmonious society. In 2016, the volunteer service of CRCC conducted a number of volunteer service activities such as voluntary tree planting, environment cleaning, civilized traffic wardens, visit of lonely old man and left-behind children, and donation to school.

For relevant information on the corporate governance, please refer to “Section X. Corporate Governance (Corporate Governance Report)” in this report.

Section XII Particulars of Corporate Bonds

Applicable Not Applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: '000 Currency: RMB

Bond	Short name	Code	Date of issuance	Maturity date	Balance of the bond	Interest rate	Method of principal repayment and interest payment	Exchange platform
CRCC 2016 renewable corporate bonds (first tranche)	16 CRCC Y1	136997	29 June 2016	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	7,992,104	3.53%	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange

Interest payment status of corporate bonds

Applicable Not Applicable

Additional situation statement of corporate bonds

Applicable Not Applicable

Section XII Particulars of Corporate Bonds (continued)

II. CONTACT PERSON, CONTACT INFORMATION OF CORPORATE BONDS TRUSTEE MANAGER AND CONTACT INFORMATION OF CREDIT RATING ORGANIZATION

Corporate Bond trustee manager	Name	CITIC Securities Co., Ltd
	Office address	22nd floor, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact person	WANG Yanyan, HE Jiarui
Credit rating organization	Contact number	010-60833551, 60833626
	Name	China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司)
	Office address	8th floor, Anji Mansion, 760 Xizangnan Road, Huangpu District, Shanghai

Other Explanation

Applicable Not Applicable

III. UTILIZATION OF PROCEEDS FROM CORPORATE BONDS

Applicable Not Applicable

The proceeds raised from CRCC 2016 renewable corporate bonds (first tranche) will be used in strict compliance with the designated purposes prescribed in the prospectus. Upon the deduction of the issuance fees, all of the proceeds will be used for the replenishment of the working capital.

IV. RATING OF CORPORATE BONDS

Applicable Not Applicable

China Cheng Xin Securities Rating Co., Ltd. issued a credit rating report for the issuance of the 2016 renewable corporate bonds (first tranche) by the Company, assigning an AAA rating to the issuer of the bonds and an AAA rating to the bonds.

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

Applicable Not Applicable

No guarantee has been made for the CRCC 2016 renewable corporate bonds (first tranche).

The debt repayment scheme is that the bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.

Section XII Particulars of Corporate Bonds (continued)

VI. CONVENING OF THE MEETING OF BONDHOLDERS

Applicable Not Applicable

During the Reporting Period, there was no bondholder's meeting.

VII. PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

Applicable Not Applicable

During the Reporting Period, CITIC Securities Co., Ltd, as the bonds trustee manager of the "16 CRCC Y1", was continuously aware of the operations, financial conditions and credit standing of the Company and performed its duties as the trustee manager in strict compliance with the stipulations under the Bonds Trustee Management Agreement (《債券受託管理協議》).

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD FOR LAST TWO YEARS

Applicable Not Applicable

Unit: RMB'000 Currency: RMB

Key indicators	2016	2015	Increase or decrease at this year as compared with the end of last year (%)	Reasons of change
Earnings before interest, tax, depreciation and amortization (EBITDA)	36,061,112	34,237,082	5.33	–
Liquidity ratio	1.25	1.19	5.04	–
Quick ratio	0.70	0.68	2.94	–
Debt to assets ratio	80.42%	81.49%	Decreased by 1.07 percentage points	–
Total debt ratio of EBITDA	16.93	16.57	2.17	–
Interest coverage ratio	2.59	2.19	18.26	–
Cash flow interest coverage multiples	4.04	4.78	-15.48	–
Interest coverage multiples EBITDA	3.92	3.25	20.62	–
Loan repayment ratio	1	1	0	–
Interest repayment ratio	1	1	0	–

Section XII Particulars of Corporate Bonds (continued)

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable Not Applicable

The principal and interest on other existing bonds and debt financing instruments of the Company have been repaid in a timely manner, and there has been no default so far.

X. BANKING FACILITIES DURING THE REPORTING PERIOD

Applicable Not Applicable

As at 31 December 2016, the Group has already obtained banking facilities from several PRC banks of RMB1,007.492.6 billion, of which an amount of RMB342.0664 billion has been utilized.

XI. FULFILLMENT OF STIPULATIONS OR COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

Applicable Not Applicable

During the Reporting Period, the Company strictly complied with and fulfilled the relevant agreements and commitments in the prospectus of the CRCC 2016 renewable corporate bonds (first tranche) and there had been no default in this regard.

XII. IMPACT OF MAJOR EVENTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Applicable Not Applicable

Section XIII Financial Reports

Applicable Not Applicable

Independent Auditor's Report



Ernst & Young Hua Ming (2017) Shen Zi No. 60618770_A01

To the shareholders of China Railway Construction Corporation Limited

1. OPINION

We have audited the financial statements of China Railway Construction Corporation Limited (the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view, in all material aspects, of the consolidated and company financial position of China Railway Construction Corporation Limited as at 31 December 2016 and its consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

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

3. KEY AUDIT MATTERS

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

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

Independent Auditor's Report (continued)

3. KEY AUDIT MATTERS (Continued)

Key audit matter:	How our audit addressed the key audit matter:
<p>Revenue recognition from construction contracts</p> <p>The revenue of the Group mainly are derived from construction service. As disclosed in 'Estimation uncertainty' in <i>Note III Significant accounting policies and estimates</i>, the Group estimates the percentage of completion (POC) by reference to the actual costs incurred and the estimated costs of construction projects, by which the corresponding revenue of the construction contract is recognised. The calculation of POC involves significant accounting estimates.</p> <p>Further disclosures are included in Note III.21, Note III.31 and Note V.49.</p>	<p>We obtained an understanding of, assessed and tested the internal control on revenue recognition, as well as the general control and application control on the associated information system.</p> <p>We conducted the following substantive procedures: 1) obtaining an understanding of the aobtaining an understanding of the application of POC and the process of revenue recognition; 2) reviewing the accounting policy for revenue recognition and the material construction contracts including the key terms; 3) reviewing the preparation, examination and modification process of the estimated costs of construction projects and the internal control associated, to assess the material judgements and estimates; 4) sampling material contracts to verify the content of the estimated costs of construction projects to assess the assumption on which the budget was prepared; 5) reviewing the actual costs incurred and the estimated costs of construction projects of material construction contracts; 6) reviewing the modification of contract revenue and the amount modified; 7) performing inquiry and analytical procedures in review of material contracts with significant changes in the estimated revenue or costs of construction projects or gross margins, to inspect if there was any contract of which the estimated contract revenue was less than the estimated costs of construction projects and for which the provision was recognised; 8) reviewing the calculation of POC, the revenue recognition of the Group in 2016 and the related disclosures.</p>

Independent Auditor's Report (continued)

3. KEY AUDIT MATTERS (Continued)

Key audit matter (Continued):	How our audit addressed the key audit matter (Continued):
<p>Bad debt provision for accounts receivable</p> <p>The bad debt provision, as are disclosed in 'Estimation uncertainty' in <i>Note III Significant accounting policies and estimates</i>, is estimated based on the assessment of the collectability of accounts receivable. The assessment requires accounting judgements including the assessment of counterparties' credit ratings, historic repayment records, current operational status and market conditions, all of which involve significant accounting estimates.</p> <p>Further disclosures are included in Note III.10, Note III.31, Note V.4 and Note V.21.</p>	<p>We obtained an understanding of, assessed and tested the internal control on impairment of accounts receivable, as well as the general control and application control on the associated information system.</p> <p>We conducted the following substantive procedures: reviewing the accounting policy for impairment of accounts receivable, and assessing the method and percentage used in the calculation of the provision; reviewing the business contracts and credit terms within, and inspecting if the counterparties complied with the credit terms; performing ageing analysis for accounts receivable to verify the ageing analysis; for long-aged, overdue accounts receivable, or those of which the counterparties were in financial difficulties, reviewing the estimates of recoverable amounts, to assess if there was an indication of impairment; reviewing the supporting documents for impairment tests for accounts receivable, and the bad debt provisions for accounts receivable; reviewing the accounting treatment and disclosure of bad debt provision of the Group as at 31 December 2016.</p>

Independent Auditor's Report (continued)

3. KEY AUDIT MATTERS (continued)

Key audit matter (Continued):	How our audit addressed the key audit matter (Continued):
<p>Convertible bonds</p> <p>On 29 January 2016, the Group issued the Zero Coupon Convertible Bond due 29 January 2021 in a principal amount in aggregate of USD500 million on The Stock Exchange of Hong Kong Limited. The conversion period is 10 March 2016 or later, until the end of business hours of the tenth day before the due date. The initial conversion price, at which the shares will be issued if conversion rights are executed, was determined to be HK\$10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond was initially recognised at fair value at the issue date, and the net proceeds exceeding the fair value of the derivatives was recognised as a liability.</p> <p>On 21 December 2016, the Group issued the US\$ Settled 1.50% Coupon Convertible Bonds due 21 December 2021 in a principal amount in aggregate of RMB3.45 billion on The Stock Exchange of Hong Kong Limited. The conversion period is 31 January 2017 or later, until the end of business hours of the tenth day before the due date. The initial conversion price, at which the shares will be issued if conversion rights are executed, was determined to be HK\$13.7750 per H share, and will be subject to adjustments under certain circumstances. The debt component of the convertible bonds was initially recognised at fair value at the issue date, and the remaining part was recognised in equity.</p> <p>As the structure of the aforementioned transactions is complex, accounting treatment has involved significant amount of analysis and judgement of the contract terms. Further disclosures are included in Note III.9, Note V.36 and Note V.43.</p>	<p>We obtained an understanding of, assessed and tested the internal control on issuance of corporate bonds, as well as the general control and application control on the associated information system.</p> <p>We conducted the following substantive procedures: Obtaining the announcement of the issuance and the offering circular of both convertible bonds, reviewing the terms within, and assessing if management complied with the Accounting Standards for Business Enterprises for the classification and measurement of financial instruments; reviewing the estimates, models and inputs used in the valuation of the financial instruments by the Group; obtaining the details of the costs associated with the issuance of the convertible bonds, and reviewing the supporting documents and receipts of proceeds; assessing the accounting treatment and disclosure of convertible bonds of the Group as at 31 December 2016.</p>

Independent Auditor's Report (continued)

4. OTHER INFORMATION

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Company oversee the Group's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding the auditing scope, time arrangement and significant audit findings, including significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may be reasonably regarded as impacting on our independence, and relevant prevention measures, if applicable.

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

Ernst & Young Hua Ming LLP

Yang Shujuan
Chinese Certified Public Accountant

Shen Yan
Chinese Certified Public Accountant

Beijing, the People's Republic of China

30 March 2017

Consolidated Balance Sheet

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

ASSETS	<i>Note V</i>	31 December 2016	31 December 2015
Current assets			
Cash and bank balances	1	128,701,994	121,934,009
Financial assets at fair value through profit or loss	2	323,376	218,437
Bills receivable	3	4,350,580	2,493,640
Accounts receivable	4	133,427,609	128,028,443
Advances to suppliers	5	19,955,611	23,194,402
Interest receivables		239,390	274,586
Dividends receivable		55,436	117,901
Other receivables	6	45,626,287	40,180,001
Inventories	7	265,780,672	245,591,139
Current portion of non-current assets	11	9,618,385	11,916,150
Other current assets	8	3,220,972	1,299,524
Total current assets		611,300,312	575,248,232
Non-current assets			
Loans and advances to customers	9	3,966,000	–
Available-for-sale financial assets	10	6,554,829	6,546,436
Held-to-maturity investments		41	1,269
Long-term receivables	11	29,613,115	24,885,951
Long-term equity investments	13	7,936,426	4,157,796
Investment properties	14	3,340,049	–
Fixed assets	15	42,151,559	41,820,680
Construction in progress	16	3,083,431	3,183,416
Intangible assets	17	45,679,534	35,865,150
Goodwill	18	194,662	103,293
Long-term prepayments		407,722	260,463
Deferred tax assets	19	2,811,397	2,373,821
Other non-current assets	20	2,305,957	1,649,823
Total non-current assets		148,044,722	120,848,098
TOTAL ASSETS		759,345,034	696,096,330

Notes to the financial statements form part of the financial statements.

Consolidated Balance Sheet (continued)

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	<i>Note V</i>	31 December 2016	31 December 2015
Current liabilities			
Short-term loans	22	30,428,522	43,370,880
Due to customers	23	1,480,764	5,116,842
Due to banks	24	–	6,000,000
Bills payable	25	28,511,489	26,279,109
Accounts payable	26	261,465,985	225,976,243
Advances from customers	27	88,331,508	75,981,106
Employee benefits payable	28	9,069,339	8,596,268
Taxes payable	29	5,577,780	9,499,737
Interest payables	30	1,140,984	1,008,370
Dividends payable	31	612,510	460,648
Other payables	32	48,871,784	45,434,154
Current portion of non-current liabilities	33	12,571,980	32,434,170
Other current liabilities	34	2,936,689	3,721,637
Total current liabilities		490,999,334	483,879,164
Non-current liabilities			
Long-term loans	35	69,032,432	47,398,448
Bonds payable	36	44,902,037	31,058,948
Long-term payables	37	1,843,183	2,208,765
Long-term employee benefits payable	38	969,007	1,416,464
Special payables	39	723,113	552,048
Deferred income	40	659,569	332,869
Deferred tax liabilities	19	276,491	430,459
Other non-current liabilities	41	1,223,882	–
Total non-current liabilities		119,629,714	83,398,001
Total liabilities		610,629,048	567,277,165

Notes to the financial statements form part of the financial statements.

Consolidated Balance Sheet (continued)

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	Note V	31 December 2016	31 December 2015
Shareholders' equity			
Share capital	42	13,579,542	13,579,542
Other equity instruments	43	8,400,233	–
Capital reserve	44	40,430,370	40,394,401
Other comprehensive income	45	282,944	1,159,744
Surplus reserve	47	2,394,128	2,120,232
Retained earnings	48	66,099,855	54,411,072
Equity attributable to:			
Owners of the Company		131,187,072	111,664,991
Non-controlling interests		17,528,914	17,154,174
Total shareholders' equity		148,715,986	128,819,165
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		759,345,034	696,096,330

The financial statements have been signed by:

Legal Representative:
Meng Fengchao
 30 March 2017

CFO:
Wang Xiuming
 30 March 2017

Financial Controller:
Cao Xirui
 30 March 2017

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Note V	2016	2015
Revenue	49	629,327,090	600,538,730
Less: Cost of sales	49	571,377,532	531,756,328
Taxes and surcharges	50	8,144,208	18,016,474
Selling and distribution expenses	51	4,177,673	3,703,662
General and administrative expenses	52	24,089,617	22,835,612
Finance costs	53	2,731,705	4,385,029
Losses from impairment of assets	54	600,127	3,564,615
Add: Losses on fair value changes	55	(222,416)	(27,495)
Investment income	56	147,524	359,528
Including: Share of (losses)/profits of associates and joint ventures		(29,312)	96,070
Operating profit		18,131,336	16,609,043
Add: Non-operating income	57	1,213,038	808,618
Including: Gains on disposal of non-current assets		279,359	121,622
Less: Non-operating expenses	58	374,799	304,623
Including: Losses on disposal of non-current assets		191,425	132,946
Profit before tax	59	18,969,575	17,113,038
Less: Income tax expenses	60	4,118,744	3,738,604
Net profit		14,850,831	13,374,434
Including: Net profit of the acquiree prior to business combination under common control		-	210,120
Attributable to:			
Owners of the Company		13,999,610	12,645,478
Non-controlling interests		851,221	728,956

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Note V	2016	2015
Other comprehensive income, net of tax			
Other comprehensive (loss)/income by owners of the Company, net of tax	45	(876,800)	910,123
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement of defined benefit obligation, net of tax	45	40,574	1,763
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Share of other comprehensive income/(loss) of associates	45	144,834	(104,096)
Changes in fair value of available-for-sale financial assets, net of tax	45	(483,517)	1,051,908
Exchange differences on translation of foreign operations	45	(578,691)	(39,452)
Other comprehensive loss by non-controlling interests, net of tax	45	(4,789)	–
Total comprehensive income		13,969,242	14,284,557
Attributable to:			
Owners of the Company		13,122,810	13,555,601
Non-controlling interests		846,432	728,956
Earnings per share:			
Basic earnings per share (RMB/share)	61	1.03	0.98
Diluted earnings per share (RMB/share)	61	1.01	0.98

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
1. As at 1 January 2016	13,579,542	-	40,394,401	1,159,744	-	2,120,232	54,411,072	111,664,991	17,154,174	128,819,165
2. Increase/(decrease) during the year										
(a) Total comprehensive income	-	-	-	(876,800)	-	-	13,999,610	13,122,810	846,432	13,969,242
(b) Capital contributions and withdrawals by shareholders										
(1) Capital contributions (Note (a))	-	8,400,233	-	-	-	-	-	8,400,233	509,854	8,910,087
(c) Profit appropriation and distribution										
(1) Appropriation to surplus reserve	-	-	-	-	-	273,896	(273,896)	-	-	-
(2) Distribution to owners (Note (b))	-	-	-	-	-	-	(2,036,931)	(2,036,931)	(981,546)	(3,018,477)
(d) Special reserve (Note V.46)										
(1) Appropriated in the current year	-	-	-	-	7,894,811	-	-	7,894,811	-	7,894,811
(2) Used in the current year	-	-	-	-	(7,894,811)	-	-	(7,894,811)	-	(7,894,811)
(e) Others										
(1) Others	-	-	35,969	-	-	-	-	35,969	-	35,969
3. As at 31 December 2016	13,579,542	8,400,233	40,430,370	282,944	-	2,394,128	66,099,855	131,187,072	17,528,914	148,715,986

Note (a): On 29 June 2016, the Company issued 2016 renewable corporate bonds (first tranche) in an aggregate principal amount of RMB8,000,000,000. The net proceeds of RMB7,992,104,000 were included in other equity instruments. On 21 December 2016, the Company issued five-year 1.5% Coupon Convertible Bonds in an aggregate principal amount of RMB3,450,000,000. The net proceeds of RMB408,129,000 were included in other equity instruments. Refer to Note V.43 for details.

Note (b): In accordance with the resolution at the 2015 annual general meeting of shareholders on 16 June 2016, the Company declared a final cash dividend for the year ended 31 December 2015 of RMB0.15 per share (cash dividend declared in 2015 for the year of 2014: RMB0.15 per share), which amounted to RMB2,036,931,000 (cash dividend declared in 2015 for the year of 2014: RMB1,850,631,000) based on 13,579,541,500 ordinary shares in issue.

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
1. As at 31 December 2014	12,337,542	33,884,833	249,621	-	1,794,862	42,668,871	90,935,729	11,955,511	102,891,240
Business combinations involving entities under common control	-	560,000	-	-	-	1,272,724	1,832,724	459,382	2,292,106
2. As at 1 January 2015	12,337,542	34,444,833	249,621	-	1,794,862	43,941,595	92,768,453	12,414,893	105,183,346
3. Increase/(decrease) during the year									
(a) Total comprehensive income	-	-	910,123	-	-	12,645,478	13,555,601	728,956	14,284,557
(b) Capital contributions and withdrawals by shareholders									
(1) Capital contributions (Note (a))	-	(3,098,226)	-	-	-	-	(3,098,226)	-	(3,098,226)
(2) Issuance of Senior Perpetual Securities, net of issuance cost (Note (c))	1,242,000	9,033,328	-	-	-	-	10,275,328	4,789,631	15,064,959
(3) Acquisition of non-controlling interests	-	1,634	-	-	-	-	1,634	(16,884)	(15,250)
(c) Profit appropriation and distribution									
(1) Appropriation to surplus reserve	-	-	-	-	325,370	(325,370)	-	-	-
(2) Distribution to owners (Note (b))	-	-	-	-	-	(1,850,631)	(1,850,631)	(762,422)	(2,613,053)
(d) Special reserve (Note V.46)									
(1) Appropriated in the current year	-	-	-	7,341,705	-	-	7,341,705	-	7,341,705
(2) Used in the current year	-	-	-	(7,341,705)	-	-	(7,341,705)	-	(7,341,705)
(e) Others									
(1) Others	-	12,832	-	-	-	-	12,832	-	12,832
4. As at 31 December 2015	13,579,542	40,394,401	1,159,744	-	2,120,232	54,411,072	111,664,991	17,154,174	128,819,165

Note (a): On 2 June 2015, the Company completed the business combination under common control of Chongqing Tiefa Suiyu Highway Co., Ltd. ("Chongqing Tiefa Suiyu").

Note (b): On 13 July 2015, the Company completed the Non-Public Issuance of 1,242,000,000 A shares. The total proceeds raised by the Company amounted to RMB9,936,000,000. After deducting the relevant share issue expenses of RMB113,057,200, the actual net proceeds raised by the Company amounted to RMB9,822,942,800, of which the total additional share capital amounted to RMB1,242,000,000 and the total capital reserve amounted to RMB8,580,942,800. On 16 December 2015, CRCC High-Tech Equipment Corporation Limited ("CRCCE") was listed on the main board of The Stock Exchange of Hong Kong Limited ("HKEx"), which increased the capital reserve by RMB452,385,000.

Note (c): In accordance with the resolution at the 2014 annual general meeting of shareholders on 2 June 2015, the Company declared a final cash dividend for the year ended 31 December 2014 of RMB0.15 per share (cash dividend for the year ended 31 December 2013 declared in 2014: RMB0.13 per share), which amounted to RMB1,850,631,000 (cash dividend for the year ended 31 December 2013 declared in 2014: RMB1,603,880,000) based on 12,337,541,500 ordinary shares in issue.

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	<i>Note V</i>	2016	2015
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		634,213,296	580,831,308
Refunds of tax		518,055	383,024
Net increase in due to customers and banks		–	10,309,178
Net decrease in balances with the central bank		–	906,057
Cash received from other operating activities	62	9,369,163	5,470,399
Subtotal of cash inflows from operating activities		644,100,514	597,899,966
Cash paid for goods and services		(519,987,206)	(478,446,298)
Net decrease in due to customers and banks		(9,636,078)	–
Net increase in balances with the central bank		(854,898)	–
Cash paid to and on behalf of employees		(45,381,185)	(40,024,243)
Cash paid for all taxes		(23,892,757)	(22,270,191)
Cash paid for other operating activities	62	(7,210,811)	(6,784,127)
Subtotal of cash outflows from operating activities		(606,962,935)	(547,524,859)
Net cash flows from operating activities		37,137,579	50,375,107

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	<i>Note V</i>	2016	2015
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		886,713	1,044,656
Cash received from investment income		351,379	146,171
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,727,188	1,274,470
Decrease in cash and bank balances with title restrictions		3,150,382	–
Cash received from other investing activity		3,114,764	5,765,091
Subtotal of cash inflows from investing activity		9,230,426	8,230,388
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(29,816,396)	(27,144,112)
Cash paid for acquisition of investments		(5,686,633)	(2,282,386)
Cash paid for acquisition of non-controlling interests		–	(15,250)
Increase in cash and bank balances with title restriction		–	(720,050)
Cash paid for disposal of subsidiaries		–	(2,404,887)
Subtotal of cash outflows from investing activities		(35,503,029)	(32,566,685)
Net cash flows used in investing activities		(26,272,603)	(24,336,297)

Notes to the financial statements form part of the financial statements.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	<i>Note V</i>	2016	2015
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		11,119,687	14,986,919
Including: Cash received from non-controlling shareholders of subsidiaries		509,854	4,711,591
Cash received from issuing bonds		17,506,509	8,972,050
Cash received from borrowings		83,462,349	93,856,927
Cash received from other financing activities		–	12,832
Subtotal of cash inflows from financing activities		112,088,545	117,828,728
Cash repayments for borrowings		(102,881,627)	(104,854,197)
Cash paid for distribution of dividends or profits and for interest expenses		(11,318,181)	(12,322,984)
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		(981,546)	(762,422)
Payment for business combination under common control		–	(3,098,226)
Subtotal of cash outflows from financing activities		(114,199,808)	(120,275,407)
Net cash flows used in financing activities		(2,111,263)	(2,446,679)
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			
		309,756	120,917
5. NET INCREASE IN CASH AND CASH EQUIVALENTS			
	63	9,063,469	23,713,048
Add: Cash and cash equivalents at beginning of the year		108,470,553	84,757,505
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	63	117,534,022	108,470,553

Notes to the financial statements form part of the financial statements.

Balance Sheet

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

ASSETS	<i>Note XIV</i>	31 December 2016	31 December 2015
Current assets			
Cash and bank balances		16,061,169	9,832,554
Financial assets at fair value through profit or loss		39,105	38,196
Accounts receivable	1	4,412,636	1,738,820
Advances to suppliers		506,637	365,358
Other receivables	2	41,774,347	37,145,463
Inventories		5,019,420	4,043,762
Current portion of non-current assets		–	92,500
Other current assets		17,439	–
Total current assets		67,830,753	53,256,653
Non-current assets			
Available-for-sale financial assets		297,013	344,297
Long-term receivables		–	180,000
Long-term equity investments	3	85,173,817	78,527,394
Fixed assets		29,658	32,945
Construction in progress		22,964	21,777
Intangible assets		15,235	14,694
Deferred tax assets		83,643	5,710
Total non-current assets		85,622,330	79,126,817
TOTAL ASSETS		153,453,083	132,383,470

Notes to the financial statements form part of the financial statements.

Balance Sheet (continued)

As at 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

LIABILITIES AND EQUITY	<i>Note XIV</i>	31 December 2016	31 December 2015
Current liabilities			
Accounts payable		5,382,841	3,144,859
Advances from customers		5,971,120	4,947,018
Employee benefits payable		83,044	64,469
Taxes payable		66,466	31,361
Interest payables		366,461	400,499
Other payables		24,430,686	17,622,798
Current portion of non-current liabilities		281,625	11,198,007
Other current liabilities		30,830	3,082,228
Total current liabilities		36,613,073	40,491,239
Non-current liabilities			
Long-term loans		12,570,981	3,367,893
Bonds payable		23,167,894	17,411,152
Long-term payables		31,250	232,500
Long-term employee benefits payable		16,840	19,050
Deferred tax liabilities		44,182	58,276
Other non-current liabilities		1,145,654	-
Total non-current liabilities		36,976,801	21,088,871
Total liabilities		73,589,874	61,580,110
Shareholders' equity			
Share capital		13,579,542	13,579,542
Other equity instruments		8,400,233	-
Capital reserve		46,493,552	46,493,552
Other comprehensive income		106,548	148,964
Surplus reserve		2,394,128	2,120,232
Retained earnings		8,889,206	8,461,070
Total shareholders' equity		79,863,209	70,803,360
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		153,453,083	132,383,470

Notes to the financial statements form part of the financial statements.

Profit Statement

For the year 2016 (All amounts in RMB'000 unless otherwise stated)

	Note XIV	2016	2015
Revenue	4	13,866,289	7,590,343
Less: Cost of sales	4	13,338,990	6,578,286
Taxes and surcharges		20,295	39,529
Selling and distribution expenses		10,897	11,813
General and administrative expenses		382,804	344,180
Finance expenses	5	1,143,140	1,102,727
Add: (Losses)/gains on fair value changes		(313,753)	11,706
Investment income	6	4,003,485	3,710,176
Including: Share of profits of joint ventures		208	2,061
Operating profit		2,659,895	3,235,690
Add: Non-operating income		1,880	22,364
Including: Gains on disposal of non-current assets		68	–
Less: Non-operating expenses		669	444
Including: Losses on disposal of non-current assets		158	138
Profit before tax		2,661,106	3,257,610
Less: Income tax expenses		(77,857)	3,914
Net profit		2,738,963	3,253,696
Other comprehensive income, net of tax		(42,416)	121,041
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement of defined benefit obligation		547	(2,003)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Changes in fair value of available-for-sale financial assets, net of tax		(42,963)	123,044
Total comprehensive income		2,696,547	3,374,737

Notes to the financial statements form part of the financial statements.

Statement of Changes In Equity

For the year 2016 (All amounts in RMB'000 unless otherwise stated)

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
1. As at 1 January 2016	13,579,542	-	46,493,552	148,964	2,120,232	8,461,070	70,803,360
2. Increase/(decrease) during the year							
(a) Total comprehensive income	-	-	-	(42,416)	-	2,738,963	2,696,547
(b) Capital contributions and withdrawals by shareholders							
(1) Capital contributions (Note (a))	-	8,400,233	-	-	-	-	8,400,233
(c) Profit appropriation and distribution							
(1) Appropriation to surplus reserve	-	-	-	-	273,896	(273,896)	-
(2) Distribution to owners (Note (b))	-	-	-	-	-	(2,036,931)	(2,036,931)
3. As at 31 December 2016	13,579,542	8,400,233	46,493,552	106,548	2,394,128	8,889,206	79,863,209

Note (a): Refer to Note (a) of the consolidated statement of changes in equity for details.

Note (b): Refer to Note (b) of the consolidated statement of changes in equity for details.

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity
1. As at 1 January 2015	12,337,542	39,009,051	27,923	1,794,862	7,383,375	60,552,753
2. Increase/(decrease) during the year						
(a) Total comprehensive income	-	-	121,041	-	3,253,696	3,374,737
(b) Capital contributions and withdrawals by shareholders						
(1) Business combination under common control	-	(1,096,442)	-	-	-	(1,096,442)
(2) Capital contributions (Note (a))	1,242,000	8,580,943	-	-	-	9,822,943
(c) Profit appropriation and distribution						
(1) Appropriation to surplus reserve	-	-	-	325,370	(325,370)	-
(2) Distribution to owners (Note (b))	-	-	-	-	(1,850,631)	(1,850,631)
3. As at 31 December 2015	13,579,542	46,493,552	148,964	2,120,232	8,461,070	70,803,360

Note (a): Refer to Note (b) of the consolidated statement of changes in equity for details.

Note (b): Refer to Note (c) of the consolidated statement of changes in equity for details.

Notes to the financial statements form part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	Note XIV	2016	2015
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		10,884,944	6,458,145
Cash received from other operating activities		6,282,908	4,866,621
Subtotal of cash inflows from operating activities		17,167,852	11,324,766
Cash paid for goods and services		(10,738,814)	(5,077,036)
Cash paid to and on behalf of employees		(263,385)	(214,145)
Cash paid for all types of taxes		(122,571)	(120,870)
Cash paid for other operating activities		(4,848,307)	(1,123,966)
Subtotal of cash outflows from operating activities		(15,973,077)	(6,536,017)
Net cash flows from operating activities	7	1,194,775	4,788,749
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		112,000	–
Cash received from investment income		4,003,278	3,689,499
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,002,570	54,467
Cash received from other investing activities		2,006,844	3,429,695
Subtotal of cash inflows from investing activities		8,124,692	7,173,661
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(17,744)	(15,561)
Cash paid for acquisition of investments		(8,760,000)	(11,123,226)
Increase in cash and bank balances with title restriction		(850,000)	(2,000,800)
Cash paid for other investing activities		(272,500)	(1,132,500)

Notes to the financial statements form part of the financial statements.

Statement of Cash Flows (continued)

For the year ended 31 December 2016 (All amounts in RMB'000 unless otherwise stated)

	<i>Note XIV</i>	2016	2015
Subtotal of cash outflows from investing activities		(9,900,244)	(14,272,087)
Net cash flows used in investing activities		(1,775,552)	(7,098,426)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		8,400,233	9,822,943
Cash received from borrowings		9,761,731	2,980,000
Cash received from issuing bonds		6,725,800	3,000,000
Subtotal of cash inflows from financing activities		24,887,764	15,802,943
Cash repayments for borrowings		(14,385,190)	(10,835,766)
Cash paid for distribution of dividends or profits and for interest expenses		(4,557,856)	(4,573,355)
Cash paid for other financing activities		(65,361)	(21,250)
Subtotal of cash outflows from financing activities		(19,008,407)	(15,430,371)
Net cash flows from financing activities		5,879,357	372,572
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		80,035	67,629
5. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,378,615	(1,869,476)
Add: Cash and cash equivalents at beginning of the year		7,819,754	9,689,230
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	13,198,369	7,819,754

Notes to the financial statements form part of the financial statements.

Notes to Financial Statements

2016 (All amounts in RMB'000 unless otherwise stated)

I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”), which was established on 5 November 2007. The Company’s shares have been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered office of the Company’s head office is located at East, No. 40 Fuxing Road, Haidian District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of the construction of infrastructure, the provision of survey, design and consultancy services, the provision of logistics services, industrial manufacturing and real estate development.

The Group’s parent and ultimate holding company is China Railway Construction Corporation (“CRCCG”), a company registered in the PRC.

These financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2017. Pursuant to the Company’s articles of association, the financial statements will be submitted to the shareholders’ meeting for approval.

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

II. BASIS OF PREPARATION OF FINANCE STATEMENTS

The financial statements have been prepared in accordance with *Accounting Standards for Business Enterprises – Basic Standard* and specific standards, and the implementation guidance, interpretations and other relevant provisions issued and revised subsequently by the Ministry of Finance (collectively referred to as “*Accounting Standards for Business Enterprises*”).

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

The financial statements have been presented under the historical cost convention, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment for accounts receivable, the measurement of inventories, the provisions for inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, the methods of asset impairment, and the policy for revenue recognition, etc.

1. **Statement of compliance with Accounting Standards for Business Enterprises**

The financial statements present fairly and fully the financial position of the Group and the Company as at 31 December 2016 and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. **Accounting period**

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

3. **Functional currency**

The Group's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB thousand yuan.

The overseas subsidiaries, joint ventures and associates of the Group may determine their own functional currencies based on their specific economic environments. In preparation of the financial statements, their functional currencies shall be translated into RMB.

4. **Business combinations**

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

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

Assets (including the goodwill recognised by the ultimate controlling party in acquisition of the party being acquired) and liabilities that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. *Business combinations (Continued)*

Business combinations involving entities not under common control

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

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

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

5. *Consolidated financial statements*

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity that is controlled by the Company (including an enterprise, a divided part of an investee and a structured entity that is controlled by the Company).

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All assets, liabilities, equity, revenue, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of loss of a subsidiary attributable to the non-controlling shareholders exceeds their share of the opening balance of the owners' equity of the subsidiary, the excess shall be allocated against non-controlling interests.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group gains control, until the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the prior period financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had existed since the ultimate controlling party begins to exercise control.

The Group shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of elements of control.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are treated as equity transactions.

6. Joint arrangement and joint operations

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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 arrangement.

The Group recognises its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. *Cash and cash equivalents*

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

8. *Foreign currency transactions and foreign currency translations*

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss, except those arising from the principals and interest on foreign currency borrowings specifically for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign exchange rate at the transaction dates.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in the statement of profit or loss or other comprehensive income depending on the characteristics of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas businesses into RMB when preparing financial statements. All assets and liabilities are translated at the rates of exchange ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the rates of exchange ruling at the transaction dates; all income and expense items in the statement of profit or loss are translated at the average rates of exchange during the period. Exchange fluctuations arising from the translation mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to the statement of profit or loss in the same period. In the case of a partial disposal, only the proportionate share of the related exchange fluctuation reserve is transferred to the statement of profit or loss.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the rates of exchange ruling at the dates of the cash flows. The effect of changes in rates of exchange on cash and cash equivalents is presented separately in the statement of cash flows.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

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

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the account and the balance sheet) when the following conditions are met:

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

A financial liability is derecognised when the underlying obligation of the financial liability has been discharged or cancelled or has expired. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets refer to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by regulation or convention in the market place. The trade date is the date that the Group commits to purchase or sell the asset.

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. A financial asset is recognised initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets (*Continued*)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as financial assets at fair value through profit or loss on initial recognition. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of sale in a short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured. These kinds of financial assets are subsequently measured at fair value. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is charged to profit or loss for the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These kinds of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss for the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These kinds of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortisation or impairment are recognised in profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value. The premium or discount is amortised using the effective interest rate method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss for the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss for the current period.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the amounts at initial recognition.

The subsequent measurement of financial liabilities is determined by their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities that meet one of the following conditions: 1) financial liabilities are assumed for the purpose of repurchasing in a short term; 2) financial liabilities are a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or 3) financial liabilities are derivatives, except for derivatives that are designated as effective hedging instruments, or financial guarantee contracts, or derivatives that are linked to and must be settled by delivery of an equity instrument without a quoted price in an active market, and whose fair value cannot be reliably measured. These kinds of financial liabilities are subsequently measured at fair value. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss for the current period.

Other financial liabilities

After initial recognition, these kinds of financial liabilities are measured at amortised cost using the effective interest rate method.

Offsetting financial assets and financial liabilities

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to settle a debt or assume a liability 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. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less the accumulated amortisation determined according to the principles of revenue recognition.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

Convertible bonds

The Group evaluates the terms of the convertible bond to determine whether it contains both the liability and equity components. If the convertible bond contains both the liability and equity components, on initial recognition, the liability component is separated from the equity component. The fair value of the liability component is determined and initially recognised, and then the remainder of the proceeds is allocated to the equity component that is recognised and included in shareholders' equity, net of transaction costs. Transaction costs are apportioned between the liability and equity components based on their fair values. The liability component is recognised in liability, and measured at amortised cost until cancellation, conversion or redemption. The equity component is recognised in equity, and not remeasured in subsequent years.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from the convertible bonds and accounted for as derivative financial instruments. On initial recognition, the derivative component of the convertible bonds is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of financial assets. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment. Objective evidence that a financial asset is impaired is one or more events that occurred after the initial recognition of the asset and have an impact (which can be reliably estimated) on the estimated future cash flows of the financial asset. Objective evidence that a financial asset or group of assets is impaired includes: 1) significant financial difficulty of the issuer or obligor; 2) a breach of contract, such as a default or delinquency in interest or principal payments; 3) a higher probability that the borrower will enter bankruptcy or other financial reorganisation; and 4) observable data indicating that there is a measurable decrease in the estimated future cash flows.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

Impairment of financial assets (*Continued*)

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced through an allowance amount to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Subsequent to the Group's recognition of impairment loss on a financial asset carried at amortised cost, the interest income is measured by applying the discount rate in the future cash flow estimation when measuring the impairment loss. For loans and receivables, if no collectable future cash flows are expected and all related collateral is sold or transferred to the Group, then loans and receivables with related allowances are written off.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, the asset is also individually assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognised are not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

Subsequent to the Group's recognition of impairment loss on a financial asset carried at amortised cost, if there is objective evidence of a recovery in value of the financial asset and the recovery can be related to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment was reversed.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial assets (*continued*)

Available-for-sale financial assets

If there is objective evidence that such an asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is removed and recognised in profit or loss. The amount of accumulated losses removed from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

The objective evidence showing the impairment of an equity instrument held for sale includes the severe decline and the other-than-temporary decline of its fair value. There should be a method to distinguish the “severe” decline and the “other-than-temporary” one. The gap between the fair value and the cost decides how severe the impairment is. The persistence of the difference between the fair value and the cost decides whether it is “other-than-temporary”. With the existence of objective evidence showing the impairment, the amount of the cumulative loss that is reclassified from equity to profit or loss shall be the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment loss of an equity instrument held for sale cannot be reversed through profit or loss, and any increase in fair value that occurs after the impairment is recognised directly in other comprehensive income.

Judgemental decisions are made to distinguish the “severe” decline and the “other-than-temporary” one. The Group included the difference between the acquisition cost and the current fair value, terms of the equity instrument held for sale, and other factors into consideration.

For an available-for-sale debt instrument, the impairment loss is measured as impairment of a financial asset carried at amortised cost. However, the amount of the cumulative loss that is reclassified from equity to profit or loss shall be the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Subsequent to the Group’s recognition of impairment loss on a financial asset carried at amortised cost, the interest income is measured by applying the discount rate in the future cash flow estimation when measuring the impairment loss.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of estimated future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. *Financial instruments (Continued)*

Transfers of financial assets

If the Group transfers substantially all the risks and rewards of ownership of a financial asset, the Group derecognises the financial asset; if the Group retains substantially all the risks and rewards of ownership of a financial asset, the Group does not derecognise a financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it accounts for the transactions as follows: (i) if the Group has not retained control, it derecognises the financial asset and recognises any resulting assets or liabilities; and (ii) if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

When the entity's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the entity could be required to repay (the "guarantee amount").

10. *Receivables*

The Group's receivables comprise accounts receivable, advances to suppliers, other receivables and long-term accounts receivable. The Group assesses the carrying amount of receivables at the balance sheet date. If there is objective evidence that impairment loss has been incurred, a provision, which is the difference between the carrying amount and the present value of the estimated future cash flows, is recognised as impairment loss.

- (1) Receivables individually significant for which provision for impairment is assessed separately

A receivable with an amount greater than RMB10,000,000 is considered to be individually significant and is separately assessed for provision. If there is objective evidence that a receivable is impaired (such as the debtor in serious financial difficulties or entering bankruptcy, or breach of contracts), the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, and shall be recognised in profit or loss for the current period.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Receivables (Continued)

- (2) Receivables for which provision for impairment is assessed collectively in a group

Receivables that are not individually significant and receivables that are not impaired through the individual assessment are included in a group of receivables with similar credit risk characteristics and tested collectively for impairment. The Group estimated the future cash flows of the receivables based on its experiences and applied the ageing analysis method on the recognition of provision for impairment of the receivables. The provision rates were as follows:

	Provision rate for accounts receivable	Provision rate for other receivables
	%	%
Within 6 months	–	–
6 months to 1 year (inclusive)	0.5	0.5
1 to 2 years (inclusive)	5	5
2 to 3 years (inclusive)	10	10
3 to 5 years (inclusive)	30	30
Over 5 years	80	80

In addition, retention money receivables are overdue if they have not been released by the customers after the maintenance (warranty) period according to the relevant contract terms, and impairment losses for the overdue retentions are assessed based on the above provision rates, with ageing counted from the due date.

- (3) Other individually insignificant receivables but are separately tested for impairment

Receivables, that are individually insignificant and could not be grouped by the similar or related risk characteristics, are individually assessed for impairment. If there is objective evidence that a receivable is impaired (such as the debtor encountering serious financial difficulties or bankruptcy, or breach of contracts), the amount of the impairment loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows and shall be recognised in profit or loss for the current period.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development, completed properties held for sale and gross amount due from contract customers. Costs of properties under development and completed properties held for sale mainly consist of the acquisition cost of land use rights, advance expenditures of land development, construction costs, infrastructure costs, costs of supporting facilities and other relevant costs.

Inventories are initially carried at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined using the weighted average method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are charged to the statement of profit or loss when issued, and other turnover materials are amortised based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in the statement of profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the statement of profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

12. Construction contracts

The balances of construction contracts represent the net amount of construction costs incurred to date and recognised profits (less recognised losses), less progress billings and provision for foreseeable contract losses.

Construction contract costs are valued at actual cost, and comprise direct materials, direct labour costs, construction machinery costs, other direct costs and construction overheads. For an individual contract whose costs incurred to date plus recognised profits (less recognised losses) exceed progress billings, the gross amount due from customers for contract work in inventories is presented as a current asset. For an individual contract whose progress billings exceed costs incurred to date plus recognised profits (less recognised losses), the gross amount due to customers for contract work in advance from customers is presented as a current liability.

The Group estimates total contract costs based on actual circumstances for each contract. Provision for foreseeable contract losses will be recognised in profit or loss where total estimated contract costs exceed total contract revenue.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, jointly controlled entities and associates.

Long-term equity investments shall be recognised at initial investment cost upon acquisition. For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying value of owner's equity of the party being absorbed at the combination date; for a long-term equity investment through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving entities under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. Other comprehensive income that consists of the initial investment cost before the date of acquisition should be reclassified to investment income when the long-term equity investments are being disposed of. For a long-term equity investment acquired otherwise than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by cash, the initial investment cost is the actual purchase price paid and direct costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued; for a long-term equity investment acquired through exchange of non-monetary assets, the initial investment cost is determined in accordance with *Accounting Standard for Business Enterprises No. 7 – Exchange of Non-monetary Assets*; for a long-term equity investment acquired through debt restructuring, the initial investment cost is determined in accordance with *Accounting Standard for Business Enterprises No. 12 – Debt Restructuring*.

The cost method is applied for long-term equity investments in the financial statements of the Company when the investee is controlled by the Company. Control refers to the right to make decision on the financial and operating policies of a company and to obtain profit from the operating activities of the company.

Under the cost method, long-term equity investment is recorded at initial investment cost. Profits or cash dividends declared to be distributed by the investee should be recognised as investment income in the current period.

The equity method is applied for long-term equity investments when the investees are jointly controlled or significantly influenced by the Group. Joint control is the agreed sharing of control over an arrangement, and exists only when the corresponding activity in relation to the arrangement requires the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

When the equity method is adopted, the initial cost of investment in excess of the share of the investee's fair value on identifiable net assets remains unchanged; the initial cost of the investment that falls short of the share of the investee's fair value on identifiable net assets shall be adjusted, by which the difference had been charged to the statement of profit or loss for the current period.

When the equity method is adopted, the investor recognises its investment income and adjusts the carrying amount of the investment based on the post-acquisition change in the investor's share of net profit or loss and other comprehensive income, respectively, of the investee. The recognition of the investee's results should base on the fair values of the identifiable assets of the investee according to the Group's accounting policies and accounting period. The gains and losses resulting from intercompany transactions with the investee should be eliminated to the extent of the amount attributable to the investor according to the percentage of interests the investor enjoys (but if the gains and losses belong to asset impairment losses, it should be entirely recognised). The recognition should base on the adjusted statement of profit or loss of the investee except that the assets invested or disposed of constitute a business. With respect to the long-term equity investments in associates and joint ventures acquired before the first time adoption date, the remaining equity investment difference arising from the amortisation using the straight-line method (if exists) should be recognised as investment income or loss. The investor's share of profits distribution or cash dividends declared by the investee is deducted from the carrying amount of the investment. The Group recognises net losses incurred by the investee to the extent that the carrying amount of the investment and other substantially treated as equity interests to the investee is reduced to zero, except for which the investor has extra obligation to assume loss of it. For the changes in equity in the investee other than net income, other comprehensive income and distribution of profits, the investor adjusts the carrying amount of the investment to shareholders' equity.

When long-term equity investments are being disposed of, the difference between the carrying amount and the actual proceeds received should be charged to the statement of profit or loss for the current period. For long-term equity investments under the equity method, when the investment is no longer accounted for under the equity method, the other comprehensive income measured originally under the equity method adopt the same accounting basis as the assets or liabilities disposed of by the investee directly. The equity recognised based on the changes in the investee's equity except the net profit or loss, other comprehensive income and profit appropriation shall be transferred to profit or loss for the current period in a full amount. When the investment continues to be accounted for under the equity method, the other comprehensive income measured originally under the equity method adopt the same accounting basis as the assets or liabilities disposed of by the investee directly and shall be transferred to profit or loss for the current period on a proportional basis. The equity recognised based on the changes in the investee's equity except the net profit or loss, other comprehensive income and profit appropriation shall be transferred to profit or loss for the current period on a proportional basis.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

If the disposal of the equity investment in a subsidiary is realised through several transactions until loss of control and is a package deal, the accounting treatment of these transactions should be dealt with as one transaction of disposal of the subsidiary until loss of control. However, prior to the loss of control, the difference between the proceeds from the disposal of the long-term equity investment and the carrying amount of the corresponding long-term equity investment under each transaction is recognised in other comprehensive income in the individual financial statements which shall be transferred in an aggregate amount to profit or loss for the period upon loss of control. If the disposal of the equity investment of a subsidiary is realised through several transactions until loss of control but is not a package deal, each transaction should be dealt individually. For the transactions that lead to loss of control, the remaining equity, which has joint control of or has significant influence in the original subsidiary, should be recognised as long-term equity investment in accordance with the relevant rules of converting the cost method to the equity method. Otherwise, the remaining equity should be recognised as a financial instrument, and the difference between the carrying amount and the fair value as of the date on which the Group loses control should be charged to the statement of profit or loss for the current period.

14. Investment properties

An investment property is a property held to earn rentals or for capital appreciation or both, including buildings or land use rights that have been leased out, and land use rights held for capital appreciation.

Investment properties are initially measured at cost. Subsequent expenditure incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and the cost can be measured reliably; otherwise, the expenditure is recognised in profit or loss for the period in which it is incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised based on the same policy as owner-occupied buildings and land use rights.

When an investment property is transferred to an owner-occupied property, it is reclassified as a fixed asset or intangible asset at the date of transfer. When a property under development, completed property for sale or an owner-occupied property is transferred out to earn rentals or for capital appreciation, the inventory, fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of transfer.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after deducting its carrying amount and related taxes and expenses is recognised in profit or loss for the period in which it is incurred.

The carrying amount of an investment property is reduced to the recoverable amount if the carrying amount is below the recoverable amount.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Fixed assets

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

Fixed assets are initially measured at cost, and the effect of any estimated costs of abandoning the asset is considered. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to *Accounting Standard for Business Enterprises No. 17 – Borrowing Costs*.

The accelerated depreciation method is adopted for depreciation of the fixed assets specifically used for research and development. The units of production method is adopted for the depreciation of the large-scaled construction equipment. For other fixed assets, the straight-line method is adopted. The estimated useful lives, estimated residual values rates and annual depreciation rates of fixed assets by category are as follows:

Category	Estimated residual value rate	Useful life	Annual depreciation rate
Buildings	5%	20–35 years	2.71%–4.75%
Machinery	5%	10–25 years	3.80%–9.50%
Vehicles	5%	5–10 years	9.50%–19.00%
Production equipment	5%	5–10 years	9.50%–19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3–5 years	19.00%–31.67%

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

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

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

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowed funds before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets and intangible assets when the asset is ready for its intended use.

17. Borrowing costs

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs directly attributable to the construction or production of all qualifying assets are capitalised and other borrowing costs are recognised as an expense. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

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

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Intangible assets

The Group's intangible assets include land use rights, concession asset, and mining rights.

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

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised over the useful lives on the traffic volume basis, straight-line basis or unit of production basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

Land use rights

Land use rights represent costs incurred for a certain lease period.

The Group accounts for its land use rights as intangible assets. The land use rights are measured as intangible assets that are separate from internally generated buildings measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates.

Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority. The Group recognises revenue and a financial asset to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts. If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time. The Group classifies the non-current assets relating to the long-term investment in these concession arrangements as "concession assets" within intangible assets on the balance sheet if the intangible asset model is adopted. The amortisation approach, either the traffic volume method or the straight-line method, should be selected for concession operation projects based on the pattern in which the asset's future economic benefits are expected to be consumed at the commencement of operations.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. *Intangible assets (Continued)*

Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortisation is calculated in adoption of the unit of production method based on proved mining reserves.

Development expenditure

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

19. *Long-term prepayments*

Long-term prepayments represent expenditures incurred but should be recognised as expenses over one year in the current and subsequent periods including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortised on the straight-line basis over the estimated beneficial period. Expenditure incurred during the pre-operating period should be recognised in profit or loss immediately as incurred.

20. *Provisions*

Except for contingent considerations transferred and contingent liabilities assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Provisions (Continued)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principle of revenue recognition.

21. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow to the Group and when the revenue can be measured reliably, as well as all the following conditions are satisfied:

Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised using the percentage of completion method at the balance sheet date. Depending on the type of the construction contract, the percentage of completion of a contract is determined in the following ways: (1) the proportion of contract costs incurred to date to estimated total contract costs; (2) the proportion of completed contract work that has been confirmed by the supervision party to the estimated total contract work; or (3) surveys of the work performed.

The outcome of a construction contract is considered to be reliably estimated when all the following conditions are satisfied:

- (1) the total contract revenue can be measured reliably;
- (2) it is probable that the economic benefits associated with the contract will flow to the Group;
- (3) both the contract costs to complete the contract and the stage of contract completion on the balance sheet date can be measured reliably; and
- (4) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Revenue (Continued)

Revenue from construction contracts (*Continued*)

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognised only to the extent of the contract costs actually incurred and expected to be recovered, and the contract costs shall be recognised as an expense in the period in which they are incurred. Contract costs that are not probably to be recovered are recognised as an expense immediately when incurred and no contract revenue shall be recognised. When it is probable that total contract costs will exceed total contract revenue, the estimated loss shall be recognised as an expense immediately.

Total contract revenue comprises the initial amount of revenue agreed in the contract and amounts resulting from variations in contract work, claims and incentive payments.

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method. Based on the nature of the transaction, the percentage of completion is determined in the following ways: (1) the proportion of costs incurred to date to the estimated total costs; (2) surveys of work performed; or (3) the proportion of services performed to date to the total services to be performed. Concession revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably.

The outcome of rendering services can be estimated reliably when the following conditions are satisfied:

- (1) the amount of revenue can be measured reliably;
- (2) it is probable that the associated economic benefits will flow to the Group;
- (3) both the service costs to be incurred for the transaction and the stage of transaction completion on the balance sheet date can be measured reliably; and
- (4) the actual costs incurred can be clearly identified and measured reliably, so as to compare with prior estimates.

The total service revenue is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not at fair value.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of costs incurred that probably will be recovered, and costs shall be recognised as an expense in the period in which they are incurred. When it is probable that total service costs will exceed total revenue, the estimated loss shall be recognised as an expense immediately.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Revenue (Continued)

Revenue from the rendering of services (*Continued*)

When the Group has entered into a contract or agreement with other enterprises on both the sale of goods and the rendering of services, if the portions of the sale of goods and the rendering of services can be separately identified and measured, they are accounted for separately; if the portions of the sale of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sales of goods.

Revenue from the sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards in relation to the ownership of goods have been transferred to the buyer, the Group retains neither continuing management nor effective control over the goods sold; and the relevant amounts of costs can be measured reliably. The amount of revenue arising from the sale of goods is determined by the amount of consideration received or receivable from the buyer under the contract or agreement, except where the consideration received or receivable stipulated in the contract or agreement is not fair. Where the consideration receivable under the contract or agreement is deferred so that the arrangement is in substance of a financing nature, the amount of revenue from the sale of goods is measured at the fair value of the consideration receivable.

Interest income

Interest income is recognised based on the time horizon of the use of the Group's fund by others and the effective interest rate.

Royalty income

Royalty income is recognised according to the charge period and the charge rate as stipulated in the relevant contract or agreement.

Lease income

Lease income from operating leases is recognised over the lease term on the straight-line basis. Contingent lease income is recognised in profit or loss in the period when it is incurred.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Government grants

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

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

A government grant related to income is accounted for as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; and (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss for the current period. A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss for the current period.

Relocation compensation received due to public interests

The Group receives relocation compensation from the government for the benefit of public interests such as urban overall planning, reservoir construction, and transformation of squatter settlements and settling area control. The relocation compensation is paid out of financial budgets by the government and is recognised as special payable when received. Compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income, and recognised as government grants relating to assets or expenses accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

23. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in the statement of profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in shareholders' equity if it arises from a transaction or event which is recognised directly in shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. *Income tax (Continued)*

Based on the differences between the carrying amount of an asset or liability on the balance sheet and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

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

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

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

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

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

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

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. All the other leases are treated as operating leases.

As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss when incurred.

As lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessee of a finance lease

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

25. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, construction contracts, deferred income taxes, and financial assets, using the following methods:

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

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. *Impairment of assets (Continued)*

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

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

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

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

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

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. *Employee benefits*

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependent, and families of deceased employees also belong to employee benefits.

Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

Post-employment benefits (defined contribution plans)

If employees of the Group participate in the endowment insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension plans of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

Post-employment benefits (defined benefit plans)

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any remeasurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the balance sheet immediately and recorded in equity as other comprehensive income in the accounting period the re-measurement occurred. Those losses and gains should not be recognised in profit or loss in the subsequent accounting periods.

The past service costs should be recognised as current expenses at the earlier of the following dates: a) when the Group modifies the defined benefit plans; and b) when the Group recognises relevant restructuring costs and termination benefits.

Net interest equals to the net defined benefit liability multiply by the discount rate. The Group recognised changes in the net defined benefit obligation as management expenses in the statement of profit or loss. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan.

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for restructuring and involves the payment of termination costs.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. *Employee benefits (Continued)*

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.

Bonus entitlements

The estimated cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are estimated to be settled within twelve months and are measured at the amounts estimated to be paid when they are settled.

27. *Distribution of profit*

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

28. *Perpetual securities*

If the perpetual securities are non-redeemable (or only be redeemable by the issuer's choice) and any interest and dividends distributed are discretionary, then the securities are classified as equity. Distributions of interest and dividends from perpetual securities in the equity are recognised in the distribution of equity.

29. *Production safety expenses*

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

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

30. *Fair value measurement*

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

31. *Significant accounting judgements and estimates*

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

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Significant accounting judgements and estimates (Continued)

Judgements

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

Impairment of available-for-sale financial assets

The Group determines if available-for-sale investments are not temporarily impaired in accordance with *Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*. The determination requires significant judgement. In making this judgement, the Group evaluates various factors, including the duration and the extent to which the fair value of an investment is less than its cost. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health and short-term business prospects of the investee, including industry and sector performance, changes in technology, and operating and financing cash flows, etc.

Contingent liabilities arising from litigation and claims

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the probable obligations have been made based on management's best estimates and judgements.

De facto control over subsidiaries

There are subsidiaries of the Group that the Group has equal to or less than half of the interests in these subsidiaries. The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating its solely influence over the entity's activities, in consideration of the size of the Group's interests, relative to the size and dispersion of other shareholders' interests.

Determination of control over structured entities

The Group invests in several structured entities which are mainly engaged in infrastructure investment activities. Based on the assessment in accordance with the *Accounting Standard for Business Enterprise No. 33 – Consolidated Financial Statements* and *Accounting Standard for Business Enterprise No. 2 – Long-term Equity Investments*, the Group consolidates certain structured entities over which it has control and accounts for as joint ventures when it has joint control over the structured entities. For those that the Group has neither control nor joint control over, the Group accounts for as available-for-sale financial assets.

When the Group acts as a manager in a structured entity, the Group should determine whether the Group is a key responsible party or an agent in order to assess whether the Group controls and consolidates the structured entity. In assessing and applying its judgement, the Group considers and reassesses the factors on a periodic basis, such as the scope of decision-making rights of the manager, substantial rights held by other parties, the level of compensation received in relation to the management services rendered by the manager and the exposures of variable returns arising from any other arrangements.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

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

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of fixed assets are different from previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

Income tax and deferred tax assets

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax have not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. 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 estimated, a material reversal of deferred tax assets may arise, which will be recognised in the statement of profit or loss in the period in which such a reversal takes place.

Construction contract

The Group recognises revenue according to the percentage of completion of individual contracts for construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Where the actual contract revenue is less than estimated contract costs, a foreseeable loss arises and should be charged to profit or loss when incurred while provisions for foreseeable contract losses should be recognised. Hence, the Group 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 estimated or actual contract costs, a foreseeable loss may arise.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (continued)

Impairment of accounts receivable

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience.

Provision for properties under development

The Group makes a provision for properties under development when the net realisable values of the properties under development are lower than the carrying amounts at the balance sheet date. The principal assumptions for the Group's estimation of the net realisable values of the properties under development include those related to current market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Long-term post-leaving benefits

The Group recognised the benefits paid to certain long-term post-leaving personnel as liability. The amounts of employee benefit expenses and liabilities are determined using various assumptions, estimated using the rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The differences between actual experience and assumptions are recognised immediately and therefore affect recognised other comprehensive income in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect other comprehensive income and balance of liabilities related to the long-term post-leaving benefit obligations.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES

1. Major categories of taxes and respective tax rates

- | | |
|---|---|
| Value-added tax ("VAT") | – For the Company and certain subsidiaries which are recognised as general VAT payers, VAT payable is imposed on the taxable sales amount multiplied by the tax rate of 6%, 11% or 17% (output-VAT) less deductible input-VAT of the current period. VAT of other subsidiaries recognised as small scale taxpayers is levied at the rate of 3%. |
| Business tax ("BT") | – The Company and its subsidiaries are subject to BT on the income generated from the provision of construction services and other services at a rate of 3% or 5%, respectively. |
| City maintenance and construction tax ("CCT") | – The Company and its subsidiaries are subject to CCT on the total payments of BT and VAT at a rate of 7%, 5% or 1% depending on the location of the taxpayers. |
| Education surcharge | – The Company and its subsidiaries are subject to the education surcharge at a rate of 3% on the total payments of BT and VAT. |
| Local education surcharge | – The Company and its subsidiaries are subject to the education surcharge at a rate of 2% on the total payments of BT and VAT depending on the location of the taxpayers. |
| Corporate income tax ("CIT") | – Except for certain preferential treatments available to the Company's domestic subsidiaries and overseas subsidiaries which are required to accrue CIT based on tax laws and regulations of foreign jurisdictions, the entities within the Group are subject to CIT at a rate of 25%. |
| | Each of the Company and its subsidiaries calculates and pays CIT as a legal entity at the location where it is registered. |
| | Overseas subsidiaries (including those located in the Hong Kong and Macau Special Administrative Regions of the People's Republic of China) are taxed according to the prevailing tax laws and regulations in the relevant countries/jurisdictions. |
| Real estate tax | – Real estate tax is levied by means of ad valorem at a rate of 1.2% based on 70%, 75% or 80% of the original cost of the properties. For those levied on prices, the tax is charged at 12% of the rental income. Real estate tax is filed and paid by the Company and its subsidiaries accordingly. |
| Individual income tax ("IIT") | – According to the relevant tax laws and regulations, the Company and its subsidiaries have the obligations to withhold IIT for their employees' salary income. |
| Land value increment tax | – The land value increment tax is levied at the ultra progressive tax rate based on the appreciation value. |

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

1. Major categories of taxes and respective tax rates (Continued)

From 1 May 2016, the Group is subject to VAT instead of BT, and has adopted the Provisions on the Accounting Treatment of Value Added Tax (Cai Kuai [2016] No. 22) for the disclosure of VAT, which has no material impact on the net profit or equity of the Group and the Company for the years of 2016 and 2015.

2. Tax preferential treatments

Super deduction of research and development (R&D) expenditures

Pursuant to Chapter IV, Item 1 of Article 30 of the PRC Corporate Income Tax Law (the "New CIT Law") and the Circular on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises' Expenditures for Research and Development (for Trial Implementation) of the State Administration of Taxation (Guo Shui Fa [2008] No. 116), subsidiaries of the Group complying with the relevant provisions can make a super deduction on their research and development expenditures when calculating the taxable income.

Preferential tax treatment for the Western Region Development

Pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs (Cai Shui [2011] No. 58), the tax preferential treatments for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, corporate income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the Catalogue of Encouraged Industries in the Western Region, the income of which accounts for more than 70% of the total income of such enterprises. The Catalogue of Encouraged Industries in the Western Region shall be issued separately."

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Preferential tax treatment for the Western Region Development (Continued)

At present, the Catalogue of Encouraged Industries in the Western Region has been approved by the State Council, and shall be implemented as of 1 October 2014. Certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 1st Engineering Co., Ltd. (中鐵十二局集團第一工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), Railway Maintenance Engineering Co., Ltd. of 12th Bureau Group of China Railway (中鐵十二局集團鐵路養護工程有限公司), China Railway Construction Bridge Engineering Bureau Group 5th Engineering Co., Ltd. (中鐵建大橋工程局集團第五工程有限公司), China Railway 15th Bureau Group 1st Engineering Co., Ltd. (中鐵十五局集團第一工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 18th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十八局集團隧道工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 2nd Engineering Co., Ltd. (中鐵二十局集團第二工程有限公司), China Railway 20th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十局集團第三工程有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團有限公司電氣化工程有限公司), China Railway 20th Bureau Group Municipal Engineering Co., Ltd. (中鐵二十局集團有限公司市政工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Gansu Runtong Electric Engineering Co., Ltd. (甘肅潤通電氣化工程有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司), Chengdu China Railway Project Management Co., Ltd. (成都中鐵建項目建設管理有限公司), Kunming Guangweitong Machinery Co., Ltd. (昆明廣維通機械設備有限公司), CRCC High-Tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司), Sichuan CRCC Subway Investment Management Co., Ltd. (四川中鐵建地鐵投資管理有限公司), Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司) and Chongqing Zhongyou Tiefa Suiyu Industrial Co., Ltd. (重慶中油鐵發渝遂實業有限公司) were assumed to have enjoyed the corporate income tax preferential treatment for the Western Region Development temporarily after confirmation by the local tax authorities.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries

China Railway 12th Bureau Group Co., Ltd. (中鐵十二局集團有限公司):

China Railway 12th Bureau Group Construction and Installation Engineering Co., Ltd. (中鐵十二局集團建築安裝工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 12th Bureau Group 2nd Engineering Co., Ltd. (中鐵十二局集團第二工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 12th Bureau Group 3rd Engineering Co., Ltd. (中鐵十二局集團第三工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 12th Bureau Group Electric Engineering Co., Ltd. (中鐵十二局集團電氣化工程有限公司) has been recognised as a High-New Technology Enterprise by Tianjin Municipal Science and Technology Department, Tianjin Department of Finance, Tianjin State Administration of Taxation and the Tianjin Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate at a rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司):

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司) has been recognised as a High-New Technology Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway Construction Bridge Engineering Bureau Group 1st Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第一工程有限公司) has been recognised as a High-New Technology Enterprise by the Dalian Municipal Science and Technology Department, Dalian Department of Finance, Dalian State Administration of Taxation and the Dalian Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司): (Continued)

China Railway Construction Bridge Engineering Bureau Group 4th Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第四工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Heilongjiang Province, Heilongjiang Provincial Department of Finance, Heilongjiang State Administration of Taxation and the Heilongjiang Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway Construction Bridge Engineering Bureau Group 6th Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第六工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Jilin Province, Jilin Provincial Department of Finance, Jilin State Administration of Taxation and the Jilin Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway Construction Bridge Engineering Bureau Group Electrical Engineering Co., Ltd. (中鐵建大橋工程局集團電務工程有限公司) has been recognised as a High-New Technology Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司):

Beijing China Railway Fangshan Bridge Co., Ltd. (北京中鐵房山橋樑有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 14th Bureau Group Electrical Engineering Co., Ltd. (中鐵十四局集團電氣化工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shandong Province, Shandong Provincial Department of Finance, Shandong State Administration of Taxation and the Shandong Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax of 15% from 1 January 2015 to 31 December 2017.

Shandong Tiezheng Project Experiment and Inspection Center Co., Ltd. (山東鐵正工程試驗檢測中心有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shandong Province, Shandong Provincial Department of Finance, Shandong State Administration of Taxation and the Shandong Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司):

China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司) has been recognised as a High-New Technology Enterprise by Shanghai Municipal Science and Technology Commission, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of the State Administration of Taxation and the Shanghai Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司):

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 16th Bureau Group 2nd Engineering Co., Ltd. (中鐵十六局集團第二工程有限公司) has been recognised as a High-New Technology Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang State Administration of Taxation and the Zhejiang Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 16th Bureau Group 4th Engineering Co., Ltd. (中鐵十六局集團第四工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway 16th Bureau Group Beijing Metro Engineering Co., Ltd. (中鐵十六局集團北京軌道交通工程建設有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司): (Continued)

China Railway 16th Bureau Group Railway Transportation Engineering Co., Ltd. (中鐵十六局集團鐵運工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Inner Mongolia Autonomous Region, Department of Finance of Inner Mongolia Autonomous Region, Inner Mongolia Municipal Office of the State Administration of Taxation and the Inner Mongolia Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司):

China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shaanxi Province, Shaanxi Provincial Department of Finance, Shaanxi State Administration of Taxation and the Shaanxi Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 17th Bureau Group 3rd Engineering Co., Ltd. (中鐵十七局集團第三工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Hebei Province, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 17th Bureau Group 5th Engineering Co., Ltd. (中鐵十七局集團第五工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司):

China Railway 19th Bureau Group Metro Engineering Construction Co., Ltd. (中鐵十九局集團軌道交通工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (Continued)

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司): (Continued)

China Railway 19th Bureau Group 5th Engineering Co., Ltd. (中鐵十九局集團有限公司第五工程有限公司) has been recognised as a High-New Technology Enterprise by the Dalian Municipal Science and Technology Commission, Dalian Municipal Bureau of Finance, Dalian Municipal Office of the State Administration of Taxation and the Dalian Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway 19th Bureau Group 6th Engineering Co., Ltd. (中鐵十九局集團有限公司第六工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Jiangsu Province, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 19th Bureau Group 7th Engineering Co., Ltd. (中鐵十九局集團有限公司第七工程有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2015 and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway 19th Bureau Group Electrical Engineering Co., Ltd. (中鐵十九局集團電務工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司):

China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團有限公司第四工程有限公司) has been recognised as a High-New Technology Enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Municipal Bureau of Finance, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

China Railway 22nd Bureau Group Co., Ltd. (中鐵二十二局集團有限公司):

China Railway 22nd Bureau Group 1st Engineering Co., Ltd. (中鐵二十二局集團有限公司第一工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司):

China Railway 23rd Bureau Group Metro Engineering Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognised as a High-New Technology Enterprise by the Shanghai Municipal Science and Technology Commission, Shanghai Municipal Bureau of Finance, Shanghai Municipal Office of the State Administration of Taxation and the Shanghai Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway 23rd Bureau Group 2nd Engineering Co., Ltd. (中鐵二十三局集團第二工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway Construction Group Ltd. (中鐵建設集團有限公司):

China Railway Construction Group Equipment Co., Ltd. (中鐵建設集團設備安裝有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

Beijing CRCC Decoration Engineering Co., Ltd. (北京中鐵裝飾工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司):

Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

Beijing Kunweitong Railway Engineering Machinery Co., Ltd. (北京昆維通鐵路機械化工程有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

Kunming Autongda Railway Engineering Machinery Co., Ltd. (昆明奧通達鐵路機械有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Yunnan Province, Yunnan Provincial Department of Finance, Yunnan State Administration of Taxation and the Yunnan Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Heavy Industry Group Co., Ltd. (中國鐵建重工集團有限公司):

China Railway Construction Heavy Industry Group Co., Ltd. (中國鐵建重工集團有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Hunan Province, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway Longchang Railway Audio Supplies Co., Ltd. (中鐵隆昌鐵路器材有限公司) has been recognised as a High-New Technology Enterprise by the Science and Technology Department of Sichuan Province, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

China Railway Construction Electrification Bureau (Group) Co., Ltd. (中國鐵建電氣化局集團有限公司):

China Railway Construction Electrification Bureau (Group) Co., Ltd. (中國鐵建電氣化局集團有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Department, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Electrification Bureau (Group) 1st Engineering Co., Ltd. (中鐵建電氣化局集團第一工程有限公司) has been recognised as a High-New Technology Enterprise by the Henan Provincial Science and Technology Department, Henan Provincial Department of Finance, Henan State Administration of Taxation and the Henan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway Construction Electrification Bureau (Group) 2nd Engineering Co., Ltd. (中鐵建電氣化局集團第二工程有限公司) has been recognised as a High-New Technology Enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway Construction Electrification Bureau (Group) 3rd Engineering Co., Ltd. (中鐵建電氣化局集團第三工程有限公司) has been recognised as a High-New Technology Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

China Railway Construction Electrification Bureau (Group) 4th Engineering Co., Ltd. (中鐵建電氣化局集團第四工程有限公司) has been recognised as a High-New Technology Enterprise by the Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway Construction Electrification Bureau (Group) 5th Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognised as a High-New Technology Enterprise by the Sichuan Provincial Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (Continued)

China Railway Construction Electrification Bureau (Group) Co., Ltd. (中國鐵建電氣化局集團有限公司): (Continued)

Beijing China Railway Construction Electrification Bureau (Group) Design Institute Engineering Co., Ltd. (北京中鐵建電氣化局集團設計研究院有限公司) has been recognised as a High-New Technology Enterprise by the Beijing Municipal Science and Technology Department, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Electrification Bureau (Group) South Engineering Co., Ltd. (中鐵建電氣化局集團南方工程有限公司) has been recognised as a High-New Technology Enterprise by the Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, Hubei State Administration of Taxation and the Hubei Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Electrification Bureau (Group) Kang Yuan New Materials Co., Ltd. (中鐵建電氣化局集團康遠新材料有限公司) has been recognised as a High-New Technology Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

China Railway Construction Electrification Bureau (Group) Science and Technology Co., Ltd. (中鐵建電氣化局集團科技有限公司) has been recognised as a High-New Technology Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Electrification Bureau (Group) Metro Engineering Machinery Co., Ltd. (中鐵建電氣化局集團軌道交通器材有限公司) has been recognised as a High-New Technology Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

China Railway Construction Electrification Bureau (Group) North Engineering Co., Ltd. (中國鐵建電氣化局集團北方工程有限公司) has been recognised as a High-New Technology Enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2014, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2014 to 31 December 2016.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IV. TAXES (CONTINUED)

2. Tax preferential treatments (Continued)

Other preferential tax treatments for the Company's subsidiaries (*Continued*)

CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司):

CRCC Harbour & Channel Engineering Bureau Group Survey & Design Institute Co., Ltd. (中鐵建港航局集團勘察設計院有限公司) has been recognised as a High-New Technology Enterprise by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2016 to 31 December 2018.

CRCC Urban Construction Group Co., Ltd. (中鐵城建集團有限公司):

CRCC Urban Construction Group Co., Ltd. (中鐵城建集團有限公司) has been recognised as a High-New Technology Enterprise by the Hunan Provincial Science and Technology Department, Hunan Provincial Department of Finance, Hunan State Administration of Taxation and the Hunan Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

CRCC Urban Construction Group 3rd Engineering Co., Ltd. (中鐵城建集團第三工程有限公司) has been recognised as a High-New Technology Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	31 December 2016	31 December 2015
Cash	132,932	157,251
Cash at banks	119,450,551	113,886,872
Others	5,235,542	4,861,815
Mandatory reserves placed by CRCC Finance Company Limited with the central bank	3,882,969	3,028,071
	128,701,994	121,934,009

Cash and bank balances with title restrictions were stated in Note V.64.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Cash and bank balances (Continued)

As at 31 December 2016, the Group held foreign cash and bank balances amounting to RMB11,098,429,000 (31 December 2015: RMB5,774,279,000), and held no restricted deposits.

Cash deposited in the current account earns interest at floating interest rates. Terms of short-term time deposits are from one day to three months depending on the cash flow demand of the Group. These deposits earn interest at the respective bank deposit rates.

	31 December 2016	31 December 2015
Cash and bank balances at year end	128,701,994	121,934,009
Less: mandatory reserves with the central bank	(3,882,969)	(3,028,071)
Less: non-pledged time deposits with original maturity of three months or more when acquired	(2,593,632)	(5,778,270)
Less: other restricted cash and bank balances	(4,691,371)	(4,657,115)
Cash and cash equivalents at year end	117,534,022	108,470,553
Less: cash and cash equivalents at beginning of the year	(108,470,553)	(84,757,505)
Net increase in cash and cash equivalents	9,063,469	23,713,048

2. Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Equity instruments	238,803	218,437
Derivative financial assets	84,573	–
	323,376	218,437

Management considered that there were no material restrictions on the recovery of the financial assets held for trading.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

	31 December 2016	31 December 2015
Commercial acceptance bills	2,079,419	1,005,345
Bank acceptance bills	2,271,161	1,488,295
	4,350,580	2,493,640

As at 31 December 2016, there were no bills receivable pledged (31 December 2015: RMB11,300,000).

As at 31 December 2016 and 31 December 2015, the Group had derecognised the following bank acceptance bills which had not matured but had been endorsed to other parties:

	31 December 2016		31 December 2015	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	403,731	–	469,391	–

As at 31 December 2016, there were no bills receivable transferred to accounts receivable due to non-compliance of drawer of a bill (31 December 2015: Nil).

As at 31 December 2016, the Group's bills receivable were neither past due nor impaired (31 December 2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

The majority of the Group's revenue is generated through construction projects and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. For the sale of products, credit periods ranging from 30 to 90 days are granted to the customers. For retention money receivables in respect of construction work carried out by the Group, the due dates usually range from one to six years after the completion of the construction work. The retention money whose maturity is more than one year is recognised as long-term receivable. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable is presented as follows:

	31 December 2016	31 December 2015 (Restated)
Within 1 year	119,281,249	116,634,869
1 to 2 years	10,306,759	8,915,476
2 to 3 years	4,382,882	3,926,070
Over 3 years	2,621,564	1,330,339
Less: provision for bad debts	136,592,454 (3,164,845)	130,806,754 (2,778,311)
	133,427,609	128,028,443

Movements in the provision for bad debts are as follows:

	2016	2015
Opening balance	2,778,311	1,596,792
Provision	813,770	1,462,656
Reversal	(418,843)	(189,363)
Write-off	(7,173)	(24,843)
Transfer out	(1,220)	(66,931)
Closing balance	3,164,845	2,778,311

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

Accounts receivable and provision for bad debts by category are presented as follows:

	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	21,901,342	16.03	(2,219,605)	10.13
Subject to provision by group	110,683,396	81.04	(204,633)	0.18
Individually not significant but subject to separate provision for bad debts	4,007,716	2.93	(740,607)	18.48
	136,592,454	100.00	(3,164,845)	

	31 December 2015			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	27,988,656	21.40	(1,925,425)	6.88
Subject to provision by group	99,345,781	75.95	(186,034)	0.19
Individually not significant but subject to separate provision for bad debts	3,472,317	2.65	(666,852)	19.20
	130,806,754	100.00	(2,778,311)	

As at 31 December 2016, accounts receivable which are individually significant and subject to separate provision for bad debts were as follows:

Due from	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	241,519	(173,146)	71.69	Note
Company 2	161,567	(105,018)	65.00	Note
Company 3	142,279	(135,165)	95.00	Note
Company 4	96,705	(96,705)	100.00	Note
Company 5	91,601	(91,601)	100.00	Note
Others	21,167,671	(1,617,970)		
	21,901,342	(2,219,605)		

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

As at 31 December 2015, accounts receivable which are individually significant and subject to separate provision for bad debts were as follows:

Due from	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	161,567	(96,940)	60.00	Note
Company 2	142,279	(128,052)	90.00	Note
Company 3	121,705	(121,705)	100.00	Note
Company 4	92,462	(92,462)	100.00	Note
Company 5	73,059	(43,836)	60.00	Note
Others	27,397,584	(1,442,430)		
	27,988,656	(1,925,425)		

Note: According to the ageing analysis of the accounts receivable and operation of the companies, the Group recorded all or a portion of provision for doubtful debts.

Accounts receivable which are subject to provision by group were as follows:

	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
– Within 6 months	109,718,254	99.13	–	–
– 6 months to 1 year	181,439	0.16	(907)	0.50
– 1 to 2 years	270,629	0.25	(13,531)	5.00
– 2 to 3 years	209,503	0.19	(20,950)	10.00
– Over 3 years	303,571	0.27	(169,245)	55.75
	110,683,396	100.00	(204,633)	

	31 December 2015			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
– Within 6 months	98,403,297	99.05	–	–
– 6 months to 1 year	164,932	0.17	(825)	0.50
– 1 to 2 years	278,166	0.28	(13,908)	5.00
– 2 to 3 years	215,107	0.21	(21,511)	10.00
– Over 3 years	284,279	0.29	(149,790)	52.69
	99,345,781	100.00	(186,034)	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

As at 31 December 2016, accounts receivable from the five largest customers were as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable (%)
Company 1	Third party	1,200,473	Within 1 year	0.88
Company 2	Third party	1,189,329	Within 1 year	0.87
Company 3	Third party	1,178,921	Within 1 year	0.86
Company 4	Third party	1,042,654	Within 1 year	0.76
Company 5	Third party	1,015,759	Within 1 year	0.74
		5,627,136		4.11

As at 31 December 2015, accounts receivable from the five largest customers were as follows:

	Relationship with the Group	Amount	Ageing	Percentage of total accounts receivable (%)
Company 1	Third party	1,673,539	Within 1 year	1.28
Company 2	Third party	1,436,296	Within 1 year	1.10
Company 3	Third party	1,366,962	Within 1 year	1.05
Company 4	Third party	970,228	Within 1 year	0.74
Company 5	Third party	923,220	Within 1 year	0.71
		6,370,245		4.88

As at 31 December 2016, the Group's accounts receivable that were neither past due nor impaired amounted to RMB109,718,254,000 (31 December 2015: RMB98,403,297,000).

For 2016, the write-off of accounts receivable amounted to RMB7,173,000 (2015: RMB24,843,000), as the gross carrying amount was confirmed to be irrecoverable.

The restricted accounts receivable in the Group are stated in Note V.64.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers

An ageing analysis of the advances to suppliers was as follows:

	31 December 2016		31 December 2015	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	19,476,042	97.60	22,582,390	97.36
1 to 2 years	233,135	1.17	311,846	1.34
2 to 3 years	152,095	0.76	252,623	1.09
Over 3 years	94,339	0.47	47,543	0.21
	19,955,611	100.00	23,194,402	100.00

As at 31 December 2016 and 31 December 2015, significant advances to suppliers aged over one year were as follows:

	31 December 2016	Nature
Company 1	90,000	Prepayment for materials
Company 2	30,001	Prepayment for materials
Company 3	30,000	Prepayment for materials
Company 4	29,519	Prepayment for materials
Company 5	16,010	Prepayment for materials
	195,530	
	31 December 2015	Nature
Company 1	263,592	Prepayment for materials
Company 2	90,000	Prepayment for materials
Company 3	44,699	Prepayment for materials
Company 4	30,000	Prepayment for materials
Company 5	28,964	Prepayment for materials
	457,255	

Significant outstanding advances to suppliers aged over one year are mainly due to related construction projects which have not been completed or materials or equipment which have not been received.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers (Continued)

As at 31 December 2016, advances to the five largest suppliers were as follows:

	Relationship with the Group	Amount	Ageing	Percentage (%)
Company 1	Third party	153,992	Within 1 year	0.77
Company 2	Third party	150,580	Within 1 year	0.75
Company 3	Third party	138,568	Within 1 year	0.70
Company 4	Third party	131,885	Within 1 year	0.66
Company 5	Third party	129,357	Within 1 year	0.65
		704,382		3.53

As at 31 December 2015, advances to the five largest suppliers were as follows:

	Relationship with the Group	Amount	Ageing	Percentage (%)
Company 1	Third party	263,592	2 to 3 years	1.14
Company 2	Third party	210,488	Within 1 year	0.90
Company 3	Third party	163,979	Within 1 year	0.71
Company 4	Third party	139,859	Within 1 year	0.60
Company 5	Third party	129,510	Within 1 year	0.56
		907,428		3.91

6. Other receivables

An ageing analysis of other receivables was as follows:

	31 December 2016	31 December 2015
Within 1 year	42,998,903	37,369,603
1 to 2 years	2,590,252	2,155,927
2 to 3 years	1,580,055	2,718,249
Over 3 years	1,786,787	998,093
	48,955,997	43,241,872
Less: provision for bad debts	(3,329,710)	(3,061,871)
	45,626,287	40,180,001

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Movements in the provision for bad debts were as follows:

	2016	2015
Opening balance	3,061,871	1,173,777
Provision	357,181	1,677,575
Transfer in	182,894	296,054
Reversal	(278,782)	(93,218)
Write-off	(12,071)	(12,346)
Other	18,617	20,029
Closing balance	3,329,710	3,061,871

Other receivables by category were presented as follows:

	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	5,133,310	10.49	(2,951,943)	57.51
Subject to provision by group	38,740,956	79.13	(84,473)	0.22
Individually not significant but subject to separate provision for bad debts	5,081,731	10.38	(293,294)	5.77
	48,955,997	100.00	(3,329,710)	

	31 December 2015			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	4,179,574	9.67	(2,700,532)	64.61
Subject to provision by group	33,537,266	77.55	(77,538)	0.23
Individually not significant but subject to separate provision for bad debts	5,525,032	12.78	(283,801)	5.14
	43,241,872	100.00	(3,061,871)	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2016, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reason
Company 1	218,172	(218,172)	100.00	Note
Company 2	138,003	(138,003)	100.00	Note
Company 3	97,372	(97,372)	100.00	Note
Company 4	73,640	(73,640)	100.00	Note
Company 5	65,421	(65,421)	100.00	Note
Others	4,540,702	(2,359,335)		
	5,133,310	(2,951,943)		

As at 31 December 2015, other receivables which were individually significant and subject to separate provision for bad debts were as follows:

	Gross carrying amount	Provision for bad debts	Percentage of provision (%)	Reason
Company 1	168,000	(168,000)	100.00	Note
Company 2	138,003	(138,003)	100.00	Note
Company 3	97,372	(97,372)	100.00	Note
Company 4	75,421	(75,421)	100.00	Note
Company 5	68,806	(68,806)	100.00	Note
Others	3,631,972	(2,152,930)		
	4,179,574	(2,700,532)		

Note: According to the ageing analysis of the other receivables and operation of the companies, the Group recorded all the provision for doubtful debts.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Other receivables by group were presented as follows:

	31 December 2016			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
– Within 6 months	38,352,931	99.00	–	–
– 6 months to 1 year	74,364	0.19	(372)	0.50
– 1 to 2 years	131,147	0.34	(6,557)	5.00
– 2 to 3 years	97,810	0.25	(9,781)	10.00
– Over 3 years	84,704	0.22	(67,763)	80.00
	38,740,956	100.00	(84,473)	

	31 December 2015			
	Gross carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
– Within 6 months	33,127,988	98.78	–	–
– 6 months to 1 year	81,294	0.24	(406)	0.50
– 1 to 2 years	135,115	0.40	(6,756)	5.00
– 2 to 3 years	119,886	0.36	(11,989)	10.00
– Over 3 years	72,983	0.22	(58,387)	80.00
	33,537,266	100.00	(77,538)	

As at 31 December 2016, the Group's other receivables that were neither past due nor impaired amounted to RMB38,352,931,000 (31 December 2015: RMB33,127,988,000).

As at 31 December 2016, the Group's other receivables that were written off amounted to RMB12,071,000 (31 December 2015: RMB12,346,000), as the gross carrying amount was confirmed to be irrecoverable.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

An analysis of other receivables by nature was as follows:

	31 December 2016	31 December 2015
Security deposit/cash pledged	26,106,086	25,541,950
Advance payments	3,595,945	3,566,138
Due from the third parties	10,019,965	5,623,877
Others	9,234,001	8,509,907
	48,955,997	43,241,872

As at 31 December 2016, the five largest other receivables were as follows:

	Amount	Percentage of total other receivables (%)	Nature	Ageing	Bad debts
Company 1	2,407,923	4.92	Loans for cooperative development project	Within 1 year	-
Company 2	1,804,231	3.68	Loans for cooperative development project	Within 1 year	-
Company 3	1,184,241	2.42	Loans for cooperative development project	Within 1 year	-
Company 4	1,035,420	2.12	Loans for cooperative development project	Within 1 year	-
Company 5	1,020,039	2.08	Bid bond	Within 1 year	-
	7,451,854	15.22			-

As at 31 December 2015, the five largest other receivables were as follows:

	Amount	Percentage of total other receivables (%)	Nature	Ageing	Bad debts
Company 1	2,587,186	5.98	Loans for cooperative development project	Within 1 year	-
Company 2	1,401,293	3.24	Loans for cooperative development project	Within 1 year	-
Company 3	860,386	1.99	Bid bond	Within 1 year	-
Company 4	650,829	1.51	Materials payment	Within 1 year	-
Company 5	608,407	1.41	Materials payment	1 to 2 years	-
	6,108,101	14.13			-

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2016, government grants receivable were as follows:

Grant project	Amount	Ageing	Estimated receipt date	Documents
Panjin land compensation fee	2,000	Over 3 years	June 2017	Panjin municipal committee publication [2010] No.16 Project investment preferential subsidies agreement
Xiusong project Investment preferential subsidies	97,000	Within 1 year	June 2017	
	99,000			

As at 31 December 2015, government grants receivable were as follows:

Grant project	Amount	Ageing	Estimated receipt date	Documents
Panjin land compensation fee	5,681	Over 3 years	June 2016	Panjin municipal committee publication [2010] No.16

7. Inventories

	31 December 2016		
	Gross carrying amount	Provision	Carrying amount
Raw materials	20,107,132	(19,410)	20,087,722
Work in progress	1,244,417	–	1,244,417
Finished goods	4,781,079	(159,658)	4,621,421
Turnover materials	7,830,423	–	7,830,423
Properties under development (1)	87,632,598	–	87,632,598
Completed properties held for sale (2)	18,351,998	(100,437)	18,251,561
Gross amount due from contract customers (3)	126,554,813	(442,283)	126,112,530
	266,502,460	(721,788)	265,780,672

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

	31 December 2015		
	Gross carrying amount	Provision	Carrying amount
Raw materials	22,400,525	(24,484)	22,376,041
Work in progress	895,484	–	895,484
Finished goods	4,003,661	(161,446)	3,842,215
Turnover materials	7,306,567	–	7,306,567
Properties under development (1)	80,085,957	–	80,085,957
Completed properties held for sale (2)	18,645,240	(72,335)	18,572,905
Gross amount due from contract customers (3)	113,045,832	(533,862)	112,511,970
	246,383,266	(792,127)	245,591,139

Movements in the provision for decline in value of inventories were as follows:

2016	Opening balance	Additions Provision	Reductions		Closing balance
			Reversal	Write-off and others	
Raw materials	24,484	4,228	(8,228)	(1,074)	19,410
Finished goods	161,446	16,384	(1,898)	(16,274)	159,658
Completed properties held for sale	72,335	28,102	–	–	100,437
Provision for foreseeable contract losses	533,862	67,409	(39,445)	(119,543)	442,283
	792,127	116,123	(49,571)	(136,891)	721,788

2015	Opening balance	Additions Provision	Reductions		Closing balance
			Reversal	Write-off and others	
Raw materials	13,927	10,886	–	(329)	24,484
Finished goods	8,178	159,960	(6,949)	257	161,446
Completed properties held for sale	72,335	–	–	–	72,335
Provision for foreseeable contract losses	254,986	324,476	(41,316)	(4,284)	533,862
	349,426	495,322	(48,265)	(4,356)	792,127

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(1) Details of the properties under development were as follows:

Project name	Construction commencement date	Estimated completion date	Estimated aggregate investment amount	As at 31 December 2016	As at 31 December 2015
Tianjin CRCC International City Project	November 2011	December 2020	13,488,300	4,147,603	3,900,227
Shanghai Xidu Project	December 2015	October 2019	6,723,010	3,950,945	760,115
Chengdu Beihu Xinqu Project	August 2013	September 2018	7,891,826	3,856,186	1,847,085
CRCC Suyuan Tugua Project	August 2017	August 2020	13,086,170	3,221,450	-
Jiangnan International City Project	December 2014	December 2017	4,435,050	3,218,924	2,755,912
Jiangsu Qingxiu City Project	June 2014	December 2018	6,600,000	2,578,358	4,568,324
CRCC Guiyang International City Project	September 2007	December 2019	11,752,000	2,480,948	2,477,220
Chongqing Cuntanzongdi Project	December 2016	September 2022	9,403,210	2,337,805	-
Chengdu CRCC Wu Hou Tie Fo Project	December 2015	March 2018	4,291,377	2,259,609	917,019
Chengdu CRCC Wu Hou Tie Fo Zone 7 Project	May 2016	November 2020	4,679,074	2,131,115	672,382
Chengdu CRCC Xipai Lan'an Project	November 2013	December 2018	5,194,937	2,105,489	3,244,754
CRCC Hangzhou International City Project	March 2011	August 2019	6,257,800	2,088,875	2,007,473
Jiucheng Yihao Project	September 2014	December 2018	2,146,890	1,880,771	1,388,521
CRCC Yangchun Hupan	April 2014	December 2019	2,855,090	1,660,614	1,388,306
Hangzhou CRCC International City Project	December 2015	August 2018	2,674,690	1,652,233	752,234
Guangzhou Zengcheng International City Project	December 2014	October 2017	2,236,060	1,530,145	1,268,116
Xi'an CRCC International City Project	August 2011	October 2021	9,773,964	3,048,816	2,895,041
Hefei CRCC Qingxiucheng Project	March 2014	December 2018	4,050,568	1,442,031	1,729,028
Chongqing Chayuanxinqu Project	September 2014	May 2018	1,211,837	1,426,371	1,108,166
Changsha Meixi Lake Project	May 2013	December 2020	4,080,940	1,381,577	1,146,562
Foshan International Gongguan Project	August 2014	October 2017	4,224,000	1,220,144	2,552,291
Ji'nan CRCC International City Project	August 2011	June 2017	3,227,360	1,183,291	853,654
Taiyuan Zijun Project	December 2015	April 2018	2,233,550	1,104,649	984,109
Chengdu CRCC Plaza Project	September 2014	July 2017	1,717,302	1,081,715	742,909
Haidian Environmental Protection Science Park Project	October 2014	June 2018	3,137,780	1,047,644	1,039,050
CRCC Guobinyuan Project	March 2014	December 2017	3,009,826	946,800	1,843,557
Guiyang Lancaoba Project	October 2012	December 2023	2,872,540	935,953	868,663

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(1) Details of the properties under development were as follows: (Continued)

Project name	Construction commencement date	Estimated completion date	Estimated aggregate investment amount	As at 31 December 2016	As at 31 December 2015
Wuhan Donghu High-tech Zone (Guanggu) Project	December 2012	March 2017	2,348,290	895,931	1,288,507
Dalian Qingxiu Lanwan Project	March 2014	December 2018	3,530,690	872,331	1,506,453
Guangzhou Nanshajidi Project	June 2016	August 2018	2,463,920	837,940	663,844
Bishan CRCC Shanyu City Project	November 2014	June 2020	1,500,000	835,151	742,787
Fuling CRCC Shanyu City Project	May 2014	December 2018	2,955,640	769,526	694,589
Beijing CRCC International City Project	December 2009	December 2017	10,749,500	746,845	484,120
Laizhou CRCC International City Project	July 2013	December 2018	2,760,560	745,448	1,049,779
CRCC Zhuhaidasha Project	December 2014	September 2019	3,018,220	739,727	640,294
Yuan Xiang Jia Yuan Project	July 2014	October 2017	1,979,230	727,988	1,435,816
CRCC Yunjing Shangyu City Project	October 2016	June 2020	1,342,980	704,213	-
Tongrui Xingsheng Nanyuan Huayu Project	December 2014	June 2017	3,879,780	692,104	2,543,608
CRCC Suyuan Tugua Project	December 2016	December 2018	690,000	690,000	-
Suzhou Industrial Park Project	December 2017	December 2020	13,086,170	690,000	-
Jiangwan Shanyu City II Project	December 2013	December 2017	2,190,270	679,848	865,210
Beijing CRCC Qingxiu Shangcheng Project	July 2014	March 2017	2,247,800	677,695	638,581
Hefei International Gongguan Project	September 2015	October 2018	1,152,000	673,372	530,226
CRCC Jiaying Project	May 2017	April 2019	2,720,020	665,090	-
Wuhan CRCC Shuxiangxiaozhen Project	September 2013	December 2017	2,391,420	635,593	607,813
Xi'an Jingtaixipai Project	December 2016	July 2020	2,223,710	627,041	-
Xi'an Tiexingxipai Project	April 2017	July 2020	2,329,754	597,069	-
Others			93,534,255	17,209,625	22,683,612
			302,349,360	87,632,598	80,085,957

As at 31 December 2016, the aggregate carrying amount of borrowing costs capitalised in properties under development was RMB8,568,860,000 (31 December 2015: RMB6,093,611,000). Borrowing costs capitalised during the year ended 31 December 2016 amounted to RMB3,520,063,000 (for the year ended 31 December 2015: RMB3,983,310,000). The capitalisation rates of borrowing costs ranged from 3.89% to 7.81% during the year (for the year ended 31 December 2015: 3.95% to 8.22%).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Details of the completed properties held for sale were as follows:

Project name	Completion date	2016			Closing balance
		Opening balance	Additions	Deductions	
Chengdu CRCC Xipai Lan'an Project	December 2018	-	1,518,324	(546,932)	971,392
Shunxin Jiayuan Project	September 2019	639	1,349,847	(430,146)	920,340
CRCC Guobinyuan Project	December 2017	-	1,151,663	(297,942)	853,721
Foshan International Gongguan Project	October 2017	-	1,909,204	(1,085,416)	823,788
Shanghai Qingxiucheng 2 Project	December 2016	-	2,059,908	(1,312,344)	747,564
Dalian Qingxiu Lanwan Project	December 2018	415,456	914,288	(614,510)	715,234
Chengdu International Garden Project	February 2016	-	1,656,396	(984,506)	671,890
Puhe Xinyuan Project	December 2016	610,690	111,992	(92,271)	630,411
Wuhan CRCC International Garden Project	December 2016	-	1,082,897	(552,967)	529,930
Hangzhou CRCC Qingxiu City Project	October 2015	666,154	46,095	(187,126)	525,123
Guiyang CRCC International City Project	December 2019	594,672	197,309	(278,304)	513,677
Chongqing CRCC Shanyu City Project	March 2017	494,192	89,559	(128,517)	455,234
CRCC Lidu Project	April 2016	370,326	1,458,176	(1,411,380)	417,122
Fangshan Shengshui Jiaming Project	December 2016	566,529	1,054,496	(1,218,771)	402,254
Chengdu Longquanyi Project	September 2015	405,399	33,571	(37,966)	401,004
Hefei CRCC International City Project	December 2017	677,012	797,158	(1,075,585)	398,585
Zhuzhou CRCC Hetangxing City Project	March 2017	361,237	257,376	(242,341)	376,272
Beijing CRCC Qingxiu Shangcheng Project	March 2017	392,920	93,762	(116,172)	370,510
CRCC International Garden I Project	October 2016	226,446	277,362	(210,158)	293,650
Tongrui Xingsheng Nanyuan Huayu Project	June 2017	-	2,748,031	(2,724,382)	23,649
Jiangwan Shanyu City II Project	December 2017	49,897	886,557	(659,505)	276,949
Xuzhou CRCC Yuanxiang Mangu Project	December 2015	567,313	63,069	(360,315)	270,067
Tianjin CRCC International City Project	December 2020	614,220	711,460	(1,157,288)	168,392
Changsha Shanyu City Project	May 2019	376,273	15,442	(141,196)	250,519
Laizhou CRCC International City Project	December 2018	132,992	520,449	(403,331)	250,110
CRCC Beijing Shanyu City Project	December 2015	595,601	31,745	(457,253)	170,093
CRCC Bei Cheng Hua Fu Project	November 2013	239,445	77,785	(82,921)	234,309
CRCC Linyi Donglai Shangcheng Project	December 2016	285,067	-	(50,975)	234,092
Chongqing Tongjing International City D Project	May 2018	329,111	116,611	(223,053)	222,669
Shanghai Qiuxiu City Project	November 2015	457,097	129,114	(370,665)	215,546
CRCC Ningbo Shanyu City Project	July 2020	383,667	-	(168,655)	215,012
Chengdu Beihu Xinqu Project	September 2018	904,174	-	(721,953)	182,221
CRCC Duyun Donglaishangcheng Project	September 2021	78,434	177,454	(80,416)	175,472
CRCC Liwan International City Project	December 2014	248,032	39,271	(112,705)	174,598
Wuhan CRCC International City Project	December 2018	246,630	331,366	(405,815)	172,181
Beijing CRCC Huanbao Jiayuan Project	December 2017	236,274	87,457	(153,158)	170,573
Beijing CRCC International City Project	December 2017	704,186	-	(581,918)	122,268
Others		6,415,155	6,554,794	(9,164,372)	3,805,577
		18,645,240	28,549,988	(28,843,230)	18,351,998

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Details of the completed properties held for sale were as follows (Continued):

Project name	Completion date	Opening balance	2015		Closing balance
			Additions	Deductions	
CRCC Bei Cheng Hua Fu Project	November 2013	238,181	96,502	(95,238)	239,445
CRCC Liwan International City Project	December 2014	606,107	-	(358,075)	248,032
Beijing Wutong Yuan Project	August 2015	130,776	762,497	(289,984)	603,289
Chengdu Longquanyi Project	September 2015	687,674	44,359	(326,634)	405,399
Hangzhou CRCC Qingxiu City Project	October 2015	-	1,564,848	(898,694)	666,154
Tianjin Wutong Yuan Project I	October 2015	-	465,756	(107,812)	357,944
Shanghai Qixiu City Project	November 2015	409,008	974,639	(926,550)	457,097
CRCC Beijing Shanyu City Project	December 2015	80,830	1,117,406	(602,635)	595,601
Xuzhou CRCC Yuanxiang Mangu Project	December 2015	-	928,862	(361,549)	567,313
CRCC Linyi Donglai Shangcheng Project	December 2015	196,119	281,697	(192,749)	285,067
CRCC Yao Center Project	March 2016	-	1,215,989	(494,099)	721,890
Wuhan CRCC International City Project	April 2016	107,134	743,995	(604,499)	246,630
CRCC Lidu Project	April 2016	244,910	1,136,289	(1,010,873)	370,326
CRCC Hangzhou International City Project	June 2016	492,074	1,018,276	(782,699)	727,651
Beijing CRCC Qingxiu Shangcheng Project	August 2016	-	1,019,580	(626,660)	392,920
CRCC Guiyang International City Project	September 2016	549,110	1,166,004	(1,120,442)	594,672
CRCC International Garden I Project	October 2016	147,082	461,486	(382,122)	226,446
Fangshan Shengshui Jiaming Project	December 2016	366,917	1,659,332	(1,459,720)	566,529
Puhe Xinyuan Project	December 2016	-	925,076	(314,386)	610,690
Beijing CRCC International City Project	December 2016	946,969	-	(242,783)	704,186
Dalian Qingxiu Lanwan Project	December 2016	-	998,732	(583,276)	415,456
Chongqing CRCC Shanyu City Project	March 2017	466,192	122,563	(94,563)	494,192
Zhuzhou CRCC Hetangxing City Project	March 2017	171,552	407,462	(217,777)	361,237
CRCC Zhoukou Donglai Shangcheng Project	October 2017	144,455	297,084	(82,648)	358,891
CRCC Ningbo Shanyu City Project	October 2017	-	462,421	(78,754)	383,667
Beijing CRCC Huanbao Jiayuan Project	December 2017	-	1,243,548	(1,007,274)	236,274
Hefei CRCC International City Project	December 2017	698,588	862,605	(884,181)	677,012
Tianjin CRCC International City Project	April 2018	52,820	1,200,525	(639,125)	614,220
Chongqing Tongjing International City D Project	May 2018	-	629,366	(300,255)	329,111
Xi'an Qujiang Wutong Yuan Project	May 2018	91,678	977,800	(514,680)	554,798
Chengdu Beihu Xinqu Project	September 2018	-	1,322,541	(418,367)	904,174
Changsha Shanyu City Project	December 2018	368,541	319,114	(311,382)	376,273
Changsha Meixi Lake Project	December 2019	583,174	-	(332,707)	250,467
Others		3,553,949	3,471,653	(3,923,415)	3,102,187
		11,333,840	27,898,007	(20,586,607)	18,645,240

Inventories with title restriction are stated in Note V.64.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(3) Construction contracts

	31 December 2016	31 December 2015
Contract costs incurred to date	2,934,844,426	2,453,239,265
Recognised profit	295,186,533	259,533,003
Less: provision for foreseeable contract losses	(442,283)	(533,862)
Less: progress billings	(3,120,715,098)	(2,616,779,795)
	108,873,578	95,458,611

At end of the year:

	31 December 2016	31 December 2015
Gross amount due from contract customers	126,112,530	112,511,970
Gross amount due to contract customers (Note V.27)	(17,238,952)	(17,053,359)
	108,873,578	95,458,611

8. Other current assets

	31 December 2016	31 December 2015
Paid tax	3,164,745	867,309
Short-term trust products	50,000	430,000
Others	6,227	2,215
	3,220,972	1,299,524

9. Loans and advances to customers

	31 December 2016	31 December 2015
Loans to customers	3,966,000	–

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets

	31 December 2016	31 December 2015
Available-for-sale equity instruments		
Investments in listed companies	1,910,056	2,382,433
– Hong Kong	483,739	240,422
– Other areas	1,426,317	2,142,011
Investments in unlisted companies	4,508,773	3,684,703
Other	136,000	479,300
	6,554,829	6,546,436

	31 December 2016			31 December 2015		
	Gross carrying amount	Provision	Carrying amount	Gross carrying amount	Provision	Carrying amount
Available-for-sale equity instruments						
Measured at fair value (Note(a))	1,910,056	–	1,910,056	2,382,433	–	2,382,433
Measured at book value (Note(b))	4,590,255	(81,482)	4,508,773	3,757,290	(72,587)	3,684,703
Others (Note(c))	136,000	–	136,000	479,300	–	479,300
	6,636,311	(81,482)	6,554,829	6,619,023	(72,587)	6,546,436

Note (a): Available-for-sale financial assets measured at fair value:

	31 December 2016 Available-for sale equity instruments	31 December 2015 Available-for sale equity instruments
Cost	674,028	479,413
Total fair value gain or loss in other comprehensive income	1,236,028	1,903,020
Fair value	1,910,056	2,382,433

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Note (b): Available-for-sale financial assets measured at cost:

2016

	Gross carrying amount			Provision for impairment				Percentage of ownership of equity (%)	Cash dividend
	Opening Balance	Increase	Decrease	Closing Balance	Opening Balance	Increase	Decrease		
Vossloh Fastening Systems (China) Co., Ltd.	56,969	-	-	56,969	-	-	-	16.20	18,924
Zhuhai Baiyi Science and Technology-Yunnan Huaxing Resource Development Company	10,000	-	-	10,000	(7,215)	(444)	-	(7,659)	-
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	-	-	3,085	-	-	-	15.00	-
Wuhan Johnson Pearl Plaza	60,000	-	-	60,000	-	-	-	12.00	-
Head Falcon (Beijing) Electric Appliance Co., Ltd.	1,600	-	-	1,600	-	-	-	10.00	-
Djibouti Paid Port & Doraleh Port-Galile Railway Project	355,254	-	-	355,254	-	-	-	10.00	-
Kweichow Moutai Health Industry Co., Ltd.	30,000	-	-	30,000	-	-	-	10.00	-
Chuantie (Luzhou) Railway Co., Ltd.	122,150	-	-	122,150	(58,720)	(6,744)	-	(65,464)	-
Beijing Railway Hotel Company Limited	15,000	-	-	15,000	-	-	-	8.10	-
Beijing-Guangzhou Passenger Railway Henan Company Limited	2,500,000	-	-	2,500,000	-	-	-	6.21	-
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	-	-	200,000	-	-	-	3.65	-
Bank of Lanzhou Co., Ltd.	201,654	34	-	201,688	-	-	-	1.43	-
Inner Mongolia Jitong Railway Co., Ltd.	13,082	-	-	13,082	-	-	-	0.43	-
China Resources Land (Beijing) Co., Ltd.	5,485	-	-	5,485	-	-	-	0.24	-
Jinan Tiechuang Hongrun Investment Partners, LLP	60,000	-	-	60,000	-	-	-	19.99	3,203
XinDa Property Insurance Co., Ltd.	-	188,556	-	188,556	-	-	-	6.67	-
Hangzhou Chengtou Haichao Construction and Development Co., Ltd.	-	31,420	-	31,420	-	-	-	2.00	-
Xinjiang Bank Co., Ltd.	-	500,000	-	500,000	-	-	-	10.00	-
Others	123,011	112,955	-	235,966	(6,652)	(1,707)	-	(8,359)	5,047
	3,757,290	832,965	-	4,590,255	(72,587)	(8,895)	-	(81,482)	27,174

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Note (b): Available-for-sale financial assets measured at cost: (Continued)

2015

	Gross carrying amount			Provision for impairment			Closing Balance	Percentage of ownership of equity (%)	Cash dividend
	Opening Balance	Increase	Decrease	Opening Balance	Increase	Decrease			
Vossloh Fastening Systems (China) Co., Ltd.	56,969	-	-	56,969	-	-	-	16.20	25,945
Zhuhai Baiyi Science and Technology-Yunnan Huaxing Resource Development Company	10,000	-	-	10,000	(7,215)	-	(7,215)	16.00	-
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	-	-	3,085	-	-	-	15.00	-
Wuhan Johnson Pearl Plaza	60,000	-	-	60,000	-	-	-	12.00	-
Head Falcon (Beijing) Electric Appliance Co., Ltd.	1,600	-	-	1,600	-	-	-	10.00	-
Djibouti Paid Port & Doraleh Port-Galile Railway Project	355,254	-	-	355,254	-	-	-	10.00	-
Kweichow Moutai Health Industry Co., Ltd.	-	30,000	-	30,000	-	-	-	10.00	-
Chuantie (Luzhou) Railway Co., Ltd.	122,150	-	-	122,150	(58,720)	-	(58,720)	8.84	-
Beijing Railway Hotel Company Limited	15,000	-	-	15,000	-	-	-	8.10	-
Beijing-Guangzhou Passenger Railway Henan Company Limited	2,000,000	500,000	-	2,500,000	-	-	-	6.21	-
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	-	-	200,000	-	-	-	3.65	-
Essence Securities Co., Ltd.	268,452	-	(268,452)	-	-	-	-	2.09	-
Bank of Lanzhou Co., Ltd.	1,654	200,000	-	201,654	-	-	-	1.43	-
Inner Mongolia Jitong Railway Co., Ltd.	13,082	-	-	13,082	-	-	-	0.43	-
China Resources Land (Beijing) Co., Ltd.	5,485	-	-	5,485	-	-	-	0.24	-
Guotai Jun'an Securities Corporation Limited	7,604	-	(7,604)	-	-	-	-	0.16	-
Jinan Tiechuang Hongrun Investment Partners, LLP	-	60,000	-	60,000	-	-	-	19.99	1,514
Others	121,317	31,480	(29,786)	123,011	(7,125)	(3)	476	(6,652)	6,563
	3,241,652	821,480	(305,842)	3,757,290	(14,340)	(58,723)	476	(72,587)	34,022

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Note (c): Others primarily refer to wealth management products launched by financial institutions that mainly target on trust products, and they are disclosed at fair value at the end of the year.

- i. In 2015, the Group paid RMB42,300,000 for the posterior beneficial investment of CCB Trust-CRCC Blue Ocean Trust Fund VII and classified the investment as available-for-sale financial asset at fair value. The trust fund is mainly engaged in investment in Guangde CRCC-Blue Ocean Fengjian Investment LLP. The fund is a structured entity that is excluded from the consolidation scope of the Group. As at 31 December 2016, the fund subscription amounted to RMB427,300,000, including RMB385,000,000 with preferential beneficial investment and RMB42,300,000 with posterior beneficial investment. The maximum exposure of the Group in the fund is equal to the carrying amount of the portion in the fund of RMB42,300,000 as at 31 December 2016. The Group has neither obligation nor intention to provide financial support to the fund.
- ii. In 2016, the Group paid RMB2,500,000 for the posterior beneficial investment of CCB Trust-CRCC Blue Ocean Trust Fund IX and classified the investment as available-for-sale financial asset at fair value. The trust fund is mainly engaged in investment in Guangde CRCC-Blue Ocean Fengjian Investment LLP. The fund is a structured entity that is excluded from the consolidation scope of the Group. As at 31 December 2016, the fund subscription amounted to RMB25,300,000, including RMB22,800,000 with preferential beneficial investment and RMB2,500,000 with posterior beneficial investment. The maximum exposure of the Group in the fund is equal to the carrying amount of the portion in the fund of RMB2,500,000 as at 31 December 2016. The Group has neither obligation nor intention to provide financial support to the fund.
- iii. In 2016, the Group paid RMB24,000,000 for the posterior beneficial investment of CCB Trust-CRCC Blue Ocean Trust Fund XI and classified the investment as available-for-sale financial asset at fair value. The trust fund is mainly engaged in investment in Guangde CRCC-Blue Ocean Fengjian Investment LLP. The fund is a structured entity that is excluded from the consolidation scope of the Group. As at 31 December 2016, the fund subscription amounted to RMB122,100,000, including RMB98,100,000 with preferential beneficial investment and RMB24,000,000 with posterior beneficial investment. The maximum exposure of the Group in the fund is equal to the carrying amount of the portion in the fund of RMB24,000,000 as at 31 December 2016. The Group has neither obligation nor intention to provide financial support to the fund.
- iv. In 2016, the Group subscribed subordinated tranches of the First Issue of BOCI-CRC Account Receivable Asset-backed Special Plan at the cost of RMB67,200,000.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Provision for impairment of available-for-sale financial assets:

	2016 Available-for-sale equity instruments	2015 Available-for-sale equity instruments
Opening balance	72,587	14,340
Provision	8,895	58,723
Decrease	–	(476)
Closing balance	81,482	72,587

11. Long-term receivables

	31 December 2016		
	Gross carrying amount	Provision for impairment	Carrying amount
Retention money receivables	2,166,971	(16,735)	2,150,236
“Build-Transfer” project receivables	21,453,273	(319,901)	21,133,372
A-land development	4,515,269	(14,000)	4,501,269
Others	11,446,623	–	11,446,623
	39,582,136	(350,636)	39,231,500
Less: Current portion of non-current assets:			
Retention money receivables	1,104,613	(12,446)	1,092,167
“Build-Transfer” project receivables	6,454,089	–	6,454,089
A-land development	1,971,733	(14,000)	1,957,733
Others	114,396	–	114,396
	9,644,831	(26,446)	9,618,385
Long-term receivables	29,937,305	(324,190)	29,613,115

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

	31 December 2015		
	Gross carrying amount	Provision for impairment	Carrying amount
Retention money receivables	2,817,636	(26,387)	2,791,249
“Build-Transfer” project receivables	26,709,331	(317,751)	26,391,580
A-land development	4,239,617	(598)	4,239,019
Others	3,380,274	(21)	3,380,253
	37,146,858	(344,757)	36,802,101
Less: Current portion of non-current assets:			
Retention money receivables	2,169,891	(24,362)	2,145,529
“Build-Transfer” project receivables	9,094,441	–	9,094,441
A-land development	517,154	(598)	516,556
Others	159,645	(21)	159,624
	11,941,131	(24,981)	11,916,150
Long-term receivables	25,205,727	(319,776)	24,885,951

As at 31 December 2016, long-term receivables are presented in accordance with the net amount after discount. The discount rates ranged between 4.75% and 4.90% (31 December 2015: between 4.35% and 4.90%).

An ageing analysis of long-term receivables was as follows:

	31 December 2016	31 December 2015
Within 1 year	24,605,312	18,879,689
1 to 2 years	9,896,582	14,113,086
2 to 3 years	3,619,070	3,314,757
Over 3 years	1,461,172	839,326
	39,582,136	37,146,858
Less: Provision for bad debts	(350,636)	(344,757)
	39,231,500	36,802,101
Less: Current portion of non-current assets	(9,618,385)	(11,916,150)
	29,613,115	24,885,951

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

Movements in the provision for impairment of long-term receivables are as follows:

	2016	2015
Opening balance	344,757	639,503
Provision for bad debts	17,648	13,386
Reversal	(12,989)	(306,199)
Write-off	–	(1,933)
Others	1,220	–
Closing balance	350,636	344,757

The Group assesses long-term receivables for impairment provision separately that are individually significant. When there is objective evidence (such as the debtor being in serious financial difficulties, entering bankruptcy, in breach of contract or default or there being no payment and no transactions for a long time) that an impairment loss has been incurred, and the amount will be partially recovered, impairment losses will be recognised through profit or loss. As at 31 December 2016, the above provision was made for individually tested impaired long-term receivables of RMB350,636,000 (31 December 2015: RMB344,757,000) with a carrying amount before provision for impairment of RMB2,169,819,000 (31 December 2015: RMB1,071,593,000).

An ageing analysis of the Group's long-term receivables that are neither past due nor impaired, and past due but not impaired is as follows:

	31 December 2016	31 December 2015
Neither past due nor impaired	37,378,417	35,368,302
Past due but not impaired		
– Within 3 months	321	198,000
– 3 to 6 months	4,128	7,049
– More than 6 months	29,451	501,914
	37,412,317	36,075,265

Long-term receivables that were past due but not impaired are due from various customers with good repayment records in the past. The Company's management believes that these customers had no significant change in credit quality, and the balances are considered fully recoverable. Therefore, no provision for impairment has been made for these long-term receivables.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates

	Principal place of business	Place of registration	Business scope	Registered capital	Percentage of ownership in equity (%)		Accounting treatment
					Direct	Indirect	
Joint ventures							
China-Africa Lekkil Investment Co., Ltd. (Note (a))	Beijing	Beijing	Investment holding	200,000	74.47	-	Equity method
China Railway Communications International Engineering and Technology Co., Ltd. (Note (b))	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction and design	150,000	51.30	-	Equity method
Xuzhou Metro Line 2 Investment & Development Co., Ltd. (Note (c))	Xuzhou, Jiangsu	Xuzhou, Jiangsu	Railway construction and investment	5,200,000	32.69	-	Equity method
Sichuan Tianfu Airport Expressway Co., Ltd. (Note (d))	Chengdu, Sichuan	Chengdu, Sichuan	Construction of highway project investment	3,000,000	50.00	-	Equity method
Associates							
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	Beijing	Beijing	Technology consultancy	5,000	49.00	-	Equity method
Shekou Xinghua Enterprise Co., Ltd.	Shekou, Guangdong	Shekou, Guangdong	Real estate development	46,377	32.90	-	Equity method
Chongqing Yurong Highway Co., Ltd.	Chongqing	Chongqing	Construction	979,750	40.00	-	Equity method
Hubei Jiaotou Ziyun Railway Co., Ltd.	Zhijiang, Hubei	Zhijiang, Hubei	Railway operation	500,000	20.00	-	Equity method
Nanchang Xinlong Real Estate Co., Ltd.	Nanchang, Jiangxi	Nanchang, Jiangxi	Property management, renting and real estate development	283,350	37.50	-	Equity method
Chongqing Monorail Transit Engineering Co., Ltd.	Chongqing	Chongqing	Construction	100,000	37.50	-	Equity method
CRCC-Tongguan Investment Co., Ltd.	Tongling, Anhui	Tongling, Anhui	Mining	2,000,000	30.00	-	Equity method
Inner Mongolia Boyuan Energy Co., Ltd.	Inner Mongolia	Inner Mongolia	Construction	200,000	30.00	-	Equity method
Hunan Maglev Transportation Development Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Maglev Transportation program	1,280,000	22.18	-	Equity method
CRCC Real Estate Co., Ltd.	Beijing	Beijing	A-land development	235,000	43.00	-	Equity method
Guizhou Wengma Railway Co., Ltd.	Fuguan, Guizhou	Fuguan, Guizhou	Railway construction and operation	500,000	22.00	-	Equity method
Ningbo Shoutai Jinze Investment Partners LLP	Ningbo, Zhejiang	Ningbo, Zhejiang	Investment management	307,000	42.35	-	Equity method
China Railway Financial Leasing Co., Ltd. (Note (e))	Tianjin	Tianjin	Financial leasing	2,400,000	50.00	-	Equity method
Hubei Jiaotou Jingmenbei Express Way Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Infrastructure development and operation	100,000	22.50	-	Equity method
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	Yinchuan, Ningxia	Yinchuan, Ningxia	Infrastructure construction Investment and operation management	346,000	32.87	-	Equity method
Ningxia Intercity Railway Co., Ltd.	Yinchuan, Ningxia	Yinchuan, Ningxia	Railway construction of Wuzhong to Zhongwei	100,000	30.00	-	Equity method
Jiangxi Jingcheng Real Estate Co., Ltd.	Nanchang, Jiangxi	Nanchang, Jiangxi	Real estate development	170,000	41.18	-	Equity method
Taiyuan Jinyuan East District Utility Tunnel Construction Management Co., Ltd. (Note (f))	Taiyuan, Shanxi	Taiyuan, Shanxi	Comprehensive utility tunnel construction maintenance and operation	287,732	18.00	-	Equity method

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

- Note (a):* According to the articles of association of China-Africa Lekkil Investment Co., Ltd., the major decisions made in shareholders' meeting shall be subject to more than three-quarters of voting rights of shareholders. As the Group holds 74.47% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.
- Note (b):* According to the articles of association of China Railway Communications International Engineering and Technology Co., Ltd., the major decisions made in shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. As the Group holds 51.30% shares in the entity, it can jointly control the entity with other shareholders but not control it. Therefore, it is accounted for a joint venture of the Group.
- Note (c):* According to the articles of association of Xuzhou Metro Line 2 Investment & Development Co., Ltd. ("Xuzhou Railway"), the major decisions made in shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. As the Group holds 32.69% shares in Xuzhou Railway, it can jointly control the entity with other shareholders but not control it. Therefore, it is accounted for a joint venture of the Group.
- Note (d):* According to the articles of association of Sichuan Tianfu Airport Expressway Co., Ltd. ("Tianfu airport"), all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 50.00% shares in the entity, it can jointly control the entity with other shareholders but not control it. Therefore, it is accounted for a joint venture of the Group.
- Note (e):* According to the articles of association of China Railway Financial Leasing Co., Ltd. ("Financial Leasing Co., Ltd."), the decisions of amending the company's articles of association, increasing the registered capital, resolutions of the company merger, division, dissolution or changing the company form, scope of operations and selecting the directors shall be subject to more than two-thirds of voting rights of shareholders. Others shall be subject to more than half of voting rights of shareholders. As the Group holds 50% shares in Financial Leasing Co., Ltd., it can neither control nor jointly control the entity with other shareholders. Therefore, it is accounted for an associate of the Group.
- Note (f):* According to the articles of association of Taiyuan Jinyuan East District Utility Tunnel Construction and Management Co., Ltd. ("Taiyuan Utility Tunnel"), except for the decisions of operation, investment and redundancy, which shall be subject to 100% of voting rights of shareholders, other decisions shall be subject to more than half of the voting rights of shareholders. Major decisions on investment, financing or any forms of borrowings, provision of loans or guarantees to a third-party shall be subject to the consensus of all the directors of Taiyuan Utility Tunnel. As the Group holds 18.00% shares in the entity, it can neither control nor jointly control the entity with other shareholders, but can exercise significant influence. Therefore, it is accounted for an associate of the Group.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

The aggregate financial information of the individually insignificant joint ventures is as follows:

	31 December 2016	31 December 2015
The share of joint ventures' net (loss)/profit	(19,360)	3,073
The share of joint ventures' total comprehensive (loss)/income	(19,360)	3,073
The aggregate carrying value of long-term equity investments	2,529,905	1,101,387

The aggregate financial information of the individually insignificant associates is as follows:

	31 December 2016	31 December 2015
The share of associates' net (loss)/profit	(9,952)	92,997
The share of associates' other comprehensive income/(loss)	144,834	(104,096)
The share of associates' total comprehensive income/(loss)	134,882	(11,099)
The aggregate carrying value of long-term equity investments	5,417,099	3,066,987

13. Long-term equity investments

		31 December 2016	31 December 2015
Investments in unlisted companies			
Equity method:			
Joint ventures	(1)	2,529,905	1,101,387
Associates	(2)	5,417,099	3,066,987
Less: provision for impairment	(3)	(10,578)	(10,578)
		7,936,426	4,157,796

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(1) Investments in joint ventures

2016

Company name	Investment cost	Opening balance	Increase/(decrease) during the year			Closing balance	Provision for impairment
			Increase in investment	Share of profits/(losses)	Distribution of dividends		
PetroChina-CRCC Petroleum Marketing Co., Ltd.	50,000	-	58,152	5,020	-	63,172	-
China-Africa Lekkil Investment Co., Ltd.	851,410	858,504	-	208	(1,489)	857,223	-
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	61,508	-	(6,928)	-	54,580	(10,578)
Xuzhou Metro Line 2 Investment & Development Co., Ltd.	114,000	-	114,000	-	-	114,000	-
Alashanmeng Jianxin Bridge Construction Co., Ltd.	92,130	-	92,130	-	-	92,130	-
Sichuan Tianfu Airport Expressway Co., Ltd.	1,000,000	-	1,000,000	-	-	1,000,000	-
Shanghai Junhong Real Estate Development Co., Ltd.	51,000	-	51,000	(5,727)	-	45,273	-
Others		181,375	134,599	(11,933)	(514)	303,527	-
		1,101,387	1,449,881	(19,360)	(2,003)	2,529,905	(10,578)

2015

Company name	Investment cost	Opening balance	Increase/(decrease) during the year			Closing balance	Provision for impairment
			(Decrease)/increase in investment	Share of profits/(losses)	Distribution of dividends		
PetroChina-CRCC Petroleum Marketing Co., Ltd.	50,000	55,207	(55,332)	125	-	-	-
China-Africa Lekkil Investment Co., Ltd.	851,410	857,016	-	2,061	(573)	858,504	-
China Railway Communications International Engineering and Technology Co., Ltd.	77,000	66,733	-	(5,225)	-	61,508	(10,578)
Chongqing PetroChina Tiefu Suiyu Industrial Co., Ltd.	11,760	25,109	(21,818)	5,156	(8,447)	-	-
Others		110,775	69,943	956	(299)	181,375	-
		1,114,840	(7,207)	3,073	(9,319)	1,101,387	(10,578)

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Investments in associates

2016

Company name	Investment cost	Opening balance	Increase/(decrease) during the year				Closing balance
			Increase/(decrease) in investment	Share of profits/(losses)	Movement in other comprehensive loss	Distribution of dividends	
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,911	-	-	-	-	2,911
Shekou Xinghua Enterprise Co., Ltd.	16,693	37,665	-	1,913	-	(1,397)	38,181
Chongqing Yurong Highway Co., Ltd.	853,960	718,514	-	(130,860)	-	-	587,654
Hubei Jiaotou Ziyun Railway Co., Ltd.	100,000	100,000	-	-	-	-	100,000
Nanchang Xinlong Real Estate Co., Ltd.	90,000	89,527	-	-	-	-	89,527
Chongqing Monorail Transit Engineering Co., Ltd.	37,642	64,143	-	9,059	-	-	73,202
CRCC-Tongguan Investment Co., Ltd.	720,000	678,608	172,133	(23,581)	144,834	-	971,994
Inner Mongolia Boyuan Energy Co., Ltd.	60,000	59,487	-	(257)	-	-	59,230
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	41,830	151,830	(33,006)	(164)	-	-	118,660
Hunan Maglev Transportation Development Co., Ltd.	280,000	280,000	-	(21,668)	-	-	258,332
CRCC Real Estate Co., Ltd.	298,900	319,985	-	78,214	-	(24,886)	373,313
Guizhou Wengma Railway Co., Ltd.	110,000	110,000	-	-	-	-	110,000
Ningbo Shoutai Jinze Investment Partners LLP	130,000	130,000	(143,335)	13,335	-	-	-
China Railway Financial Leasing Co., Ltd. (Note d)	1,200,000	-	1,107,053	20,171	-	-	1,127,224
Ningxia Intercity Railway Co., Ltd.	930,000	-	930,000	-	-	-	930,000
Jiangxi Jingcheng Real Estate Co., Ltd.	70,000	-	70,000	38,417	-	(38,417)	70,000
Taiyuan Jinyuan East District Utility Tunnel Construction Management Co., Ltd.	51,792	-	51,792	-	-	-	51,792
Others		324,317	167,190	5,469	-	(41,897)	455,079
		3,066,987	2,321,827	(9,952)	144,834	(106,597)	5,417,099

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Investments in associates (Continued)

2015

Company name	Investment cost	Opening balance	Increase in investment	Increase/(decrease) during the year			Closing balance
				Share of profits/(losses)	Movement in other comprehensive loss	Distribution of dividends	
Beijing China Railway Jianxie Engineering and Technology Consultation Co., Ltd.	2,450	2,880	-	31	-	-	2,911
Shekou Xinghua Enterprise Co., Ltd.	16,693	36,852	-	1,358	-	(545)	37,665
Chongqing Yurong Highway Co., Ltd.	853,960	853,960	-	(135,446)	-	-	718,514
Hubei Jiaotou Ziyun Railway Co., Ltd.	100,000	100,000	-	-	-	-	100,000
Nanchang Xinlong Real Estate Co., Ltd.	90,000	89,527	-	-	-	-	89,527
Chongqing Monorail Transit Engineering Co., Ltd.	37,642	56,289	-	7,854	-	-	64,143
CRCC-Tongguan Investment Co., Ltd.	720,000	703,485	-	79,219	(104,096)	-	678,608
Inner Mongolia Boyuan Energy Co., Ltd.	60,000	59,113	-	374	-	-	59,487
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	41,830	101,830	50,000	-	-	-	151,830
Hunan Maglev Transportation Development Co., Ltd.	280,000	280,000	-	-	-	-	280,000
CRCC Real Estate Co., Ltd.	298,900	-	321,101	(1,116)	-	-	319,985
Guizhou Wengma Railway Co., Ltd.	110,000	-	110,000	-	-	-	110,000
Ningbo Shoutai Jinze Investment Partners LLP	130,000	-	130,000	-	-	-	130,000
Others	-	110,824	168,205	140,723	-	(95,435)	324,317
		2,394,760	779,306	92,997	(104,096)	(95,980)	3,066,987

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(3) Provision for impairment

Company name	Opening balance	2016 Movement	Closing balance
Joint venture:			
China Railway Communications International Engineering and Technology Co., Ltd.	10,578	–	10,578

Company name	Opening balance	2015 Movement	Closing balance
Joint venture:			
China Railway Communications International Engineering and Technology Co., Ltd.	10,578	–	10,578

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment properties

Measured at cost

	Buildings	Total
Original costs		
Opening balance	–	–
Additions	242,882	242,882
Transferred from inventories/fixed assets	1,977,435	1,977,435
Transferred from others	1,411,876	1,411,876
Disposals	(6,071)	(6,071)
Closing balance	3,626,122	3,626,122
Accumulated depreciation		
Opening balance	–	–
Additions	(84,311)	(84,311)
Transferred from others	(203,141)	(203,141)
Disposals	1,379	1,379
Closing balance	(286,073)	(286,073)
Net book value		
Closing balance	3,340,049	3,340,049
Opening balance	–	–

As at 31 December 2016, investment properties for which the property rights certificates have not been obtained were as follows:

The Name of the Buildings	Carrying amount	Reason
Wanda Office Building of China Railway Goods and Materials Group Southwest Co., Ltd.	151,005	In progress

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets

2016

	Buildings	Machinery	Vehicles	Other equipment	Total
Original costs					
Opening balance	15,810,543	40,317,795	14,466,331	30,402,659	100,997,328
Additions	597,006	3,960,270	1,080,189	6,685,456	12,322,921
Transferred from construction in progress	1,760,870	382,587	33,129	180,504	2,357,090
Transferred to others	(1,411,876)	–	–	–	(1,411,876)
Disposals	(276,878)	(2,846,664)	(1,364,985)	(3,839,722)	(8,328,249)
Closing balance	16,479,665	41,813,988	14,214,664	33,428,897	105,937,214
Accumulated depreciation					
Opening balance	(3,635,055)	(22,620,213)	(11,342,736)	(20,786,253)	(58,384,257)
Additions	(471,894)	(3,420,667)	(1,313,242)	(6,520,388)	(11,726,191)
Transferred to others	203,141	–	–	–	203,141
Disposals	131,043	2,082,388	1,227,325	3,491,348	6,932,104
Closing balance	(3,772,765)	(23,958,492)	(11,428,653)	(23,815,293)	(62,975,203)
Provision for impairment					
Opening balance	(216,672)	(329,591)	(88,301)	(157,827)	(792,391)
Provision	–	(19,642)	(370)	–	(20,012)
Disposals	4,950	3,151	365	270	8,736
Others	(6,785)	–	–	–	(6,785)
Closing balance	(218,507)	(346,082)	(88,306)	(157,557)	(810,452)
Net book value					
Closing balance	12,488,393	17,509,414	2,697,705	9,456,047	42,151,559
Opening balance	11,958,816	17,367,991	3,035,294	9,458,579	41,820,680

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets (Continued)

2015

	Buildings	Machinery	Vehicles	Other equipment	Total
Original costs					
Opening balance	14,279,328	38,169,997	13,824,889	28,447,563	94,721,777
Additions	1,261,056	2,886,753	1,115,600	5,187,886	10,451,295
Transferred from construction in progress	489,646	1,075,932	187,038	74,179	1,826,795
Disposals	(219,487)	(1,814,887)	(661,196)	(3,306,969)	(6,002,539)
Closing balance	15,810,543	40,317,795	14,466,331	30,402,659	100,997,328
Accumulated depreciation					
Opening balance	(3,285,420)	(20,455,791)	(10,207,246)	(18,582,510)	(52,530,967)
Additions	(494,441)	(3,438,145)	(1,712,912)	(5,182,222)	(10,827,720)
Disposals	144,806	1,273,723	577,422	2,978,479	4,974,430
Closing balance	(3,635,055)	(22,620,213)	(11,342,736)	(20,786,253)	(58,384,257)
Provision for impairment					
Opening balance	(80,317)	(330,222)	(88,242)	(60,105)	(558,886)
Provision	(131,907)	–	(78)	(101,720)	(233,705)
Disposals	563	631	19	3,998	5,211
Others	(5,011)	–	–	–	(5,011)
Closing balance	(216,672)	(329,591)	(88,301)	(157,827)	(792,391)
Net book value					
Closing balance	11,958,816	17,367,991	3,035,294	9,458,579	41,820,680
Opening balance	10,913,591	17,383,984	3,529,401	9,804,948	41,631,924

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets (Continued)

Fixed assets with title restriction are stated in Note V.64.

As at 31 December 2016, the amount of interest expenses capitalised in the balance of fixed assets was RMB14,097,000 (31 December 2015: RMB14,097,000). No interest expenses were capitalised during the year of 2016 (2015: RMB3,097,000).

Fixed assets that are temporarily not in use are as follows:

As at 31 December 2016

	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	28,004	(5,070)	–	22,934
Vehicles	458	(145)	–	313
Other equipment	28,821	(5,778)	–	23,043
	57,283	(10,993)	–	46,290

As at 31 December 2015

	Gross carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery	2,922	(1,070)	–	1,852
Vehicles	548	(231)	–	317
Other equipment	27,123	(4,141)	–	22,982
	30,593	(5,442)	–	25,151

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed assets (Continued)

Fixed assets held under finance leases are as follows:

	31 December 2016	31 December 2015
Original costs	5,051,069	6,416,897
Accumulated depreciation	(2,351,574)	(2,751,423)
Net book value	2,699,495	3,665,474

As at 31 December 2016 and 31 December 2015, the Group's fixed assets held under finance leases were all construction machinery.

As at 31 December 2016, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB1,108,888,000 (31 December 2015: RMB747,224,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

As at 31 December 2016, fixed assets for which the property rights certificates have not been obtained were as follows:

The name of the building	Carrying amount	Reason
Construction Technology Building of China Railway 17th Bureau Group Co., Ltd.	83,718	In progress
Wanda Office Building of China Railway Goods and Materials Group Southwest Co., Ltd.	29,520	In progress
Office Building of China Railway 21st Bureau Group Co., Ltd.	363,874	In progress
Design Building of China Railway 4th Survey and Design Group Co., Ltd. (No .2)	451,751	Project Unfinished
Others	180,025	Project Unfinished
	1,108,888	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

	31 December 2016			31 December 2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision For impairment	Carrying amount
Michocheni Apartment of China Civil Engineering Construction Ltd.	80,008	–	80,008	–	–	–
Belt Conveyor Machine of China Railway 12th Bureau Group Co., Ltd.	139,271	–	139,271	–	–	–
Belt Conveyor Machine of China Railway 14th Bureau Group Co., Ltd.	239,054	–	239,054	64,864	–	64,864
Tunnel Project of China Railway 14th Bureau Group Co., Ltd.	100,000	–	100,000	–	–	–
Relocation of Tai'an Warehouse of Combat Equipment of China Railway 14th Bureau Group Co., Ltd.	72,467	–	72,467	66,244	–	66,244
Fix Project of Communication Equipment of China Railway 15th Bureau Group Co., Ltd.	32,380	–	32,380	–	–	–
Office Building of China Railway 18th Bureau Group No. 5 Co., Ltd.	49,892	–	49,892	58,136	–	58,136
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	150,129	–	150,129	128,381	–	128,381
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd.	209,295	–	209,295	199,624	–	199,624
Office Building of China Railway 20th Bureau Group Shaanxi Co., Ltd.	112,294	–	112,294	48,756	–	48,756
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	56,273	–	56,273	–	–	–
Construction Industry Base of China Railway 14th Bureau Group Co., Ltd.	23,496	–	23,496	44,313	–	44,313
Huadong Huaqiao Base of China Railway Construction Group Ltd.	48,107	–	48,107	–	–	–
Jingyan Hotel Integrated Service Building Project of China Railway Construction Electrification Bureau Group Co., Ltd.	94,237	–	94,237	93,010	–	93,010

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

	31 December 2016			31 December 2015		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision For impairment	Carrying amount
Office Building of Hangzhou Branch of China Railway 4th Survey and Design Group, Ltd.	100,798	–	100,798	160,080	–	160,080
Research & Development Building of China Railway Fifth Survey and Design Institute Group Co., Ltd.	314,918	–	314,918	136,350	–	136,350
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	121,903	–	121,903	41,094	–	41,094
Golden World Office Building of China Railway Goods and Materials Group Co., Ltd.	32,493	–	32,493	32,493	–	32,493
Testbed of Huge Railway Maintenance Machinery of CRCC High-Tech Equipment Corporation Limited	33,846	–	33,846	–	–	–
Decoration of Wantong of China Railway Construction Real Estate Group Co., Ltd.	81,003	–	81,003	97	–	97
Belt Conveyor Machine of China Railway 24th Bureau Group Co., Ltd.	25,166	–	25,166	–	–	–
Chengdu Building of China Railway 4th Survey and Design Group, Ltd.	25,089	–	25,089	–	–	–
North Blue Marine Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	23,910	–	23,910	20,275	–	20,275
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	295,242	–	295,242	301,213	–	301,213
Jingji Binhe Times Building of China Railway Southern Investment Group Co., Ltd.	182,783	–	182,783	–	–	–
Others	463,225	(23,848)	439,377	1,812,334	(23,848)	1,788,486
	3,107,279	(23,848)	3,083,431	3,207,264	(23,848)	3,183,416

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

2016

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Michocheni Apartment of China Civil Engineering Construction Ltd.	144,444	-	80,008	-	-	80,008	Self-funding	55
Belt Conveyor Machine of China Railway 12th Bureau Group Co., Ltd.	139,271	-	139,271	-	-	139,271	Loan	100
Belt Conveyor Machine of China Railway 14th Bureau Group Co., Ltd.	276,000	64,864	195,218	(20,970)	(58)	239,054	Self-funding	94
Tunnel Project of China Railway 14th Bureau Group Co., Ltd.	200,000	-	100,000	-	-	100,000	Loan	50
Relocation of Tai'an Warehouse of Combat Equipment of China Railway 14th Bureau Group Co., Ltd.	72,500	66,244	6,223	-	-	72,467	Loan and self-funding	100
Fix Project of Communication Equipment of China Railway 15th Bureau Group Co., Ltd.	42,000	-	40,322	(7,942)	-	32,380	Self-funding	96
Office Building of China Railway 18th Bureau Group No. 5 Co., Ltd.	64,175	58,136	-	-	(8,244)	49,892	Loan	98
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	480,000	128,381	21,748	-	-	150,129	Loan and self-funding	31
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd.	750,000	199,624	9,671	-	-	209,295	Loan	77
Office Building of China Railway 20th Bureau Group Shaanxi Co., Ltd.	130,000	48,756	63,538	-	-	112,294	Self-funding	86
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	167,371	-	56,273	-	-	56,273	Self-funding	34
Construction Industry Base of China Railway 14th Bureau Group Co., Ltd.	98,353	44,313	7,972	(28,789)	-	23,496	Self-funding	53
Huadong Huaqiao Base of China Railway Construction Group Ltd.	133,790	-	48,107	-	-	48,107	Loan	36
Jingyan Hotel Integrated Service Building Project of China Railway Construction Electrification Bureau Group Co., Ltd.	200,000	93,010	1,227	-	-	94,237	Self-funding	47

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

2016 (Continued)

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Office Building of Hangzhou Branch of China Railway 4th Survey and Design Group, Ltd.	241,000	160,080	53,414	(112,696)	-	100,798	Self-funding	89
Research & Development Building of China Railway 5th Survey and Design Institute Group Co., Ltd.	558,879	136,350	178,568	-	-	314,918	Self-funding	56
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	170,000	41,094	80,809	-	-	121,903	Loan and self-funding	72
Golden World Office Building of China Railway Goods and Materials Group Co., Ltd.	33,000	32,493	-	-	-	32,493	Self-funding	98
Testbed of Huge Railway Maintenance Machinery of CRCC High-Tech Equipment Corporation Limited	102,564	-	33,846	-	-	33,846	Self-funding	33
Decoration of Wantong of China Railway Construction Real Estate Group Co., Ltd.	142,500	97	80,906	-	-	81,003	Self-funding	57
Belt Conveyor Machine of China Railway 24th Bureau Group Co., Ltd.	25,166	-	25,166	-	-	25,166	Self-funding	100
Chengdu Building of China Railway 4th Survey and Design Group, Ltd.	34,000	-	25,089	-	-	25,089	Self-funding	74
North Blue Marine Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	197,900	20,275	3,635	-	-	23,910	Self-funding	12
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	500,000	301,213	55,991	(61,962)	-	295,242	Loan and self-funding	71
Jingji Binhe Times Building of China Railway Southern Investment Group Co., Ltd.	200,000	-	182,783	-	-	182,783	Self-funding	91
Others		1,812,334	1,180,328	(2,362,489)	(166,948)	463,225		
Provision for impairment		3,207,264 (23,848)	2,670,113 -	(2,594,848) -	(175,250) -	3,107,279 (23,848)		
Carrying amount		3,183,416	2,670,113	(2,594,848) (Note (a))	(175,250)	3,083,431		

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

2015

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Belt Conveyor Machine of China Railway 11th Bureau Group Co., Ltd.	110,000	18,832	11,788	-	-	30,620	Self-funding	28
Balance TBM of China Railway 14th Bureau Group Co., Ltd.	236,733	152,422	81,120	(168,678)	-	64,864	Self-funding	99
Construction Industry Base of China Railway 14th Bureau Group Co., Ltd.	98,353	-	44,313	-	-	44,313	Self-funding	45
Relocation of Tai'an Warehouse of Combat Equipment of China Railway 14th Bureau Group Co., Ltd.	71,782	3,289	62,955	-	-	66,244	Loan and self-funding	92
Central Hospital Building of China Railway 17th Bureau Group Co., Ltd.	43,100	23,240	19,316	-	-	42,556	Self-funding	99
Earth Pressure of China Railway 18th Bureau Group Co., Ltd.	73,000	34,675	34,675	-	-	69,350	Self-funding	95
Office Building of China Railway 18th Bureau Group No. 5 Co., Ltd.	64,175	62,075	709	-	(4,648)	58,136	Self-funding	98
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	480,000	114,480	13,901	-	-	128,381	Loan and self-funding	27
Jian'an Apartment of China Railway 18th Bureau Group Co., Ltd.	51,500	30,283	17,561	-	-	47,844	Loan and self-funding	93
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd.	750,000	256,230	73,778	(130,384)	-	199,624	Loan	75
Office Building of China Railway 20th Bureau Group Co., Ltd.	60,000	34,480	19,708	-	-	54,188	Self-funding	90
Factory and Base of Yanliang No. 1 New Manufacturing Plant of China Railway 20th Bureau Group Co., Ltd.	359,000	174,424	59,975	-	-	234,399	Self-funding	65
Xi'an Office Building of China Railway 20th No. 2 Engineering Co., Ltd.	80,540	32,005	37,160	-	-	69,165	Self-funding	86
Office Building of China Railway 20th Bureau Group Shaanxi Co., Ltd.	90,000	13,771	34,985	-	-	48,756	Self-funding	54

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

2015 (continued)

	Budget	Opening balance	Additions	Transferred out	Disposals	Closing balance	Source of funds	Proportion of investment to budget %
Jingyan Hotel Integrated Service Building Project of China Railway Construction Electrification Bureau Group Co., Ltd.	210,000	87,925	5,085	-	-	93,010	Self-funding	44
Design Building of China Railway 4th Survey and Design Group., Ltd.	490,000	137,284	205,384	-	-	342,668	Self-funding	70
Plant in Suzhou of China Railway 4th Survey and Design Group Co., Ltd.	194,529	50,866	33,277	-	-	84,143	Self-funding	43
Office Building of Hangzhou Branch of China Railway 4th Survey and Design Group, Ltd.	241,000	127,524	32,556	-	-	160,080	Self-funding	66
Research & Development Building of China Railway 5th Survey and Design Institute Group Co., Ltd.	558,879	23,209	113,141	-	-	136,350	Self-funding	24
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	170,000	4,208	36,886	-	-	41,094	Loan and self-funding	24
Golden World Office Building of China Railway Goods and Materials Group Co., Ltd.	32,493	32,493	-	-	-	32,493	Self-funding	100
Southwest Industrial Park of China Railway Construction Heavy Industry Co., Ltd.	201,020	23,092	63,713	-	-	86,805	Self-funding	43
Steel Structure Workshop of China Railway Construction Heavy Industry Co., Ltd.	82,600	-	63,572	-	-	63,572	Self-funding	77
Fundamental Construction Project of China Railway Construction Heavy Industry Co., Ltd.	180,000	-	106,964	-	-	106,964	Self-funding	59
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	500,000	272,206	29,015	-	(7)	301,214	Loan and self-funding	86
Others		1,118,356	1,170,225	(1,555,090)	(133,060)	600,431		
Provision for impairment		2,827,369 (9,563)	2,371,762 (14,285)	(1,854,152) -	(137,715) -	3,207,264 (23,848)		
Carrying amount		2,817,806	2,357,477	(1,854,152) (Note (a))	(137,715)	3,183,416		

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

Note (a): During the year of 2016, construction in progress with a carrying amount of RMB2,357,090,000 (2015: RMB1,826,795,000) and RMB237,758,000 (2015: RMB27,357,000) was transferred to fixed assets and intangible assets, respectively.

The amounts of interest expenses capitalised in the balance of construction in progress and the capitalisation rates are as follows:

2016

	Progress %	Accumulated amount of interest capitalised	Interest capitalised during the year	Capitalisation rate during the year (%)
Wuhu Huge Belt Conveyor Machine of China Railway 14th Bureau Group Co., Ltd.	1	638	638	4.29
Combat Readiness Equipment Warehouse in Tai'an of China Railway 14th Bureau Group Co., Ltd.	100	4,975	1,106	5.53
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	31	8,684	2,132	4.35
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd. (The second batch)	77	17,168	5,213	6.80
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	72	4,880	3,159	3.97
North Blue Marine Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	12	1,069	936	4.14
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	71	10,579	–	–
		47,993	13,184	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in progress (Continued)

2015

	Progress %	Accumulated amount of interest capitalised	Interest capitalised during the year	Capitalisation rate during the year (%)
Combat Readiness Equipment Warehouse in Tai'an of China Railway 14th Bureau Group Co., Ltd.	92	3,869	2,536	6.21
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	27	6,552	3,010	6.00
Jian'an Apartment of China Railway 18th Bureau Group Co., Ltd.	93	229	50	6.00
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd. (The first batch)	75	11,955	8,963	6.73
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	86	10,579	–	–
North Blue Marine Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	10	133	133	6.25
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	24	1,721	1,721	5.70
		35,038	16,413	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets

2016

	Land use rights	Concession assets	Mining rights	Others	Total
Original costs					
Opening balance	6,082,615	31,667,838	172,511	310,683	38,233,647
Additions	401,147	11,556,851	–	147,256	12,105,254
Transferred from construction in progress	235,437	–	–	2,321	237,758
Disposals	(84,640)	(2,073,631)	–	(36,155)	(2,194,426)
Closing balance	6,634,559	41,151,058	172,511	424,105	48,382,233
Accumulated amortisation					
Opening balance	(932,101)	(1,210,905)	(23,931)	(158,581)	(2,325,518)
Additions	(175,942)	(151,055)	(673)	(61,332)	(389,002)
Disposals	27,427	–	–	28,251	55,678
Closing balance	(1,080,616)	(1,361,960)	(24,604)	(191,662)	(2,658,842)
Provision for impairment					
Opening balance	(42,979)	–	–	–	(42,979)
Provision	–	–	(878)	–	(878)
Closing balance	(42,979)	–	(878)	–	(43,857)
Net book value					
Closing balance	5,510,964	39,789,098	147,029	232,443	45,679,534
Opening balance	5,107,535	30,456,933	148,580	152,102	35,865,150

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets (Continued)

2015

	Land use rights	Concession assets	Mining rights	Others	Total
Original costs					
Opening balance	6,025,935	18,013,556	172,511	238,096	24,450,098
Additions	202,018	13,654,282	–	46,958	13,903,258
Transferred from construction in progress	–	–	–	27,357	27,357
Disposals	(145,338)	–	–	(1,728)	(147,066)
Closing balance	6,082,615	31,667,838	172,511	310,683	38,233,647
Accumulated amortisation					
Opening balance	(855,093)	(1,060,399)	(20,559)	(127,229)	(2,063,280)
Additions	(102,738)	(150,506)	(3,372)	(32,518)	(289,134)
Disposals	25,730	–	–	1,166	26,896
Closing balance	(932,101)	(1,210,905)	(23,931)	(158,581)	(2,325,518)
Provision for impairment					
Opening balance	(9,044)	–	–	–	(9,044)
Provision	(33,935)	–	–	–	(33,935)
Closing balance	(42,979)	–	–	–	(42,979)
Net book value					
Closing balance	5,107,535	30,456,933	148,580	152,102	35,865,150
Opening balance	5,161,798	16,953,157	151,952	110,867	22,377,774

As at 31 December 2016, there were no intangible assets added through internal research and development (31 December 2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets (Continued)

The remaining lease terms of the Group's land use rights in the PRC are analysed as follows:

	31 December 2016	31 December 2015
Long term of not less than 50 years	164,998	103,756
Medium term of less than 50 years but not less than 10 years	5,283,542	4,952,085
Short term of less than 10 years	62,424	51,694
	5,510,964	5,107,535

Intangible assets with title restriction are stated in *Note V.64*.

As at 31 December 2016, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB134,546,000 (31 December 2015: RMB92,370,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

On 31 December 2016, intangible assets for which the property rights certificates have not been obtained are as follows :

Land use right	Carrying amount	Reason
Yanliang New Production Base of CRCC 20th Bureau Group Co., Ltd.	31,057	In progress
Xinjiang High-Tech Equipment Manufacture Base of China Railway Heavy Industry Co., Ltd.	49,725	In progress
Others	53,764	In progress
	134,546	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets (Continued)

The amounts of interest capitalised in the balance of intangible assets and the capitalisation rates are as follows:

2016

	Progress %	Accumulated amount of interest capitalised	Interest capitalised during the year	Capitalisation rate during the year %
Sichuan JianPu Highway Project concession rights	73	700,785	330,143	4.87
Ji'nan to Leling Highway Project concession rights	100	424,801	—	—
Guangxi Ziyuan (meixi) to Xing'an Highway BOT project concession rights	63	302,387	174,296	4.85
Shandong Jiyu Highway Project concession rights	86	244,464	123,780	4.96
Deshang Highway Project Xiajing to Liucheng concession rights	91	203,297	59,765	5.60
Yusui Highway Project concession rights	100	192,971	—	—
Chongqing Xiushan to Guizhou Songtao Highway Project concession rights	100	78,914	41,306	5.50
Guizhou Anshun to Ziyun Highway Project concession rights	62	55,380	38,133	5.16
Jiyang Yellow River Bridge concession rights	100	23,564	—	—
Sichuan Dejian Highway Project concession rights	9	3,451	3,451	5.01
Beijing Xingyan Highway Project concession rights	33	938	938	4.70
Sichuan Dedu Highway Project concession rights	1	753	753	4.97
		2,231,705	772,565	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible assets (Continued)

2015

	Progress %	Accumulated amount of interest capitalised	Interest capitalised during the year	Capitalisation rate during the year %
Sichuan JianPu Highway Project concession rights	56	370,642	222,049	6.26
Ji'nan to Leling Highway Project concession rights	100	424,801	12,126	6.10
Guangxi Ziyuan (meixi) to Xing'an Highway BOT project concession rights	60	128,091	96,143	5.25
Shandong Jiyu Highway Project concession rights	52	120,684	84,148	5.36
Deshang Highway Project Xiajing to Liucheng concession rights	85	143,532	83,663	5.81
Yusui Highway Project concession rights	100	192,971	–	–
Chongqing Xiushan- Guizhou Songtao Highway concession rights	49	37,608	30,082	5.50
Guizhou Anshun to Ziyun Highway Project concession rights	20	17,247	10,441	5.55
Jiyang Guest-greeting Yellow River Bridge concession rights	100	23,564	–	–
		1,459,140	538,652	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Goodwill

2016

	Opening balance	Increase	Decrease	Closing balance
Acquisition of Hangsheng Company (Note (a))	100,135	–	–	100,135
Acquisition by CRCC Assets Management Co. Ltd. (Note (b))	–	91,369	–	91,369
Others	3,158	–	–	3,158
	103,293	91,369	–	194,662

2015

	Opening balance	Increase	Decrease	Closing balance
Acquisition of Hangsheng Company	100,135	–	–	100,135
Others	3,158	–	–	3,158
	103,293	–	–	103,293

Note (a): The goodwill of RMB100,135,000 was acquired in the business combination involving entities not under common control of Guangdong Hangsheng Group Construction Co., Ltd. ("Hangsheng Company") in 2012.

Note (b): On 29 February 2016, the Group purchased CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG, which is a business combination involving entities not under common control and resulted in the increase in goodwill by RMB91,369,000. Further details are stated in Note VI.1.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities which have not been net off:

	31 December 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for long-term post-leaving benefits	1,411,035	292,620	1,952,938	402,808
Provision for impairment of assets	2,104,496	490,724	1,931,839	417,267
Deductible tax losses	460,176	102,941	507,276	94,675
Accruals and provisions	472,732	116,889	149,016	35,886
Additional tax deduction on asset revaluation surplus arising from a prior restructuring	1,768,988	427,114	2,103,573	459,375
Convertible bonds	314,662	78,665	–	–
Others	5,224,328	1,302,444	3,919,258	963,810
	11,756,417	2,811,397	10,563,900	2,373,821
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Available-for-sale financial assets	1,124,299	250,317	1,791,291	427,552
Others	104,698	26,174	11,632	2,907
	1,228,997	276,491	1,802,923	430,459

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Deferred tax assets and liabilities (Continued)

Unrecognised deferred tax assets are presented as follows:

	31 December 2016	31 December 2015
Deductible temporary differences	5,517,693	5,259,908
Deductible tax losses	4,669,178	2,269,914
	10,186,871	7,529,822

Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2016	
2017	71,304	
2018	97,310	
2019	470,334	
2020	1,441,173	
2021	2,589,057	
	4,669,178	
		31 December 2015
2016		15,774
2017		111,476
2018		155,972
2019		532,741
2020		1,453,951
		2,269,914

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Other non-current assets

	31 December 2016	31 December 2015
Prepayment for investment (Note)	500,000	–
Prepayment for land	19,152	19,152
Prepayment for long-term assets	1,514,010	1,624,353
Others	272,795	6,318
	2,305,957	1,649,823

Note: China Railway Construction Investment Group Co., Ltd., a subsidiary of CRCC, invested an amount of RMB500,000,000 in the non-public offering of shares of Tongling Nonferrous Metals Group Co., Ltd.. As at 31 December 2016, the non-public offering has not been completed.

21. Provision for impairment of assets

2016

	Opening balance	Increase in provision	Decrease		Other	Closing balance
			Reversal	Write-off		
Provision for bad debts	6,399,620	1,232,508	(728,718)	(22,685)	19,678	6,900,403
Provision for decline in value of inventories	792,127	116,123	(49,571)	(139,729)	2,838	721,788
Provision for impairment of available-for-sale financial assets	72,587	8,895	–	–	–	81,482
Provision for impairment of long-term equity investments	10,578	–	–	–	–	10,578
Provision for impairment of fixed assets	792,391	20,012	–	(8,736)	6,785	810,452
Provision for impairment of construction in progress	23,848	–	–	–	–	23,848
Provision for impairment of intangible assets	42,979	878	–	–	–	43,857
	8,134,130	1,378,416	(778,289)	(171,150)	29,301	8,592,408

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Provision for impairment of assets (Continued)

2015

	Opening balance	Increase in provision	Decrease Reversal	Write-off	Other	Closing balance
Provision for bad debts	3,641,844	3,393,630	(616,720)	(39,163)	20,029	6,399,620
Provision for decline in value of inventories	349,426	495,322	(48,265)	(4,880)	524	792,127
Provision for impairment of available-for-sale financial assets	14,340	58,723	–	(476)	–	72,587
Provision for impairment of long-term equity investments	10,578	–	–	–	–	10,578
Provision for impairment of fixed assets	558,886	233,705	–	(5,211)	5,011	792,391
Provision for impairment of construction in progress	9,563	14,285	–	–	–	23,848
Provision for impairment of intangible assets	9,044	33,935	–	–	–	42,979
	4,593,681	4,229,600	(664,985)	(49,730)	25,564	8,134,130

22. Short-term loans

		31 December 2016	31 December 2015
Pledged loans	Note (a)	901,810	4,897,234
Mortgaged loans	Note (b)	5,000	12,000
Guaranteed loans	Note (c)	4,299,236	5,915,210
Loans on credit		25,222,476	32,546,436
		30,428,522	43,370,880

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Short-term loans (Continued)

Notes:

(a) As at 31 December 2016, certain short-term loans with a carrying amount of RMB901,810,000 (31 December 2015: RMB4,897,184,000) were secured by the pledge of the Group's accounts receivable in the amount of RMB901,810,000 (31 December 2015: RMB6,374,148,000) (*Note V.64(c)*).

As at 31 December 2016, no certain short-term loans (31 December 2015: RMB50,000) were secured by the pledge of the Group's fixed deposits (31 December 2015: RMB63,000) (*Note V.64(a)*).

(b) As at 31 December 2016, certain short-term loans with a carrying amount of RMB5,000,000 were secured by the mortgages of the Group's buildings in the amount of RMB5,000,000 (31 December 2015: certain short-term loans with a carrying amount of RMB12,000,000 were secured by the mortgages of the Group's buildings in the amount of RMB17,000,000) (*Note V.64(e)*).

(c) As at 31 December 2016, all guaranteed loans were guaranteed by the entities comprising the Group.

As at 31 December 2016, interest rates for the above loans ranged from 1.99% to 6.00% per annum (31 December 2015: from 2.35% to 7.50%).

As at 31 December 2016, there were no short-term loans defaulted by the Group (31 December 2015: Nil).

23. Due to customers

	31 December 2016	31 December 2015
Due to customers	1,480,764	5,116,842

24. Due to banks

	31 December 2016	31 December 2015
Domestic banks	–	6,000,000

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Bills payable

	31 December 2016	31 December 2015
Commercial acceptance bills	2,499,264	1,603,328
Bank acceptance bills	26,012,225	24,675,781
	28,511,489	26,279,109

As at 31 December 2016, there were no unpaid overdue bills payable (31 December 2015: Nil).

26. Accounts payable

Accounts payable are non-interest-bearing and are usually paid within the agreed period.

	31 December 2016	31 December 2015
Within 1 year	255,418,769	221,276,084
1 to 2 years	4,215,331	3,467,880
2 to 3 years	1,291,274	649,876
More than 3 years	540,611	582,403
	261,465,985	225,976,243

As at 31 December 2016, significant accounts payable aged over one year were as follows:

	Relationship with the Group	31 December 2016	Reason for payables not being settled
Company 1	Third party	80,088	Construction costs unsettled
Company 2	Third party	47,526	Construction costs unsettled
Company 3	Third party	45,193	Material procurement costs unsettled
Company 4	Third party	35,427	Construction costs unsettled
Company 5	Third party	35,128	Construction costs unsettled
		243,362	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Accounts payable (Continued)

As at 31 December 2015, significant accounts payable aged over one year were as follows:

	Relationship with the Group	31 December 2015	Reason for payables not being settled
Company 1	Third party	150,012	Material procurement costs unsettled
Company 2	Third party	41,966	Construction costs unsettled
Company 3	Third party	41,000	Material procurement costs unsettled
Company 4	Third party	28,643	Construction costs unsettled
Company 5	Third party	25,678	Construction costs unsettled
		287,299	

27. Advances from customers

	31 December 2016	31 December 2015
Advances for construction contracts	34,738,741	35,364,620
Advances for the sale of properties (Note Gross amount due to contract customers (Note V.7(3))	29,598,729	18,637,083
Advances for the sale of materials	17,238,952	17,053,359
Advances for the sale of goods	5,051,470	4,100,885
Others	168,902	255,139
	1,534,714	570,020
	88,331,508	75,981,106

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Advances from customers (Continued)

Note: Details of the advances from customers for the pre-sale of properties are as follows:

Property name	31 December 2016	Percentage of accumulated pre-sales in advance	Estimated completion date
Jiangnan International City Project	3,354,588	70	December 2017
Nananhuayu Project	1,580,717	79	May 2017
Taiyuan Zijun Project	1,346,030	48	April 2018
Foshan International Gongguan Project	1,309,775	91	October 2017
Guangzhou Zengcheng International City Project	1,306,008	66	October 2017
Tianjin CRCC International City Project	984,845	69	December 2020
Hefei CRCC International City Project	947,423	86	December 2017
Guiyang CRCC International City Project	938,176	70	December 2019
Jiangsu Qingxiu City Project	929,043	59	December 2018
Chengdu Beihu Xinqu Project	905,250	27	September 2018
Jiucheng Yihao Project	890,650	80	December 2018
Wuhan Wutong Yuan Project	879,552	95	March 2017
Hefei International Gongguan Project	866,185	35	October 2018
CRCC Yangchunhupan Project	762,309	24	December 2019
Hefei Qingxiu City Project	751,770	25	December 2018
Changsha Meixi Lake Project	727,067	41	December 2020
Xi'an CRCC International City I Project	642,872	73	December 2018
Nanjing Yuanxiangsong Project	634,893	57	December 2017
Chongqing Tongjing International City Project	551,107	55	June 2017
CRCC Lingxiu City Project	517,746	21	September 2020
Beijing CRCC Qingxiushangcheng Project	503,049	88	March 2017
CRCC Guobinyuan Project	442,564	14	December 2017
Jiangwan Shanyu City II Project	413,133	70	December 2017
Xi'an CRCC International City III Project	374,740	10	October 2021
CRCC Chengdu Wuhou Tiefu Village Project	371,327	20	March 2018
Others	6,667,910		
	29,598,729		

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Advances from customers (Continued)

Note: Details of the advances from customers for the pre-sale of properties are as follows: (continued)

Property name	31 December 2015	Percentage of accumulated pre-sales in advance	Estimated completion date
Yuanxiang Jiayuan Project	1,255,345	91	December 2016
Hefei CRCC International City Project	1,250,102	87	December 2017
Wuhan Wutong Yuan Project	1,184,491	87	March 2016
Jiangsu Qingxiu City Project	1,129,190	33	September 2016
Jinjiang International City Project	989,985	84	February 2016
Jiangnan International City Project	778,277	32	December 2017
Tongrui Jiayuan Owner-Occupied Housing Project	700,914	100	August 2016
CRCC Lidu Project	689,848	59	April 2016
Tongrui Jiayuan Resettlement Project	688,500	100	August 2016
Tianjin CRCC International City Project	675,626	31	April 2018
CRCC Yao Center Project	675,130	58	March 2016
Xi'an CRCC International City Project	659,639	50	December 2018
Xi'an CRCC Yiyuan Project	558,991	31	April 2016
Shanghai CRCC Qingxiu City II Project	554,804	70	December 2016
Jiucheng Yihao Project	373,234	70	December 2018
CRCC Lingxiu City Project	348,362	42	December 2017
Laizhou CRCC International City Project	347,661	68	December 2017
Jiangwan Shanyu City II Project	311,742	35	December 2017
Guangzhou Zengcheng International City Project	311,042	45	September 2017
Chengdu Beihu Xinqu Project	307,559	17	September 2018
Guiyang International City D2 Project	305,452	81	May 2017
CRCC Guobinyuan Project	304,385	9	December 2016
Tongrui Jiayuan Price-Capped Housing Project	208,430	58	August 2016
Chengdu CRCC Xipai Lan'an Project	204,960	7	December 2018
Foshan International Gongguan Project	189,217	16	October 2017
Dalian Qingxiu Lanwan Project	187,387	64	December 2016
Others	3,446,810		
	18,637,083		

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Advances from customers (Continued)

As at 31 December 2016, significant advances from customers aged over one year were as follows:

	Relationship with the Group	31 December 2016	Reason for being outstanding
Company 1	Third party	2,921,829	Work performed but not billed
Company 2	Third party	230,829	Work performed but not billed
Company 3	Third party	181,953	Work performed but not billed
Company 4	Third party	148,989	Work performed but not billed
Company 5	Third party	145,784	Work performed but not billed
		3,629,384	

As at 31 December 2015, significant advances from customers aged over one year were as follows:

	Relationship with the Group	31 December 2015	Reason for being outstanding
Company 1	Third party	2,839,903	Work performed but not billed
Company 2	Third party	316,155	Work performed but not billed
Company 3	Third party	233,764	Work performed but not billed
Company 4	Third party	224,657	Work performed but not billed
Company 5	Third party	185,327	Work performed but not billed
		3,799,806	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Employee benefits payable

2016

	Opening balance	Accrued	Paid	Closing balance
Short-term benefits	7,113,779	40,632,386	(40,196,822)	7,549,343
Post-employment benefits (defined contribution plans)	1,482,489	4,690,012	(4,652,505)	1,519,996
	8,596,268	45,322,398	(44,849,327)	9,069,339

2015

	Opening balance	Accrued	Paid	Closing balance
Short-term benefits	6,125,353	36,198,728	(35,210,302)	7,113,779
Post-employment benefits (defined contribution plans)	1,284,859	4,373,388	(4,175,758)	1,482,489
	7,410,212	40,572,116	(39,386,060)	8,596,268

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Employee benefits payable (Continued)

Short-term benefits:

2016

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	4,543,854	31,693,852	(31,282,174)	4,955,532
Staff welfare	–	1,928,165	(1,928,165)	–
Social insurance	1,014,436	2,460,641	(2,381,489)	1,093,588
Including: Medical insurance	871,189	2,144,897	(2,073,984)	942,102
Work injury insurance	91,851	195,049	(184,928)	101,972
Work injury insurance	51,396	120,695	(122,577)	49,514
Housing funds	717,822	2,150,122	(2,154,959)	712,985
Union fund and employee education fund	458,927	799,175	(758,672)	499,430
Others	378,740	1,600,431	(1,691,363)	287,808
	7,113,779	40,632,386	(40,196,822)	7,549,343

2015

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	3,869,628	27,832,191	(27,157,965)	4,543,854
Staff welfare	–	1,576,782	(1,576,782)	–
Social insurance	845,269	2,188,347	(2,019,180)	1,014,436
Including: Medical insurance	723,344	1,898,084	(1,750,239)	871,189
Work injury insurance	78,580	179,863	(166,592)	91,851
Maternity insurance	43,345	110,400	(102,349)	51,396
Housing funds	670,457	1,889,204	(1,841,839)	717,822
Union fund and employee education fund	445,064	724,103	(710,240)	458,927
Others	294,935	1,988,101	(1,904,296)	378,740
	6,125,353	36,198,728	(35,210,302)	7,113,779

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (Continued)

Defined contribution plans:

2016

	Opening balance	Accrued	Paid	Closing balance
Basic pension	1,112,025	4,017,457	(4,006,501)	1,122,981
Unemployment insurance	111,301	191,337	(184,572)	118,066
Supplementary pension insurance	259,163	481,218	(461,432)	278,949
	1,482,489	4,690,012	(4,652,505)	1,519,996

2015

	Opening balance	Accrued	Paid	Closing balance
Basic pension	971,424	3,656,496	(3,515,895)	1,112,025
Unemployment insurance	109,473	226,752	(224,924)	111,301
Supplementary pension insurance	203,962	490,140	(434,939)	259,163
	1,284,859	4,373,388	(4,175,758)	1,482,489

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Taxes payable

	31 December 2016	31 December 2015
Value-added tax	2,161,264	414,416
Corporate income tax	2,357,370	2,419,526
Others	1,059,146	6,665,795
	5,577,780	9,499,737

30. Interest payables

	31 December 2016	31 December 2015
Interest payables for corporate bonds	955,795	726,403
Interest payables for short-term loans	169,057	202,673
Interest payables for long-term loans	16,132	79,294
	1,140,984	1,008,370

31. Dividends payable

	31 December 2016	31 December 2015
PICC Asset Management Co., Ltd.	367,500	330,146
Changsha Economic and Technical Development Group Co., Ltd.	78,975	12,937
Beijing Modasi Investment Co., Ltd.	39,971	39,971
Others	126,064	77,594
	612,510	460,648

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Other payables

	31 December 2016	31 December 2015
Guarantees and deposits	15,851,967	14,052,472
Payables for advances	12,153,116	11,239,816
Others	20,866,701	20,141,866
	48,871,784	45,434,154

As at 31 December 2016, significant other payables aged over one year were as follows:

	Relationship with the Group	31 December 2016	Reasons for not being settled
Company 1	Third party	650,410	Accrued tax expense unpaid
Company 2	Third party	300,000	Demolition not settled
Company 3	Third party	251,616	Payables not settled
Company 4	Third party	40,000	Deposit not due
Company 5	Third party	32,000	Deposit not due
		1,274,026	

As at 31 December 2015, significant other payables aged over one year were as follows:

	Relationship with the Group	31 December 2015	Reasons for not being settled
Company 1	Third party	251,616	Payables not settled
Company 2	Third party	157,276	Demolition not settled
Company 3	Third party	40,000	Deposit not due
Company 4	Third party	37,116	Deposit not due
Company 5	Third party	32,000	Deposit not due
		518,008	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Current portion of non-current liabilities

	31 December 2016	31 December 2015
Current portion of long-term loans (<i>Note V.35</i>)	7,458,948	28,711,736
Current portion of bonds payable	3,020,000	1,950,000
Current portion of long-term payables (<i>Note V.37</i>)	1,651,004	1,235,960
Current portion of long-term employee benefits payable (<i>Note V.38</i>)	442,028	536,474
	12,571,980	32,434,170

The current portion of long-term loans is presented as follows:

	31 December 2016	31 December 2015
Pledged loans (<i>Note V.35(b and d)</i>)	270,250	229,380
Mortgaged loans (<i>Note V.35(a and c)</i>)	1,836,000	4,445,584
Guaranteed loans	637,792	4,022,908
Loans on credit	4,714,906	20,013,864
	7,458,948	28,711,736

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Current portion of non-current liabilities (Continued)

As at 31 December 2016, the current portion of bonds payable was as follows:

	Principal	Issue date	Maturity	Amount issued	Interest rate per annum	Opening balance	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	Closing balance
China Railway 14th Bureau Group Co., Ltd. – 2012 first issue of private placement note	400,000	27 Aug 2012	5 years	400,000	6.70%	400,000	27,174	-	(26,800)	400,000
China Railway 15th Bureau Group Co., Ltd. – 2014 first issue of private placement note	300,000	4 Sep 2014	3 years	300,000	6.80%	300,000	20,400	-	(20,400)	300,000
China Railway 17th Bureau Group Co., Ltd. – 2014 first issue of private placement note	500,000	25 Jun 2014	3 years	500,000	7.30%	500,000	36,500	-	(36,500)	500,000
China Railway 25th Bureau Group Co., Ltd. – 2014 first issue of private placement note	400,000	28 Oct 2014	3 years	400,000	6.50%	400,000	26,000	-	(26,000)	400,000
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. – 2014 first issue of private placement note	200,000	30 Apr 2014	3 years	200,000	7.98%	200,000	15,960	-	(15,960)	200,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – First issue of medium-term notes in 2014	470,000	23 Apr 2014	3 years	470,000	6.38%	470,000	28,653	-	(38,562)	470,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 second issue of private placement note	200,000	31 Jul 2014	3 years	200,000	7.20%	200,000	10,833	-	(14,400)	200,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 third issue of private placement note	300,000	31 Oct 2014	3 years	300,000	6.70%	300,000	18,760	-	(20,100)	300,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fourth issue of private placement note	50,000	1 Oct 2014	3 years	50,000	7.05%	50,000	3,584	-	(3,525)	50,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fifth issue of private placement note	200,000	18 Dec 2014	3 years	200,000	6.50%	200,000	10,080	-	(12,600)	200,000
China Railway 15th Bureau Group Co., Ltd. – 2013 first issue of private placement note	400,000	28 Mar 2013	3 years	400,000	5.90%	400,000	5,302	-	(423,600)	-
China Railway 17th Bureau Group Co., Ltd. – 2013 first issue of private placement note	500,000	21 Mar 2013	3 years	500,000	5.88%	500,000	7,350	-	(529,400)	-
China Railway 23rd Bureau Group Co., Ltd. – 2014 first issue of private placement note	150,000	14 Mar 2014	2 years	150,000	7.50%	150,000	2,438	-	(161,250)	-
China Railway 24th Bureau Group Co., Ltd. – 2013 first issue of private placement note	600,000	11 Apr 2013	3 years	600,000	5.40%	600,000	8,910	-	(632,400)	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – First issue of medium-term notes in 2013	300,000	17 Jul 2013	3 years	300,000	5.36%	300,000	8,129	-	(316,080)	-
	4,970,000			4,970,000		4,970,000	230,073	-	(2,277,577)	3,020,000

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Current portion of non-current liabilities (Continued)

As at 31 December 2015, the current portion of bonds payable was as follows:

	Principal	Issue date	Maturity	Amount issued	Interest rate per annum	Opening balance	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	Closing balance
China Railway 15th Bureau Group Co., Ltd. - 2013 first issue of private placement note	400,000	28 Mar 2013	3 years	400,000	5.90%	400,000	24,505	-	(23,600)	400,000
China Railway 17th Bureau Group Co., Ltd. - 2013 first issue of private placement note	500,000	21 Mar 2013	3 years	500,000	5.88%	500,000	29,400	-	(29,400)	500,000
China Railway 23rd Bureau Group Co., Ltd. - 2014 first issue of private placement note	150,000	14 Mar 2014	2 years	150,000	7.50%	150,000	11,250	-	(11,250)	150,000
China Railway 24th Bureau Group Co., Ltd. - 2013 first issue of private placement note	600,000	11 Apr 2013	3 years	600,000	5.40%	600,000	32,400	-	(32,400)	600,000
Chongqing Tiefa Suiyu Highway Co., Ltd. - First issue of medium-term notes in 2013	300,000	17 Jul 2013	3 years	300,000	5.36%	300,000	15,589	-	(16,080)	300,000
China Railway Co., Ltd. - First issue of medium-term notes in 2010	5,000,000	27 Aug 2010	5 years	5,000,000	3.78%	4,993,958	131,869	6,042	(5,189,000)	-
China Railway 15th Bureau Group Co., Ltd. - 2012 first issue of private placement note	400,000	23 Nov 2012	3 years	400,000	6.50%	400,000	23,934	-	(426,000)	-
China Railway 25th Bureau Group Co., Ltd. - 2012 first issue of private placement note	400,000	6 Aug 2012	3 years	400,000	6.10%	400,000	12,100	-	(421,927)	-
	7,750,000			7,750,000		7,743,958	281,047	6,042	(6,149,657)	1,950,000

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other current liabilities

	31 December 2016	31 December 2015
Deferred income (Note V.40)	191,292	116,788
Short-term unsecured financing bonds (Note (a))	510,480	3,595,179
Output VAT to be transferred (Note (b))	2,225,825	–
Others	9,092	9,670
	2,936,689	3,721,637

Note (a): Short-term unsecured financing bonds bear on a fixed interest rate. The principal and the interest will be repaid at the end of the term.

Movements of the bonds were as follows:

	Opening balance	Increase	Decrease	Closing balance
2016	3,595,179	518,247	(3,602,946)	510,480
2015	5,704,924	3,713,255	(5,823,000)	3,595,179

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other current liabilities (Continued)

As at 31 December 2016, the balances of the short-term unsecured financing bonds and private placement note was as follows:

Bond	Principal	Issue date	Interest rate per annum	Maturity	Accrued interest	Closing balance
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2016 first issue of private placement note	300,000	22 Apr 2016	3.89%	365 days	8,234	308,234
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2016 first issue of super private placement note	200,000	25 Aug 2016	2.93%	270 days	2,246	202,246
	500,000				10,480	510,480

As at 31 December 2015, the balances of the short-term unsecured financing bonds and private placement note was as follows:

Bond	Principal	Issue date	Interest rate per annum	Maturity	Accrued interest	Closing balance
China Railway Co., Ltd. – 2015 first issue of super private placement note	3,000,000	24 Apr 2015	3.97%	270 days	82,228	3,082,228
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	500,000	18 May 2015	4.09%	270 days	12,951	512,951
	3,500,000				95,179	3,595,179

Note (b): According to the Regulation of Accounting Treatment for Value Added Tax (Cai Kuai [2016] No. 22), the Output VAT to be transferred should be reclassified to the other current liabilities or other non-current liabilities.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term loans

	31 December 2016	31 December 2015
Pledged loans (<i>Note (b), Note (d)</i>)	18,921,499	6,406,750
Mortgaged loans (<i>Note (a), Note (c)</i>)	4,147,928	6,748,067
Guaranteed loans (<i>Note (e)</i>)	9,866,289	8,043,275
Loans on credit	36,096,716	26,200,356
	69,032,432	47,398,448

Note (a): As at 31 December 2016, long-term bank loans with a carrying amount of RMB830,248,000 including long-term loans due within one year of RMB800,000,000 (31 December 2015: RMB831,738,000) were secured by mortgages of the Group's buildings with a carrying amount of RMB1,323,842,000 (31 December 2015: RMB1,299,554,000) (*Note V.64(e)*).

Note (b): As at 31 December 2016, long-term bank loans in the amount of RMB17,240,910,000 including long-term loans due within one year of RMB190,250,000 (31 December 2015: RMB6,106,130,000, including long-term loans due within one year of RMB179,380,000) were secured by a pledge of the Group's concession assets with a carrying amount of RMB29,812,658,000 (31 December 2015: RMB7,138,624,000) (*Note V.64(f)*).

Note (c): As at 31 December 2016, long-term bank loans in the amount of RMB5,153,680,000 including long-term loans due within one year of RMB1,036,000,000 (31 December 2015: RMB10,361,913,000, including long-term loans due within one year of RMB4,445,584,000) were secured by mortgages of the Group's inventories with a carrying amount of RMB33,929,173,000 (31 December 2015: RMB32,786,087,000) (*Note V.64(d)*).

Note (d): As at 31 December 2016, long-term bank loans in the amount of RMB1,950,839,000 including long-term loans due within one year of RMB80,000,000 (31 December 2015: RMB530,000,000, including long-term loans due within one year of RMB50,000,000) were secured by a pledge of the Group's accounts receivable with a carrying amount of RMB5,896,550,000 (31 December 2015: RMB854,000,000) (*Note V.64(c)*).

Note (e): As at 31 December 2016, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group.

As at 31 December 2016, there were no long-term loans defaulted by the Group (31 December 2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term loans (Continued)

The maturity profile of the long-term loans as at the end of the reporting period is as follows:

	31 December 2016	31 December 2015
Within one year or on demand (<i>Note V.33</i>)	7,458,948	28,711,736
In the second year, inclusive	19,497,662	10,813,094
In the third to fifth years, inclusive	18,381,741	17,268,616
Beyond five years	31,153,029	19,316,738
	76,491,380	76,110,184

36. Bonds payable

Bonds payable include: 1) unsecured medium-term notes and private placement notes with a fixed interest rate issued by the Company and its subsidiaries in the National Inter Bank Bond Market. The bonds' interest is paid annually whereas the principal is paid at the maturity date; 2) the 5-year US dollar and 5-year RMB Convertible Bond with a fixed interest rate guaranteed by the Company. The bonds' interest is paid semi-annually whereas the principal is paid at the maturity date; and 3) the 10-year US dollar bond with a fixed interest rate issued by its overseas subsidiaries and guaranteed by the Company. The bonds' interest is paid semi-annually whereas the principal is paid at the maturity date.

	31 December 2016	31 December 2015
Bonds payable	44,902,037	31,058,948

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Bonds payable (Continued)

As at 31 December 2016, bonds payable were as follows:

	Principal	Issue date	Maturity	Amount issued	Interest rate per annum	Opening balance	Amount issued in the year	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	Closing balance
China Railway Co., Ltd. – First issue of medium-term notes in 2011	7,500,000	14 Oct 2011	7 years	7,500,000	6.28%	7,461,968	–	483,986	12,722	(471,264)	7,474,690
China Railway Co., Ltd. – First issue of medium-term notes in 2013	10,000,000	20 Jun 2013	7 years	10,000,000	5.10%	9,949,184	–	520,761	10,016	(510,745)	9,959,200
China Railway Co., Ltd. – USD500 million Zero Coupon Convertible Bond due 2021 (Note (a))	USD500,000	29 Jan 2016	5 years	USD500,000	0.00%	–	2,426,269	–	292,302	–	2,718,571
China Railway Co., Ltd. – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note (b))	3,450,000	21 Dec 2016	5 years	3,450,000	1.50%	–	3,015,432	–	–	–	3,015,432
China Railway 15th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 Mar 2016	3 years	400,000	6.80%	–	400,000	14,943	–	–	400,000
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 Sep 2016	5 years	1,000,000	4.00%	–	1,000,000	12,890	–	–	1,000,000
China Railway 20th Bureau Group Co., Ltd. – 2015 first issue of private placement note	700,000	13 Mar 2015	3 years	700,000	6.50%	700,000	–	44,153	–	(43,400)	700,000
China Railway 23rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 Feb 2015	3 years	100,000	6.30%	99,347	–	6,612	312	(6,300)	99,659
China Railway 23rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 Feb 2015	3 years	100,000	6.30%	99,346	–	6,612	312	(6,300)	99,658
China Railway 24th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 Mar 2016	3 years	600,000	4.13%	–	600,000	18,585	–	–	600,000
China Railway 25th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 Jan 2015	3 years	400,000	6.50%	400,000	–	26,000	–	(26,000)	400,000
Chongqing Tietra Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 Feb 2015	3 years	200,000	6.00%	200,000	–	13,440	–	(12,033)	200,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 Jul 2015	3 years	1,000,000	4.85%	1,000,000	–	41,723	–	(45,112)	1,000,000
China Railway Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 Sep 2015	5 years	3,000,000	4.02%	2,975,074	–	125,548	4,948	(120,600)	2,980,022
China Railway Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 Jan 2016	5 years	2,800,000	3.70%	–	2,776,044	94,967	4,022	–	2,780,066
China Railway Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 Jan 2016	5 years	3,000,000	4.58%	–	2,978,770	125,950	3,478	–	2,982,248

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Bonds payable (Continued)

As at 31 December 2016, bonds payable were as follows (continued):

	Principal	Issue date	Maturity	Amount issued	Interest rate per annum	Opening balance	Amount issued in the year	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	Closing balance
China Railway Real Estate Co., Ltd. - 2016 third issue of Corporate bond	1,500,000	19 Apr 2016	5 years	1,500,000	4.80%	-	1,489,500	48,000	1,222	-	1,490,722
China Railway Real Estate Co., Ltd. - 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	-	1,489,500	44,625	1,047	-	1,490,547
CRCC Yuxiang Limited 3.5% interest rate Guaranteed Note Due 2023	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,154,029	-	191,229	357,193	(187,354)	5,511,222
						28,038,948	16,175,515	1,820,024	687,574	(1,429,108)	44,902,037

Note (a): The Company issued a five-year Zero Coupon Convertible Bond at USD500 million on 29 January 2016. The conversion period is from 10 March 2016 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, was set to be HK\$10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond was initially recognised at fair value at the issue date, and the net proceeds in exceed of the fair value of derivatives was recognised as a liability.

Note (b): The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016. The conversion period is from 31 January 2017 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, was set to be HK\$13.7750 per H share, and will be subject to adjustments under certain circumstances. The debt component of the convertible bond was initially recognised at fair value at the issue date, and the remaining part was recognised in the equity.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Bonds payable (Continued)

As at 31 December 2015, bonds payable were as follows:

	Principal	Issue date	Maturity	Amount issued	Interest rate per annum	Opening balance	Amount issued in the year	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	Closing balance
China Railway Co., Ltd. – First issue of medium-term notes in 2011	7,500,000	14 Oct 2011	7 years	7,500,000	6.28%	7,450,804	–	481,900	11,164	(470,736)	7,461,968
China Railway Co., Ltd. – First issue of medium-term notes in 2013	10,000,000	20 Jun 2013	7 years	10,000,000	5.10%	9,939,636	–	518,804	9,548	(509,256)	9,949,184
China Railway 14th Bureau Group Co., Ltd. – 2012 first issue of private placement note	400,000	27 Aug 2012	5 years	400,000	6.70%	400,000	–	27,590	–	(26,800)	400,000
China Railway 15th Bureau Group Co., Ltd. – 2014 first issue of private placement note	300,000	4 Sep 2014	3 years	300,000	6.80%	300,000	–	20,959	–	(20,400)	300,000
China Railway 17th Bureau Group Co., Ltd. – 2014 first issue of private placement note	500,000	25 Jun 2014	3 years	500,000	7.30%	500,000	–	36,500	–	(36,500)	500,000
China Railway 20th Bureau Group Co., Ltd. – 2015 first issue of private placement note	700,000	13 Mar 2015	3 years	700,000	6.50%	–	700,000	33,968	–	–	700,000
China Railway 23rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 Feb 2015	3 years	100,000	6.30%	–	99,100	4,765	247	–	99,347
China Railway 23rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 Feb 2015	3 years	100,000	6.30%	–	99,100	4,765	246	–	99,346
China Railway 25th Bureau Group Co., Ltd. – 2014 first issue of private placement note	400,000	28 Oct 2014	3 years	400,000	6.50%	400,000	–	25,929	–	(26,000)	400,000
China Railway 25th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 Jan 2015	3 years	400,000	6.50%	–	400,000	23,863	–	–	400,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 first issue of private placement note	470,000	23 Apr 2014	3 years	470,000	6.38%	470,000	–	29,985	–	(28,569)	470,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 second issue of private placement note	200,000	31 Jul 2014	3 years	200,000	7.20%	200,000	–	14,891	–	(14,400)	200,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 third issue of private placement note	300,000	31 Oct 2014	3 years	300,000	6.70%	300,000	–	20,100	–	(20,100)	300,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fourth issue of private placement note	50,000	1 Oct 2014	3 years	50,000	7.05%	50,000	–	3,525	–	(3,525)	50,000

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Bonds payable (Continued)

	Principal	Issue date	Maturity	Amount issued	Interest rate per annum	Opening balance	Amount issued in the year	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	Closing balance
Chongqing Tiesha Suiyu Highway Co., Ltd. – 2014 fifth issue of private placement note	200,000	18 Dec 2014	3 years	200,000	6.50%	200,000	–	12,584	–	(12,600)	200,000
Chongqing Tiesha Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 Feb 2015	3 years	200,000	6.00%	–	200,000	10,800	–	–	200,000
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. – 2014 first issue of private placement note	200,000	30 Apr 2014	3 years	200,000	7.98%	200,000	–	26,378	–	(15,960)	200,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 Jul 2015	3 years	1,000,000	4.85%	–	1,000,000	20,862	–	–	1,000,000
China Railway Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 Sep 2015	5 years	3,000,000	4.02%	–	2,973,850	30,150	1,224	–	2,975,074
CRCC Yuxiang Limited 3.5% interest rate Guaranteed Note Due 2023	USD800,000	16 May 2013	10 years	USD800,000	3.50%	4,852,227	–	179,242	301,802	(174,665)	5,154,029
						25,262,667	5,472,050	1,527,560	324,231	(1,359,511)	31,058,948

37. Long-term payables

	31 December 2016	31 December 2015
Retention money payables	9,394	1,175
Finance lease payables	886,574	1,506,534
Others	947,215	701,056
	1,843,183	2,208,765

The maturity profile of long-term payables as at the end of the reporting period is as follows:

	31 December 2016	31 December 2015
Within one year (Note V.33)	1,651,004	1,235,960
In the second year, inclusive	997,495	980,397
In the third to fifth years, inclusive	355,823	760,290
Beyond five years	489,865	468,078
	3,494,187	3,444,725

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Long-term employee benefits payable

	31 December 2016	31 December 2015
Defined benefit plans		
– post-employment benefit expenses	969,007	1,416,464

Certain employees of the Group had completely dealt with their respective long-term post-leaving. Post-employment benefit expenses were recognised in the period in which the relevant entities of the Group have entered into agreements with the employees specifying terms, or after the individual employees have been advised of the specific terms. The specific terms vary among the terminated and post-employment benefits depending on various factors including their positions, length of service, and the district in which the employees are located.

The Group's obligations in respect of the defined benefit plans for the post-leaving personnel at the end of the reporting period were computed by an independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch which is a member of the Society of Actuaries of the United States of America at 31 December 2016, using the projected cumulative unit credit method.

The plan has no defined benefit plan asset.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for post-leaving personnel.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Long-term employee benefits payable (Continued)

The principal actuarial assumptions used as at the balance sheet date are as follows:

	31 December 2016	31 December 2015
Discount rate (%)	2.75	2.50
Increase in the expected rate of cost of living adjustment for long-term post-leaving personnel (%)	2.50	2.50
Increase in the expected rate of medical reimbursement expenses (%)	8.00	8.00
Average lifetime for defined benefit plans (year)	2-3	2-3

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is shown below:

	Increase in rate %	(Decrease)/ increase in net defined benefit obligation	Decrease in rate %	Increase/ (decrease) in net defined benefit obligation
Discount rate	0.25	(8,110)	0.25	8,230
Medical expense increase rate	1.00	80	1.00	(80)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit plan obligations as a result of reasonable changes in key assumptions occurring at the balance sheet date.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Long-term employee benefits payable (Continued)

The total expenses recognised in the consolidated statement of profit or loss in respect of the plan are as follows:

	2016	2015
Past service cost	(2,190)	(550)
Net interest	42,019	77,216
Net benefit expenses recognised in general and administrative expenses	39,829	76,666

The movements in the present value of the defined benefit plan obligations are as follows:

	2016	2015
Opening balance	1,952,938	2,521,123
Defined benefit cost recognised in profit or loss		
Past service cost	(2,190)	(550)
Net interest	42,019	77,216
Defined benefit cost recognised in other comprehensive income		
Actuarial losses arising during period	(49,874)	(6,668)
Others		
Benefit payments	(531,858)	(638,183)
Closing balance	1,411,035	1,952,938
Less: current portion of long-term employee benefits payable (Note V.33)	(442,028)	(536,474)
	969,007	1,416,464

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Special payables

2016

	Opening balance	Additions	Deductions	Closing balance
Research and development funds	62,017	5,790	(17,420)	50,387
Specific project funds	489,680	320,440	(137,834)	672,286
Others	351	300	(211)	440
	552,048	326,530	(155,465)	723,113

2015

	Opening balance	Additions	Deductions	Closing balance
Research and development funds	77,098	40,482	(55,563)	62,017
Specific project funds	339,787	251,828	(101,935)	489,680
Others	551	–	(200)	351
	417,436	292,310	(157,698)	552,048

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred income

2016

	Opening balance	Additions	Deductions	Closing balance
Government grants related to assets	421,377	327,122	(26,355)	722,144
Government grants related to income	4,856	142,154	(55,782)	91,228
Others	23,424	14,065	–	37,489
Less: current portion of deferred income (<i>Note V. 34</i>)	(116,788)	(74,504)	–	(191,292)
	332,869	408,837	(82,137)	659,569

2015

	Opening balance	Additions	Deductions	Closing balance
Government grants related to assets	184,288	303,278	(66,189)	421,377
Government grants related to income	43,067	16,380	(54,591)	4,856
Others	5,892	25,551	(8,019)	23,424
Less: current portion of deferred income (<i>Note V.34</i>)	(28,141)	(88,647)	–	(116,788)
	205,106	256,562	(128,799)	332,869

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred income (Continued)

As at 31 December 2016, government grants related to liabilities were as follows:

	Opening balance	Additions	Included in non-operating income this year	Other changes	Closing balance	Related to assets/ income
Equipment appropriation from Ministry of Railway	21,000	-	(20,000)	-	1,000	Related to assets
Hangzhou East Railway Station Junction Project and Pengbu District Nongzhanju Apartment and Utility Project Demolition Fund	51,555	-	-	-	51,555	Related to assets
Enterprise Development and Support Fund	23,448	32,124	(5,394)	-	50,178	Related to assets
Jiyu Highway Project Government Grants	90,000	10,000	-	-	100,000	Related to assets
Anzi Highway Project Government Grants	95,000	-	-	-	95,000	Related to assets
Xiusong Highway Project Government Grants	91,380	107,000	-	-	198,380	Related to assets
Zixing Highway Project Government Grants	32,867	43,756	-	-	76,623	Related to assets
Jianpu Highway Project Government Grants	9,032	35,454	-	-	44,486	Related to assets
Xiangan Airport Project Government Grants	-	94,895	-	-	94,895	Related to assets
Relocation compensation	-	96,858	(54,778)	-	42,080	Related to income
Others	11,951	49,189	(1,965)	-	59,175	
	426,233	469,276	(82,137)	-	813,372	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred income (Continued)

As at 31 December 2015, government grants related to liabilities were as follows:

	Opening balance	Additions	Included in non-operating income this year	Other changes	Closing balance	Related to assets/ income
Equipment appropriation from Ministry of Railway	41,000	-	(20,000)	-	21,000	Related to assets
Hangzhou East Railway Station Junction Project and Pengbu District Nongzhuanju Apartment and Utility Project Demolition Fund	51,555	-	-	-	51,555	Related to assets
Relocation compensation	40,100	-	(40,100)	-	-	Related to assets
Enterprise Development and Support Fund	28,842	-	(5,394)	-	23,448	Related to assets
Jiyu Highway Project Government Grants	-	90,000	-	-	90,000	Related to assets
Anzi Highway Project Government Grants	-	95,000	-	-	95,000	Related to assets
Xiusong Highway Project Government Grants	20,000	71,380	-	-	91,380	Related to assets
Zixing Highway Project Government Grants	-	32,867	-	-	32,867	Related to assets
Jianpu Highway Project Government Grants	-	9,032	-	-	9,032	Related to assets
Others	45,858	21,379	(17,010)	(38,276)	11,951	
	227,355	319,658	(82,504)	(38,276)	426,233	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Other non-current liabilities

2016

	Opening balance	Increase	Closing balance
The Convertible Bond			
Derivatives (Note V.36)	–	1,145,656	1,145,656
Others	–	78,226	78,226
	–	1,223,882	1,223,882

42. Share capital

2016

	Opening balance	Increase	Decrease	Closing balance
Restricted shares				
– CRCCG (Note (a))	1,150	–	(1,150)	–
– RMB ordinary shares (A shares) (Note (b))	1,242,000	–	(1,242,000)	–
Unrestricted shares				
– RMB ordinary shares (A shares) (Note (b))	10,015,096	1,243,150	–	11,258,246
– Overseas listed foreign shares (H shares)	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
	13,579,542	1,243,150	(1,243,150)	13,579,542

2015

	Opening balance	Increase	Decrease	Closing balance
Restricted shares				
– CRCCG (Note (a))	–	1,150	–	1,150
– RMB ordinary shares (A shares) (Note (b))	–	1,242,000	–	1,242,000
Unrestricted shares				
– RMB ordinary shares (A shares) (Note (a))	10,016,246	–	(1,150)	10,015,096
– Overseas listed foreign shares (H shares)	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
	12,337,542	1,243,150	(1,150)	13,579,542

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Share capital (Continued)

Note (a): CRCCG, the controlling shareholder of the Company, increased its shareholding by purchasing 1,150,000 shares of the Company through the secondary market from 8 July 2015 to 31 December 2015 at an average price of RMB15.867 per share, representing 0.00932% of the total share capital of the Company (the "Increase in Shareholding"). CRCCG undertook not to reduce its shareholding in the Company during the implementation of the Increase in Shareholding and within the statutory period. Prior to the Increase in Shareholding, CRCCG held 7,566,245,500 shares of the Company. Upon the Increase in Shareholding, CRCCG held 7,567,395,500 shares of the Company.

Note (b): On 13 July 2015, the Company completed the non-public issuance of 1,242,000,000 A shares. The total proceeds raised by the Company amounted to RMB9,936,000,000. After deducting the relevant issue expenses of RMB113,057,000, the actual net proceeds raised by the Company amounted to RMB9,822,943,000, of which the total additional share capital amounted to RMB1,242,000,000 and the total capital reserve amounted to RMB8,580,943,000. The shares subscribed by the target subscribers shall be subject to a lock-up period of 12 months, and the restriction has been removed on 18 July 2016.

43. Other equity instruments

2016

	Opening balance	Increase	Closing balance
Renewable corporate bonds <i>Note (a)</i>	—	7,992,104	7,992,104
Convertible Bond <i>Note (b)</i>	—	408,129	408,129
	—	8,400,233	8,400,233

Note (a): On 29 June 2016, the Company issued RMB8,000,000,000 in an aggregate principal amount of 2016 renewable corporate bonds (first tranche). The net proceeds from the issuance amounting to RMB7,992,104,000, net of the relevant expenses of issuance of RMB7,896,000 (including underwriting fee, lawyer fee and auditors' remuneration), were included in other equity instruments.

Note (b): On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond of RMB3,450,000,000, of which RMB408,129,000 was included in equity.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Capital reserve

2016

	Opening balance	Increase	Decrease	Closing balance
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	124,992	35,969	–	160,961
Acquisition of non-controlling interests	(465,778)	–	–	(465,778)
Others	(506,626)	–	–	(506,626)
	40,394,401	35,969	–	40,430,370

2015

	Opening balance	Increase	Decrease	Closing balance
Share premium	35,306,711	9,033,328	(3,098,226)	41,241,813
Relocation compensation granted by government	112,160	12,832	–	124,992
Acquisition of non-controlling interests	(467,412)	1,634	–	(465,778)
Others	(506,626)	–	–	(506,626)
	34,444,833	9,047,794	(3,098,226)	40,394,401

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Other comprehensive income

Accumulated balances of other comprehensive income attributable to owners of the Company from the balance sheet:

	1 January 2015	Increase/ (decrease)	31 December 2015	Increase/ (decrease)	31 December 2016
Remeasurement of defined benefit obligations	(198,138)	6,668	(191,470)	49,874	(141,596)
Effect of deferred tax from changes in remeasurement of defined benefit obligations	(7,259)	(4,905)	(12,164)	(9,300)	(21,464)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, share of other comprehensive income of associates, under the equity method	(100,925)	(104,096)	(205,021)	144,834	(60,187)
Changes in fair value of available-for-sale financial assets	252,467	1,405,658	1,658,125	(662,203)	995,922
Effect of deferred tax from changes in fair value of available-for-sale financial assets	(31,584)	(353,750)	(385,334)	178,686	(206,648)
Exchange differences on translation of foreign operation	335,060	(39,452)	295,608	(578,691)	(283,083)
	249,621	910,123	1,159,744	(876,800)	282,944

Accumulated balances of other comprehensive income attributable to non-controlling interests from the balance sheet:

	1 January 2015	Increase/ (decrease)	31 December 2015	Increase/ (decrease)	31 December 2016
Changes in fair value of available-for-sale financial assets	-	-	-	(4,789)	(4,789)

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Other comprehensive income (Continued)

Other comprehensive income from the statement of profit or loss:

2016

	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non- controlling interests
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Remeasurement of defined benefit obligations	49,874	(9,300)	40,574	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Share of other comprehensive income of associates under the equity method	144,834	-	144,834	-
Changes in fair value of available-for-sale financial assets	(666,992)	178,686	(483,517)	(4,789)
Exchange differences on translation of foreign operation	(578,691)	-	(578,691)	-

2015

	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non- controlling interests
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Remeasurement of defined benefit obligations	6,668	(4,905)	1,763	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Share of other comprehensive income of associates under the equity method	(104,096)	-	(104,096)	-
Changes in fair value of available-for-sale financial assets	1,405,658	(353,750)	1,051,908	-
Exchange differences on translation of foreign operation	(39,452)	-	(39,452)	-

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Special reserve

The Group provided for the safety production expenses at 1.5% and 2% of the cost of construction projects, and utilised them according to the Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilisation (Cai Qi [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note III.29.

47. Surplus reserve

2016

		Opening balance	Increase	Closing balance
Statutory surplus reserve	<i>Note</i>	2,120,232	273,896	2,394,128

2015

		Opening balance	Increase	Closing balance
Statutory surplus reserve	<i>Note</i>	1,794,862	325,370	2,120,232

Note: In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorised to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Retained earnings

	2016	2015
Retained earnings at beginning of the year	54,411,072	43,941,595
Net profit attributable to the owners	13,999,610	12,645,478
Less: Appropriation to surplus reserve	(273,896)	(325,370)
Cash dividend declared for ordinary shares <i>Note</i>	(2,036,931)	(1,850,631)
Retained earnings at the year end	66,099,855	54,411,072

Note: In accordance with the resolution at the 2015 annual general meeting of shareholders on 16 June 2016, the Company declared a cash dividend for the year ended 31 December 2015 of RMB0.15 per share (2015: RMB0.15 per share), which amounted to RMB2,036,931,000 (2015: RMB1,850,631,000) based on 13,579,541,500 ordinary shares in issue. By 31 December 2016, the dividend has been paid.

49. Revenue and cost of sales

	2016		2015	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	626,556,626	569,365,665	598,663,943	530,547,027
Other operating revenue	2,770,464	2,011,867	1,874,787	1,209,301
	629,327,090	571,377,532	600,538,730	531,756,328

An analysis of the Group's operating revenue by sector is as follows:

	2016 Revenue	2015 Revenue
Construction operations	534,279,796	513,877,065
Real estate operations	38,319,888	28,670,651
Manufacturing operations	12,082,809	13,781,930
Survey, design and consultancy operations	12,247,604	10,064,622
Other business operations	32,396,993	34,144,462
	629,327,090	600,538,730

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Taxes and surcharges

	2016	2015
Business tax	4,954,908	15,448,477
City maintenance and construction tax	664,948	902,881
Others	2,524,352	1,665,116
	8,144,208	18,016,474

51. Selling and distribution expenses

	2016	2015
Employee compensation costs	2,081,748	1,678,019
Advertising and publicity expenses	1,133,591	1,091,713
Transportation expenses	608,849	570,798
Others	353,485	363,132
	4,177,673	3,703,662

52. General and administrative expenses

	2016	2015
Employee compensation costs	9,943,517	9,334,436
Research and development expenses	9,442,883	8,759,416
Depreciation expenses	1,013,728	1,102,236
Office, traveling and transportation expenses	1,067,805	1,020,682
Others	2,621,684	2,618,842
	24,089,617	22,835,612

For the year ended 31 December 2016, the auditors' remuneration included in the general and administrative expenses was RMB39,788,000 (for the year ended 31 December 2015: RMB38,635,000).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Finance costs

	2016	2015
Interest expenses	9,197,845	10,548,662
Less: Interest income	(2,732,758)	(2,918,876)
Interest capitalised	(4,305,812)	(4,541,472)
Exchange (gains)/losses	(110,241)	643,901
Bank charges and others	682,671	652,814
	2,731,705	4,385,029

The Group's interest expenses are as follows:

	2016	2015
Interest on loans wholly repayable within five years	6,617,688	7,800,370
Interest on loans repayable beyond five years	137,257	186,197
Interest on finance leases	113,451	175,130
Interest on discounted bills	261,105	365,103
Interest on corporate bonds	2,068,344	2,021,862
	9,197,845	10,548,662

The amount of capitalised interest has been included in the balances of fixed assets (Note V.15), construction in progress (Note V.16), intangible assets (Note V.17) and properties under development (Note V.7(1)).

54. Impairment losses

	2016	2015
Provisions for bad debts	503,790	2,776,910
Provisions for decline in value of inventories	66,552	447,057
Impairment of available-for-sale financial assets	8,895	58,723
Impairment of fixed assets	20,012	233,705
Impairment of construction in progress	—	14,285
Impairment of intangible assets	878	33,935
	600,127	3,564,615

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Losses on fair value changes

	2016	2015
Financial assets at fair value through profit or loss	(222,416)	(27,495)

56. Investment income

	2016	2015
Share of (losses)/profits of long-term investments under the equity method	(29,312)	96,070
Investment income from disposal of other long-term equity investments	46,522	14,558
Investment income gained during the period in which the Group held available-for-sale financial assets	118,858	134,906
Investment income gained during the period from financial assets at fair value through profit or loss	1,122	104
Investment income from disposal of available-for-sale financial assets	6,705	113,846
Others	3,629	44
	147,524	359,528

57. Non-operating income

	2016	2015	Non-recurring profit or loss in 2016
Government grants	573,910	408,404	553,610
Gains on disposal of non-current assets	279,359	121,622	279,359
Including:			
Gains on disposal of fixed assets	107,158	58,949	107,158
Gains on disposal of intangible assets	172,201	62,673	172,201
Gains on compensation, penalties and fines	117,158	113,431	117,158
Gains from unpayable accounts	65,226	37,876	65,226
Others	177,385	127,285	177,385
	1,213,038	808,618	1,192,738

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Non-operating income (Continued)

Government grants credited to profit or loss for the year are as follows:

	2016	2015	Related to income/ assets
Enterprise development funds	141,800	92,583	Related to income
Enterprise development funds	5,394	5,394	Related to assets
Economic and technological cooperation special funds	—	116,644	Related to income
Equipment funds from the Ministry of Railway	20,000	20,000	Related to assets
Equipment funds from the Ministry of Finance	300	300	Related to assets
Refund of taxes	41,678	53,496	Related to income
Relocation compensation	338,957	65,428	Related to income
Relocation compensation	—	40,100	Related to assets
Others	25,781	14,459	Related to income/ assets
	573,910	408,404	

58. Non-operating expenses

	2016	2015	Non-recurring profit or loss in 2016
Loss on disposal of non-current assets	191,425	132,946	191,425
Including:			
Loss on disposal of fixed assets	185,945	129,597	185,945
Loss on disposal of intangible assets	5,480	3,349	5,480
Loss on compensation, penalties and fines	112,678	123,618	112,678
Donations	13,342	7,211	13,342
Others	57,354	40,848	57,354
	374,799	304,623	374,799

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Costs and expenses classified by nature

The Group's costs and expenses classified by nature are listed below:

	2016	2015
Cost of services rendered (<i>Note (a)</i>)	505,986,938	470,794,056
Cost of goods sold	65,390,594	60,962,272
Employee compensation costs (<i>Note V, 51, 52</i>)	12,025,265	11,012,455
Research and development expenses (<i>Note V 52</i>)	9,442,883	8,759,416
Depreciation expenses on fixed assets (<i>Note (b)</i>)	1,070,828	1,152,685
Amortisation expenses on intangible assets (<i>Note (c)</i>)	181,263	138,628

Note (a): Depreciation of RMB84,311,000 (2015: Nil) is included in the "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income for the year.

Note (b): Depreciation of RMB10,655,363,000 (2015: RMB9,675,035,000) is included in the "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income for the year.

Note (c): Amortisation of RMB207,739,000 (2015: RMB150,506,000) is included in the "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income for the year.

60. Income tax expenses

	2016	2015
Current tax expenses – Mainland China	4,385,512	3,911,078
Current tax expenses – Hong Kong	144	110
Current tax expenses – Others	152,353	3,311
Deferred tax expenses	(419,265)	(175,895)
	4,118,744	3,738,604

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Income tax expenses (Continued)

A reconciliation of the tax expense applicable to profit before tax is as follows:

	2016	2015
Profit before tax	18,969,575	17,113,038
Income tax at the statutory income tax rate of 25% (Note (a))	4,742,394	4,278,260
Tax effect of lower tax rates for some subsidiaries	(1,237,761)	(1,098,584)
Tax effect of share of profits and losses of joint ventures and associates (Note (b))	7,328	(24,018)
Income not subject to tax	(326,377)	(225,159)
Expenses not deductible for tax purposes	137,772	155,599
Tax losses utilised from previous years	(43,473)	(44,460)
Income tax benefits on research and development expenses	(395,386)	(503,457)
Tax losses not recognised	624,503	475,271
Undeductible loss and impairment from overseas projects	81,273	927,816
Adjustments in respect of current income tax of previous periods	10,405	(48,012)
Others	518,066	(154,652)
Tax expense at the Group's effective tax rate	4,118,744	3,738,604

Notes:

- (a) The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the applicable tax rate according to existing laws, interpretations and practices of the country/ jurisdiction in which the Group operates.
- (b) The share of tax attributable to joint ventures and associates amounting to RMB11,805,000 (2015: RMB6,305,000) and RMB4,295,000 (2015: RMB4,456,000), respectively, is included in "Investment income – share of profits and losses of associates and joint ventures" on the face of the consolidated statement of profit or loss and other comprehensive income.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Earnings per share

The basic earnings per share is calculated based on the net profit for the year attributable to ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the year.

	2016	2015
Earnings		
Net profit attributable to ordinary shareholders of the Company	13,999,610	12,645,478
Shares		
Weighted average number of the outstanding ordinary shares of the Company (Note (a))	13,579,541,500	12,855,041,500
Basic earnings per share (RMB/share)	1.03	0.98
Diluted earnings per share (RMB/share)(Note (b))	1.01	0.98

Note (a): As disclosed in Note I to these financial statements, after the issuance of A shares and H shares in 2008 and the non-public issuance of A shares in July 2015, the Company has issued an aggregate of 13,579,541,500 outstanding ordinary shares.

Note (b): On 29 January 2016, the Company issued a five-year Zero Coupon Convertible Bond at USD500 million, of which the conversion rights will expire on 29 January 2021. Based on the adjusted conversion price of HK\$10.15 per H share, the bonds are convertible to 383,960,591 H shares. On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion, of which the conversion rights will expire on 29 December 2021. Based on the initial conversion price of HK\$13.7750 per H share, the bonds are convertible to 281,471,927 H shares.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities:

	2016	2015
Rental income of fixed assets	752,767	549,610
Business management income	631,391	593,791
Property management income	630,491	486,095
Government grants	573,910	408,404
Sale of raw materials	519,572	173,452
Others	6,261,032	3,259,047
	9,369,163	5,470,399

(2) Cash paid relating to other operating activities:

	2016	2015
Office and traveling expenses	1,712,717	1,765,733
Repair and maintenance costs	703,034	671,061
Business development expenses	648,124	553,635
Others	4,146,936	3,793,698
	7,210,811	6,784,127

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

	2016	2015
Reconciliation of net profit to cash flows from operating activities		
Net profit	14,850,831	13,374,434
Plus:		
Provision for impairment of assets	600,127	3,564,615
Depreciation of fixed assets and investment properties	11,810,502	10,827,720
Amortisation of intangible assets	389,002	289,134
(Gains)/losses from disposal of fixed assets, intangible assets and other long-term assets	(87,934)	11,324
Losses from changes in fair value	222,416	27,495
Finance costs	2,049,034	3,732,215
Investment income	(147,524)	(359,528)
Increase in deferred tax assets	(443,983)	(176,737)
Increase in deferred tax liabilities	24,718	842
Increase in inventories	(14,619,759)	(17,022,654)
Increase in operating receivables	(16,544,367)	(21,717,384)
Increase in operating payables	39,889,414	56,917,574
Others	(854,898)	906,057
Net cash flows from operating activities	37,137,579	50,375,107
Major non-cash investing and financing activities:		
	2016	2015
Fixed assets held under finance leases	2,699,495	3,665,474

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the statement of cash flows (Continued)

- (1) Supplementary information to the consolidated statement of cash flows (Continued)

Changes in cash and cash equivalents:

	2016	2015
Cash at the end of year	113,584,200	106,259,831
Less: opening balance of cash	(106,259,831)	(77,830,348)
Plus: closing balance of cash equivalents	3,949,822	2,210,722
Less: opening balance of cash equivalents	(2,210,722)	(6,927,157)
Net increase in cash and cash equivalents	9,063,469	23,713,048

- (2) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash	113,584,200	106,259,831
Including: cash on hand	132,932	157,251
cash with banks/financial institutions without restriction	113,451,268	106,102,580
Cash equivalents	3,949,822	2,210,722
Closing balance of cash and cash equivalents	117,534,022	108,470,553

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Assets with title restriction

	31 December 2016	31 December 2015	
Cash and bank balances	8,574,340	7,685,186	Note (a)
Bills receivable	–	11,300	Note (b)
Accounts receivable	6,798,360	7,228,148	Note (c)
Inventories	33,929,173	32,786,087	Note (d)
Fixed assets	1,328,842	1,316,554	Note (e)
Intangible assets	29,812,658	7,138,624	Note (f)
	80,443,373	56,165,899	

Note (a): As at 31 December 2016, no deposits of the Group (31 December 2015: RMB63,000) were pledged to obtain loans. As at 31 December 2016, the Group held frozen deposits of RMB222,448,000 (31 December 2015: RMB95,709,000), the residual amount of RMB4,468,923,000 (31 December 2015: RMB4,561,343,000) was a deposit. CRCC Finance Company Limited placed RMB3,882,969,000 (31 December 2015: RMB3,028,071,000) in the central bank as mandatory reserves.

Note (b): As at 31 December 2016, no bills receivable of the Group (31 December 2015: RMB11,300,000) were pledged for drawing bills payable.

Note (c): As at 31 December 2016, the Group's accounts receivable of RMB6,798,360,000 (31 December 2015: RMB7,228,148,000) were pledged to obtain loans.

Note (d): As at 31 December 2016, the Group's inventories of RMB33,929,173,000 (31 December 2015: RMB32,786,087,000) were pledged to obtain loans.

Note (e): As at 31 December 2016, the Group's fixed assets of RMB1,328,842,000 (31 December 2015: RMB1,316,554,000) were mortgaged to obtain loans.

Note (f): As at 31 December 2016, the Group's concession assets of RMB29,812,658,000 (31 December 2015: RMB7,138,624,000) were mortgaged for obtaining loans. In 2016, the amortisation amount of these concession assets was RMB140,433,000 (31 December 2015: RMB140,433,000).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Foreign currency monetary items

Cash and bank balances	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
U.S. Dollar	1,589,937	6.93700	11,029,393	585,372	6.49360	3,801,172
Nigerian Naira	29,545,724	0.02257	666,847	1,386,840	0.03222	44,684
Algerian Dinar	7,275,236	0.06263	455,648	16,975,618	0.06029	1,023,460
Euro	31,282	7.30680	228,571	18,185	7.09520	129,026
Ethiopian Birr	713,456	0.30841	220,037	2,635	0.30251	797
Others			1,572,989			2,089,750
			14,173,485			7,088,889

Accounts receivable	31 December 2016			31 December 2015		
	Original currency	Exchange Rate	RMB	Original currency	Exchange rate	RMB
Saudi Riyal	382,029	1.85074	707,036	266,540	1.72863	460,749
U.S. Dollar	99,103	6.93700	687,478	101,627	6.49360	659,925
Tanzania Shilling	129,393,741	0.00313	405,002	116,531,700	0.00294	342,603
Malaysia Dollar	98,368	1.54819	152,292	14,196	1.50761	21,402
Kuwait Dinar	5,817	22.66930	131,867	5,729	21.34340	122,276
Others			540,749			1,052,536
			2,624,424			2,659,491

Other receivables	31 December 2016			31 December 2015		
	Original currency	Exchange Rate	RMB	Original currency	Exchange rate	RMB
U.S. Dollar	56,687	6.93700	393,238	63,387	6.49360	411,610
Saudi Riyal	72,441	1.85074	134,069	55,670	1.72863	96,233
Algerian Dinar	1,405,188	0.06263	88,007	1,129,613	0.06029	68,104
Belarusian ruble	200,805,721	0.00035	70,282	–	0.00035	–
Nigerian Naira	1,806,303	0.02257	40,768	1,009,811	0.01081	10,916
Others			153,667			259,474
			880,031			846,337

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Foreign currency monetary items (Continued)

Short-term loans	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
U.S. Dollar	608,150	6.93700	4,218,737	646,421	6.49360	4,197,599
Euro	40,000	7.30680	292,272	–	7.09520	–
Malaysian Ringgit	80,400	1.54819	124,474	50,400	1.63870	82,590
Kuwaiti Dinar	2,800	22.66930	63,474	2,798	21.34340	59,719
The UAE Dirham	20,000	1.89103	37,821	10,000	1.76626	17,663
			4,736,778			4,357,571

Accounts payable	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Algerian Dinar	29,687,204	0.06263	1,859,310	41,235,655	0.06029	2,486,098
U.S. Dollar	99,043	6.93700	687,061	44,093	6.49360	286,322
Australian Dollar	53,799	5.01570	269,840	–	4.72760	–
Saudi Riyal	142,592	1.85074	263,901	274,459	1.72863	474,438
Angolan Kwanza	6,259,238	0.04167	260,822	1,597,412	0.04772	76,229
Others			1,218,507			710,971
			4,559,441			4,034,058

Other payables	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Nigerian Naira	18,866,892	0.02257	425,826	14,007,208	0.03222	451,312
Saudi Riyal	78,647	1.85074	145,555	80,885	1.72863	139,820
Algerian Dinar	1,980,916	0.06263	124,065	712,840	0.06029	42,977
Hong Kong Dollar	82,076	0.89451	73,418	76,112	0.83778	63,765
U.S. Dollar	6,024	6.93700	41,789	7,050	6.49360	45,780
Others			220,994			155,542
			1,031,647			899,196

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Foreign currency monetary items (Continued)

Long-term loans	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
U.S. Dollar	304,560	6.93700	2,112,733	1,136,000	6.49360	7,376,730
Euro	24,012	7.30680	175,451	36,722	7.09520	260,550
Singapore Dollar	–	4.79950	–	60,000	4.58750	275,250
Hong Kong Dollar	7,624	0.89451	6,820	8,055	0.83778	6,748
			2,295,004			7,919,278

Bonds payable	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
U.S. Dollar	1,186,362	6.93700	8,229,794	793,709	6.49360	5,154,029

VI. CHANGES OF CONSOLIDATION SCOPE

1. Business combinations involving entities not under common control

On 17 December 2015, the Company entered into the Equity Transfer Agreement with CIDEON Holding GmbH & Co. KG and Rittal Software Systems International Stiftung & Co. KG to acquire 100% of the equity interests of CIDEON Engineering GmbH & Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG at the cash consideration of RMB104,080,000. On 3 February 2016, the Company obtained the Certificate of Enterprise Overseas Investment from the Chinese Ministry of Commerce. In accordance with the agreements and after signing the handover confirmation, the Company paid in full RMB104,080,000 for the cash consideration on 29 February 2016, by when the Company completed the business combination involving entities not under the common control of CIDEON Engineering GmbH & Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG. 29 February 2016 was determined to be the date of acquisition.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VI. CHANGES OF CONSOLIDATION SCOPE (CONTINUED)

1. Business combinations involving entities not under common control (Continued)

The fair value and book value of assets and liabilities of CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG at the date of acquisition were as follows:

	Fair value at 29 February 2016	Book value at 29 February 2016
Cash and bank balances	7,772	7,772
Accounts receivable	18,699	18,699
Other receivables	2,276	2,276
Advances to suppliers	1,394	1,394
Fixed assets	984	984
Intangible assets	722	722
Deferred tax assets	285	285
Accounts payable	(1,693)	(1,693)
Employee benefits payable	(2,756)	(2,756)
Taxes payable	(1,164)	(1,164)
Other payables	(13,719)	(13,719)
Provision	(89)	(89)
	12,711	12,711
Goodwill	91,369	
Consideration	104,080	

The aggregate financial information of CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG is presented as follows:

	For the period from 29 February 2016 to 31 December 2016
Revenue	68,469
Net profit	(1,840)
Net cash flows	8,902

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES

1. Subsidiaries

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

Subsidiaries acquired through establishment or investment

Company name	Place of registration	Principal place of business	Principal activities	Registered capital	Percentage of equity interest	
					Direct	Indirect
China Civil Engineering Construction Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
China Railway 11th Bureau Group Co., Ltd. (Note (a))	Wuhan, Hubei	Wuhan, Hubei	Construction	5,030,000	100	-
China Railway 12th Bureau Group Co., Ltd. (Note (b))	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	5,060,677	100	-
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	2,000,000	100	-
China Railway 14th Bureau Group Co., Ltd. (Note (c))	Ji'nan, Shandong	Ji'nan, Shandong	Construction	3,110,000	100	-
China Railway 15th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	1,117,210	100	-
China Railway 16th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	1,268,300	100	-
China Railway 17th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	1,105,470	100	-
China Railway 18th Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	2,284,322	100	-
China Railway 19th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	5,080,000	100	-
China Railway 20th Bureau Group Co., Ltd. (Note (d))	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction	3,130,000	100	-
China Railway 21st Bureau Group Co., Ltd. (Note (e))	Lanzhou, Gansu	Lanzhou, Gansu	Construction	1,880,000	100	-
China Railway 22nd Bureau Group Co., Ltd.	Beijing	Beijing	Construction	1,057,000	100	-
China Railway 23rd Bureau Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Construction	1,185,000	100	-
China Railway 24th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	1,050,000	100	-
China Railway 25th Bureau Group Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Construction	1,003,650	100	-
China Railway Construction Group Ltd.	Beijing	Beijing	Construction	2,500,000	100	-
China Railway Construction Electrification Bureau Group Co., Ltd.	Beijing	Beijing	Construction	710,000	100	-
China Railway Goods and Materials Group Co., Ltd. (Note (f))	Beijing	Beijing	Trading of construction materials	3,000,000	100	-
CRCC High-Tech Equipment Corporation Limited	Yunnan, Kunming	Yunnan, Kunming	Industrial manufacturing	1,519,884	63.7	1.3
China Railway Construction Real Estate Group Co., Ltd.	Beijing	Beijing	Real estate development	7,000,000	100	-

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

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

Subsidiaries acquired through establishment or investment (Continued)

Company name	Place of registration	Principal place of business	Principal activities	Registered capital	Percentage of equity interest	
					Direct	Indirect
China Railway Construction Heavy Industry Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Industrial manufacturing	3,850,000	100	-
China Railway Construction Investment Group Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Project investment	10,000,000	100	-
CRCC Finance Company Limited	Beijing	Beijing	Finance services	6,000,000	94	-
CRCC International Group Co., Ltd.	Beijing	Beijing	Project contracting	3,000,000	100	-
CRCC Assets Management Co., Ltd.	Beijing	Beijing	Asset management	20,000	100	-
CRCC Urban Engineering Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Construction	2,000,000	100	-
CRCC Kunlun Investment Co., Ltd. (Note (g))	Chengdu, Sichuan	Chengdu Sichuan	Project investment	3,000,000	100	-
CRCC Chongqing Investment Co., Ltd. (Note (h))	Chongqing	Chongqing	Project investment	3,000,000	100	-
China Railway Maglev Transportation Investment Construction Co., Ltd. (Note (i))	Wuhan, Hubei	Wuhan Hubei	Project investment	2,000,000	70	30

Note (a): During the year, the registered capital of China Railway 11th Bureau Group Co., Ltd. increased by RMB3,998,150,000. The change in business registration was completed on 20 May 2016.

Note (b): During the year, the registered capital of China Railway 12th Bureau Group Co., Ltd. increased by RMB4,000,000,000. The change in business registration was completed on 19 April 2016.

Note (c): During the year, the registered capital of China Railway 14th Bureau Group Co., Ltd. increased by RMB2,000,000,000. The change in business registration was completed on 17 May 2016.

Note (d): During the year, the registered capital of China Railway 20th Bureau Group Co., Ltd. increased by RMB1,999,150,000. The change in business registration was completed on 25 April 2016.

Note (e): During the year, the registered capital of China Railway 21st Bureau Group Co., Ltd. increased by RMB730,000,000. The change in business registration was completed on 20 July 2016.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

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

Subsidiaries acquired through establishment or investment *(Continued)*

Note (f): During the year, the registered capital of China Railway Goods and Materials Group Co., Ltd. increased by RMB1,000,000,000. The change in business registration was completed on 7 July 2016.

Note (g): In accordance with the Resolution at the 23rd meeting of the Third Session of the Board of Directors, the Company decided to establish CRCC Kunlun Investment Co., Ltd., of which the registered capital was RMB3,000,000,000. The change in business registration was completed on 21 September 2016.

Note (h): In accordance with the Resolution at the 31st meeting of the Third Session of the Board of Directors, the Company approved Chongqing Tiefa Suiyu Highway Co., Ltd. to incorporate CRCC Chongqing investment Co., Ltd. After the reorganisation, CRCC Chongqing Investment Co., Ltd. became a subsidiary of the Company, of which the registered capital was RMB3,000,000,000. The Company held 100% of its shares directly. The change in business registration was completed on 16 November 2016.

Note (i): In accordance with the Resolution at the 31st meeting of the Third Session of the Board of Directors, the Company decided to incorporate China Railway Maglev Transportation Investment Construction Co., Ltd., of which the registered capital was RMB2,000,000,000. The change in business registration was completed on 9 October 2016.

The subsidiary with non-controlling interests is as follows:

2016

	Percentage of equity interest held by non-controlling interests	Net profit attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated balances of non-controlling interests at the reporting date
CRCCE	35%	163,475	21,278	1,937,144

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

The subsidiary with non-controlling interests is as follows:

CRCCE

	31 December 2016	31 December 2015
Current assets	5,318,610	5,059,018
Non-current assets	1,662,600	1,678,656
Total assets	6,981,210	6,737,674
Current liabilities	1,405,921	1,546,990
Non-current liabilities	40,592	48,579
Total liabilities	1,446,513	1,595,569
	2016	2015
Operating revenue	3,652,961	4,027,653
Net profit	467,071	455,174
Total comprehensive income	453,388	466,077
Net cash flows used in operating activities	(307,418)	(503,175)

2. Equity in joint ventures and associates

The Group did not have an individually significant joint venture or associate. Please refer to Note V.12.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS

1. Financial instruments by category

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

31 December 2016

Financial assets

	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Held-to-maturity investments	–	41	–	–	41
Available-for-sale financial assets	–	–	–	6,554,829	6,554,829
Bills receivable	–	–	4,350,580	–	4,350,580
Accounts receivable	–	–	133,427,609	–	133,427,609
Loans and advances to customers	–	–	3,966,000	–	3,966,000
Interest receivables	–	–	239,390	–	239,390
Dividends receivable	–	–	55,436	–	55,436
Other receivables	–	–	45,626,287	–	45,626,287
Other current assets (excluding paid tax and others)	–	–	–	50,000	50,000
Long-term receivables	–	–	29,613,115	–	29,613,115
Current portion of non-current assets	–	–	9,618,385	–	9,618,385
Financial assets at fair value through profit or loss	323,376	–	–	–	323,376
Cash and bank balances	–	–	128,701,994	–	128,701,994
	323,376	41	355,598,796	6,604,829	362,527,042

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

1. Financial instruments by category (Continued)

31 December 2016 (Continued)

Financial liabilities

	Other financial liabilities
Short-term loans	30,428,522
Due to customers	1,480,764
Bills payable	28,511,489
Accounts payable	261,465,985
Interest payables	1,140,984
Dividends payable	612,510
Other payables	48,871,784
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	12,129,952
Other current liabilities (excluding deferred income, output VAT to be transferred and others)	510,480
Long-term loans	69,032,432
Bonds payable	44,902,037
Long-term payables	1,843,183
Other non-current liabilities (excluding output VAT to be transferred)	1,212,856
	502,142,978

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

1. Financial instruments by category (Continued)

31 December 2015

Financial assets

	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Held-to-maturity investments	–	1,269	–	–	1,269
Available-for-sale financial assets	–	–	–	6,546,436	6,546,436
Bills receivable	–	–	2,493,640	–	2,493,640
Accounts receivable	–	–	128,028,443	–	128,028,443
Interest receivables	–	–	274,586	–	274,586
Dividends receivable	–	–	117,901	–	117,901
Other receivables	–	–	40,180,001	–	40,180,001
Other current assets (excluding paid tax and others)	–	–	–	430,000	430,000
Long-term receivables	–	–	24,885,951	–	24,885,951
Current portion of non-current assets	–	–	11,916,150	–	11,916,150
Financial assets at fair value through profit or loss	218,437	–	–	–	218,437
Cash and bank balances	–	–	121,934,009	–	121,934,009
	218,437	1,269	329,830,681	6,976,436	337,026,823

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

1. Financial instruments by category (Continued)

31 December 2015 (Continued)

Financial liabilities

	Other financial liabilities
Short-term loans	43,370,880
Due to customers	5,116,842
Due to banks	6,000,000
Bills payable	26,279,109
Accounts payable	225,976,243
Interest payables	1,008,370
Dividends payable	460,648
Other payables	45,434,154
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	31,897,696
Other current liabilities (excluding deferred income and others)	3,595,179
Long-term loans	47,398,448
Bonds payable	31,058,948
Long-term payables	2,208,765
	469,805,282

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

2. *Transfer of financial assets*

Transferred financial assets that are not derecognised in their entirety

In 2016, the Group disposed the accounts receivable from the contract-issuing parties amounting to RMB1,111,313,000 and the security rights associated with (the "Underlying Asset") to a financial institution, which in turn issued asset-backed securities to investors. Since the Group did not transfer nor retain substantially all the risks and rewards of the transferred assets, and retained control of the transferred asset, the Group continued to recognise the transferred asset to the extent of its continuing involvement in the transferred asset. As at 31 December 2016, the carrying amount of the assets that the Group retains a continuing involvement was RMB67,200,000.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2016, the subsidiaries of the Group have endorsed and discounted the bank acceptance bills amounting to RMB403,731,000 (2015: RMB469,391,000) to settle the accounts payable. As at 31 December 2016, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Bill. The Group considered the risks and rewards of the bills have been transferred. Therefore, the Group has terminated the related accounts payable that have been settled by the bills. The undiscounted cash flows and maximum loss of continuing involvement and repurchase equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

In 2016, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been terminated. The endorsement happens evenly throughout the year.

3. *Financial instrument risks*

The Group's major financial instruments include loans, due to customers, bonds payable, other current liabilities, financial leasing and cash and cash equivalents. The purpose of these financial instruments is to support daily operations of the Group. The Group also has various financial assets and liabilities caused from operation, such as accounts receivable, other receivables, accounts payable, notes payable and other payables.

The major risks from the Group's financial instruments are credit risk, liquidity risk and market risk. As a common practice, management will hold meetings at least four times a year to analyse and make plans to manage these risks. Besides, the board will hold meetings at least twice a year to discuss and approve the suggestions from management.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. *Financial instrument risks (Continued)*

The Group also enters into derivative transactions, including foreign exchange options. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. The Group did not use any derivative instruments for speculation during the whole year.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XII.3 to the financial statements. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

As at 31 December 2016 and 2015, further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, other receivables and long-term receivables which are neither past due nor impaired or past due but not impaired are disclosed in Notes V.4, 6 and 11, respectively, to the financial statements.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. *Financial instrument risks (Continued)*

Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group has already obtained banking facilities from several PRC banks of up to RMB1,007.5 billion as at 31 December 2016, of which an amount of approximately RMB342.1 billion has been utilised.

The Group's policy is that not more than 75% of the borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2016, 26.7% (31 December 2015: 49.7%) of the Group's borrowings would mature in less than one year.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial assets and liabilities as at the balance sheet date, based on the undiscounted contractual cash flows:

	31 December 2016					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	30,428,522	-	-	-	30,428,522
Due to customers	1,480,764	-	-	-	-	1,480,764
Bills payable	-	28,511,489	-	-	-	28,511,489
Accounts payable	-	261,465,985	-	-	-	261,465,985
Interest payables	-	1,140,984	-	-	-	1,140,984
Dividends payable	-	612,510	-	-	-	612,510
Other payables	-	48,871,784	-	-	-	48,871,784
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	12,129,952	-	-	-	12,129,952
Other current liabilities (excluding deferred income, output VAT to be transferred and others)	-	510,480	-	-	-	510,480
Long-term loans	-	10,881,770	22,591,685	24,316,614	51,066,219	108,856,288
Bonds payable	-	4,791,867	11,358,066	33,223,099	5,622,978	54,996,010
Long-term payables	-	74,683	997,495	355,823	489,865	1,917,866
Other non-current liabilities (excluding output VAT to be transferred)	-	-	67,200	1,145,656	-	1,212,856
Guarantees given to banks in connection with facilities granted to a joint venture and other investees (excluding the real estate mortgage guarantee)	1,457,828	-	-	-	-	1,457,828
	2,938,592	399,420,026	35,014,446	59,041,192	57,179,062	553,593,318

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

	On demand	Within 1 year	31 December 2015			Total
			1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	43,370,880	-	-	-	43,370,880
Due to customers	5,116,842	-	-	-	-	5,116,842
Due to banks	6,000,000	-	-	-	-	6,000,000
Bills payable	-	26,279,109	-	-	-	26,279,109
Accounts payable	-	225,976,243	-	-	-	225,976,243
Interest payables	-	1,008,370	-	-	-	1,008,370
Dividends payable	-	460,648	-	-	-	460,648
Other payables	-	45,434,154	-	-	-	45,434,154
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	31,897,696	-	-	-	31,897,696
Other current liabilities (excluding deferred income and others)	-	3,595,179	-	-	-	3,595,179
Long-term loans	-	3,483,738	13,146,286	21,322,145	30,603,247	68,555,416
Bonds payable	-	1,634,292	4,573,472	25,551,412	5,627,209	37,386,385
Long-term payables	-	99,170	1,031,139	785,049	468,078	2,383,436
Guarantees given to banks in connection with facilities granted to a joint venture and other investees (excluding the real estate mortgage guarantee)	787,740	-	-	-	-	787,740
	11,904,582	383,239,479	18,750,897	47,658,606	36,698,534	498,252,098

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 31 December 2016, floating interest rate loans and fixed interest rate loans accounted for approximately 54.19% and 45.81% (31 December 2015: 46.93% and 53.07%) of the Group's borrowings respectively. Management would adjust the proportion of floating rate assets based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB453,564,000 for the year (2015: RMB438,200,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2016 and the exposure to interest rate risk has been applied to those financial instruments in existence at that date. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from now until the end of the next annual reporting period.

Foreign currency risk

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions for the years ended 31 December 2016 and 2015 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the United States dollar, Nigerian naira, Euro, Algerian dinar, Saudi Arabian riyal, the Singapore dollar, and the Hong Kong dollar, with all other variables held constant, of the Group's net profit and other comprehensive income net of tax.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

2016

	Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Other comprehensive income, net of tax Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	4%	297,700	–	297,700
Decrease in the United States dollar rate	(4%)	(297,700)	–	(297,700)
Increase in the Nigerian naira rate	8%	10,300	–	10,300
Decrease in the Nigerian naira rate	(8%)	(10,300)	–	(10,300)
Increase in the Euro rate	8%	(11,700)	–	(11,700)
Decrease in the Euro rate	(8%)	11,700	–	11,700
Increase in the Algerian dinar rate	7%	(22,300)	–	(22,300)
Decrease in the Algerian dinar rate	(7%)	22,300	–	22,300
Increase in the Singapore dollar rate	4%	12,000	–	12,000
Decrease in the Singapore dollar rate	(4%)	(12,000)	–	(12,000)
Increase in the Hong Kong dollar rate	3%	2,200	5,900	8,100
Decrease in the Hong Kong dollar rate	(3%)	(2,200)	(5,900)	(8,100)

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

2015

	Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Other comprehensive income, net of tax Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	3%	(151,600)	–	(151,600)
Decrease in the United States dollar rate	(3%)	151,600	–	151,600
Increase in the Nigerian naira rate	7%	(20,900)	–	(20,900)
Decrease in the Nigerian naira rate	(7%)	20,900	–	20,900
Increase in the Euro rate	7%	7,000	–	7,000
Decrease in the Euro rate	(7%)	(7,000)	–	(7,000)
Increase in the Algerian dinar rate	7%	(122,400)	–	(122,400)
Decrease in the Algerian dinar rate	(7%)	122,400	–	122,400
Increase in the Singapore dollar rate	3%	1,300	–	1,300
Decrease in the Singapore dollar rate	(3%)	(1,300)	–	(1,300)
Increase in the Hong Kong dollar rate	3%	–	6,400	6,400
Decrease in the Hong Kong dollar rate	(3%)	–	(6,400)	(6,400)

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

3. **Financial instruments risks (Continued)**

Market risk (*Continued*)

Foreign currency risk (Continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2016 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period from now until the end of the next annual reporting period.

4. **Capital management**

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2016 (2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND THEIR RISKS (CONTINUED)

4. Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes short-term loans, long-term loans, amounts due to customers, amounts due to banks, other current liabilities (excluding deferred income output VAT to be transferred and others), bills payable, accounts payable, interest payables, dividends payable, other payables, bonds payable, long-term payables, the current portion of non-current liabilities (excluding the current portion of employee benefits payable) and other non-current liabilities (excluding output VAT to be transferred) less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the end of the reporting periods are as follows:

	31 December 2016	31 December 2015
Short-term loans	30,428,522	43,370,880
Long-term loans	69,032,432	47,398,448
Due to customers	1,480,764	5,116,842
Due to banks	–	6,000,000
Bills payable	28,511,489	26,279,109
Accounts payable	261,465,985	225,976,243
Interest payables	1,140,984	1,008,370
Dividends payable	612,510	460,648
Other payables	48,871,784	45,434,154
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	12,129,952	31,897,696
Other current liabilities (excluding deferred income, output VAT to be transferred and others)	510,480	3,595,179
Bonds payable	44,902,037	31,058,948
Long-term payables	1,843,183	2,208,765
Other non-current liabilities (excluding output VAT to be transferred)	1,212,856	–
Less: cash and bank balances	(128,701,994)	(121,934,009)
Net debt	373,440,984	347,871,273
Owners of the Company	131,187,072	111,664,991
Non-controlling interests	17,528,914	17,154,174
Total equity	148,715,986	128,819,165
Total equity and net debt	522,156,970	476,690,438
Gearing ratio	72%	73%

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Equity investments at fair value through profit or loss	323,376	–	–	323,376
Available-for-sale financial assets	1,426,317	483,739	136,000	2,046,056
	1,749,693	483,739	136,000	2,369,432

31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other non-current liabilities	–	1,212,856	–	1,212,856

31 December 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Equity investments at fair value through profit or loss	218,437	–	–	218,437
Available-for-sale financial assets	2,142,011	240,422	479,300	2,861,733
	2,360,448	240,422	479,300	3,080,170

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities for which fair values are disclosed

31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term receivables	–	27,069,579	–	27,069,579
Long-term loans	–	63,096,020	–	63,096,020
Bonds payable	–	48,421,420	–	48,421,420
Long-term payables	–	1,892,723	–	1,892,723
	–	140,479,742	–	140,479,742

31 December 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term receivables	–	21,163,488	–	21,163,488
Long-term loans	–	48,893,180	–	48,893,180
Bonds payable	–	32,210,911	–	32,210,911
Long-term payables	–	2,247,867	–	2,247,867
	–	104,515,446	–	104,515,446

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities in 2016 (2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Valuation of fair value

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

	Carrying amounts		Fair values	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial assets				
Long-term receivables	27,069,579	21,163,488	27,069,579	21,163,488
Financial liabilities				
Long-term loans	69,032,432	47,398,448	63,096,020	48,893,180
Bonds payable	44,902,037	31,058,948	48,421,420	32,210,911
Long-term payables	1,843,183	2,208,765	1,892,723	2,247,867
	115,777,652	80,666,161	113,410,163	83,351,958

Management has assessed that the fair values of cash and bank balances, bills and accounts receivables, short-term loans, bills and accounts payables and similar instruments approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of financial assets and liabilities are included at the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions were used to estimate fair values.

The fair values of long-term receivables, long-term loans, long-term payables, bonds payable and similar instruments are calculated by discounting the estimated future cash flows using rates currently available for other instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

The derivative financial instruments consist of embedded derivative instruments of convertible bonds, measured by adopting valuation techniques of the binomial tree option pricing model. The model takes into account of several observable market based inputs, including share price, share price volatility and risk-free interest rate. The book value of the embedded derivative instruments of convertible bonds equals to its fair value.

The fair values of listed equity instruments are determined based on the quoted market prices.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent

Company name	Place of registration	Business scope	Registered capital	Percentage of ownership interest in the Company	Percentage of voting rights in the Company
CRCCG	Beijing	Construction and management	5,969,888	55.73	55.73

2. Subsidiaries

Refer to Note XIV – 3(i) “Subsidiaries”.

3. Joint ventures and associates

Company name	Related party relationship
Nanchang Railway 2nd Construction Engineering Co., Ltd.	Associate
Chongqing Monorail Transit Engineering Co., Ltd.	Associate
Nanchang Xinlong Real Estate Co., Ltd.	Associate
Shaanxi Jiuzheng Medical Technology Co., Ltd.	Associate
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	Associate
Chongqing Yurong Highway Co., Ltd.	Associate
Wuhan Lvyin Lawn Engineering Co., Ltd.	Associate
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	Associate
CRCC-Tongguan Investment Co., Ltd.	Associate
Inner Mongolia Berun New Energy Co., Ltd.	Associate
Hunan Maglev Transportation Development Co., Ltd.	Associate
Heilongjiang CRCC Longxing Investment & Development Co., Ltd.	Associate
Guangzhou Baorui Real Estate Co., Ltd.	Associate
Guangzhou Hongxuan Real Estate Co., Ltd.	Associate
Guangzhou Hongjia Real Estate Co., Ltd.	Associate
CRCC Financial Leasing Co., Ltd.	Associate
Changzhou China Railway Blue Flame Component Co., Ltd.	Associate
CRCC Real Estate Co., Ltd.	Associate
Guangzhou Jingye Real Estate Co., Ltd.	Associate
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	Associate
Jiangxi Jingcheng Real Estate Co., Ltd.	Associate
Chongqing Tiefsa Jianxin Highway Co., Ltd.	Associate
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	Associate
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.	Associate

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates (Continued)

Company name	Related party relationship
Shanghai Hongjun Real Estate Co., Ltd.	Joint venture
Beijing Jiehai Real Estate Co., Ltd.	Joint venture
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Joint venture
Hangzhou Jianshen Real Estate Co., Ltd.	Joint venture
Guangzhou Kunfang Real Estate Co., Ltd.	Joint venture
Hunan Yuntong Rail Traffic Equipment Co., Ltd.	Joint venture
China Railway Communications International Engineering and Technology Co., Ltd.	Joint venture
Groupement CITIC-CRCC Joint Venture	Joint venture
CRCC-HC-CR15G Joint Venture	Joint venture
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Joint venture
Greenland Group Chengdu Shenlong Real Estate Co., Ltd.	Joint venture
Hangzhou Jingbin Real Estate Co., Ltd.	Joint venture
Hangzhou Jingping Real Estate Co., Ltd.	Joint venture
Beijing Liuzhuang Real Estate Co., Ltd.	Joint venture
Dalian Jingcheng Real Estate Co., Ltd.	Joint venture
Chengdu Tiecheng Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Joint venture
PetroChina & CRCC Petroleum Marketing Co., Ltd.	Joint venture
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Joint venture
Hangzhou Jingke Real Estate Co., Ltd.	Joint venture

4. Other related parties

Company name	Related party relationship
China Civil (Hong Kong) Building Limited	Fellow subsidiary
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary
Same Fast Limited	Fellow subsidiary
Xi'an Tianchuang Real Estate Co., Ltd.	Fellow subsidiary
China Railway Construction (Hong Kong) Co., Ltd.	Fellow subsidiary
Railway Construction Technology Magazine	Fellow subsidiary
Beijing Railway Construction Society	Fellow subsidiary
Beijing Lu Lu Advertising Company	Fellow subsidiary
Jinli Assets Management Center	Fellow subsidiary

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Revenue from construction operations (Note (a))

	2016 Amount	2015 Amount
Hunan Maglev Transportation Development Co., Ltd.	805,347	1,179,083
Chongqing Tiefa Jianxin Highway Co., Ltd.	429,787	–
NingXia China Railway Ning Dong Road & Bridge Investment & Development Co., Ltd.	400,022	408,016
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.	394,891	–
Chongqing Monorail Transit Engineering Co., Ltd.	169,603	418,009
CRCC-Tongguan Investment Co., Ltd.	140,369	70,000
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	129,892	327,021
Chongqing Yurong Highway Co., Ltd.	115,631	33,300
CRCC-HC-CR15G Joint Venture	115,427	472,901
Groupment CITIC-CRCC Joint Venture	54,868	201,000
CRCCG (Note (d))	949	6,889
Inner Mongolia Berun New Energy Co., Ltd.	–	632
	2,756,786	3,116,851

(2) Revenue from sales of goods (Note (b))

	Amount	Amount
CRCC Financial Leasing Co., Ltd.	467,262	–

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Other income (Note (c))

	Amount	Amount
Beijing Liuzhuang Real Estate Co., Ltd.	120,459	–
Shanghai Hongjun Real Estate Co., Ltd.	80,416	–
Hangzhou Jingbin Real Estate Co., Ltd.	46,826	–
Hangzhou Jingping Real Estate Co., Ltd.	32,566	–
Guangzhou Baorui Real Estate Co., Ltd.	31,272	–
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	21,382	–
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	17,740	–
CRCCG (Note (d))	14,034	–
Hangzhou Jingke Real Estate Co., Ltd.	13,680	–
Hangzhou Jianshen Real Estate Co., Ltd.	10,293	–
Guangzhou Hongjia Real Estate Co., Ltd.	8,062	–
CRCC Financial Leasing Co., Ltd.	7,981	–
Beijing Jiehai Real Estate Co., Ltd.	7,595	–
Greenland Group Chengdu Shenlong Real Estate Co., Ltd.	6,047	–
Guangzhou Kunfang Real Estate Co., Ltd.	4,426	–
Guangzhou Hongxuan Real Estate Co., Ltd.	4,335	–
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	3,925	–
Tianjin China Railway Yuhua Real Estate Co., Ltd.	3,588	–
Guangzhou Jingye Real Estate Co., Ltd.	1,609	–
	436,236	–

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Purchase of goods and rendering of services (Note (e))

	2016 Amount	2015 Amount
PetroChina & CRCC Petroleum Marketing Co., Ltd.	63,022	–
Changzhou China Railway Blue Flame Component Co., Ltd.	39,170	–
Beijing Lu Lu Advertising Company (Note (d))	93	–
Wuhan Lvyin Lawn Engineering Co., Ltd.	31	–
	102,316	–

(5) Other expenses (Note (c))

	Amount	Amount
CRCCG (Note (d))	76,970	143,720
Jinli Assets Management Center (Note (d))	30,421	32,406
CRCC Financial Leasing Co., Ltd.	14,000	–
Beijing Tongda Jingcheng Highway Co., Ltd. (Note (d))	755	647
Railway Construction Technology Magazine (Note (d))	20	12
	122,166	176,785

(6) Related party leasing

As the lessee	Leasing Asset types	2016 Amount	2015 Amount
CRCC Financial Leasing Co., Ltd. (Note (f))	Machinery	74,305	–

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(7) Related party guarantees granted to a related party

31 December 2016

	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	299,678	20 May 2015	20 November 2023	No
CRCC-Tongguan Investment Co., Ltd.	1,040,550	17 March 2014	30 December 2023	No

31 December 2015

	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	280,524	20 May 2015	20 November 2023	No
CRCC-Tongguan Investment Co., Ltd.	389,616	17 March 2014	30 December 2023	No

Note (a): The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.

Note (b): The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

Note (c): The terms of the agreements relating to rendering of or receiving other services entered into by the Group and related parties were mutually agreed by the parties.

Note (d): The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Note (e): The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

Note (f): The Group rent machinery from CRCC Financial Leasing Co., Ltd., and the rental expense amounted RMB74,305,000 (2015: Nil) according to the lease contract.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

	31 December 2016		31 December 2015	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable (Note (a))				
CRCC Financial Leasing Co., Ltd.	331,743	–	–	–
Chongqing Monorail Transit Engineering Co., Ltd.	245,949	–	256,185	–
Chongqing Yurong Highway Co., Ltd.	120,941	–	155,266	–
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.	105,608	–	–	–
Hubei Provincial Communications Investment Zi Yun Railway Co., Ltd.	85,915	–	73,948	–
Inner Mongolia Berun New Energy Co., Ltd.	44,767	–	49,910	–
CRCC-HC-CR15G Joint Venture	10,253	–	17,464	–
Hangzhou Jianshen Real Estate Co., Ltd.	8,367	–	–	–
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	–	–	96,160	–
CRCCG	–	–	3,777	–
	953,543	–	652,710	–
Bills receivable (Note (a))				
Chongqing Monorail Transit Engineering Co., Ltd.	5,500	–	498	–
Dividends receivable (Note (a))				
Chongqing Monorail Transit Engineering Co., Ltd.	15,592	–	15,592	–
CRCC Real Estate Co., Ltd.	–	–	99,426	–
	15,592	–	115,018	–

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2016		31 December 2015	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Loans and advances to related parties <i>(Note (c))</i>				
CRCC Financial Leasing Co., Ltd.	2,566,000	—	—	—
CRCCG	1,400,000	—	—	—
	3,966,000	—	—	—
Other receivables <i>(Note (b))</i>				
Shanghai Hongjun Real Estate Co., Ltd.	2,407,923	—	—	—
Beijing Liuzhuang Real Estate Co., Ltd.	1,804,231	—	2,587,186	—
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	1,184,241	—	—	—
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	1,035,420	—	—	—
Hangzhou Jingbin Real Estate Co., Ltd.	662,592	—	334,109	—
Beijing Jiehai Real Estate Co., Ltd.	641,266	—	—	—
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	604,103	—	—	—
Guangzhou Baorui Real Estate Co., Ltd.	422,368	—	372,096	—
CRCC-Tongguan Investment Co., Ltd.	380,201	—	360,518	—
Hangzhou Jingke Real Estate Co., Ltd.	319,892	—	—	—
Guangzhou Kunfang Real Estate Co., Ltd.	235,438	—	—	—
Chengdu Tiecheng Real Estate Co., Ltd.	180,000	—	—	—
Guangzhou Hongjia Real Estate Co., Ltd.	177,539	—	158,270	—
Hangzhou Jianshen Real Estate Co., Ltd.	148,028	—	—	—
Guangzhou Hongxuan Real Estate Co., Ltd.	112,982	—	89,964	—
Guangzhou Jingye Real Estate Co., Ltd.	45,477	—	—	—
Dalian Jingcheng Real Estate Co., Ltd.	38,465	—	32,830	—
Nanchang Xinlong Real Estate Co., Ltd.	26,599	475	26,599	475

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2016		31 December 2015	
	Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	8,928	–	–	–
Nanchang Railway 2nd Construction Engineering Co., Ltd.	6,561	1,968	6,561	656
Tianjin China Railway Yuhua Real Estate Co., Ltd.	3,588	–	–	–
Shenzhen Zhongtieda Weijun Storage and Transportation Co., Ltd.	1,378	–	1,547	–
Hunan Yuntong Rail Traffic Equipment Co., Ltd.	561	–	561	–
Chongqing Monorail Transit Engineering Co., Ltd.	60	–	–	–
CRCC Financial Leasing Co., Ltd.	37	–	–	–
Heilongjiang CRCC Longxing Investment & Development Co., Ltd.	23	–	12	–
CRCC Real Estate Group Beijing Jinjun Xingsheng Property Co., Ltd.	–	–	1,401,293	–
Hangzhou Jingping Real Estate Co., Ltd.	–	–	456,369	–
Greenland Group Chengdu Shenlong Real Estate Co., Ltd.	–	–	191,760	–
	10,447,901	2,443	6,019,675	1,131

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2016	31 December 2015
Accounts payable (Note (a))		
PetroChina & CRCC Petroleum Marketing Co., Ltd.	22,718	–
Changzhou China Railway Blue Flame Component Co., Ltd.	9,685	–
WuHan Lvyin Lawn Engineering Co., Ltd.	37	6
	32,440	6
Advances from customers (Note (a))		
Chongqing Tiefa Jianxin Highway Co., Ltd.	301,985	–
PetroChina & CRCC Petroleum Marketing Co., Ltd.	13,936	–
Railway Construction Technology Magazine	–	400
Hunan Maglev Transportation Development Co., Ltd.	–	100,000
	315,921	100,400
Other payables (Note (a))		
CRCCG (Note (d))	331,803	204,419
Groupment Citic – CRCC Joint Venture	291,643	262,176
Hangzhou Jingping Real Estate Co., Ltd.	252,000	–
Greenland Group Chengdu Shenlong Real Estate Co., Ltd.	175,829	–
Jiangxi Jingcheng Real Estate Co., Ltd.	122,403	–
China Railway Communications International Engineering and Technology Co., Ltd.	97,580	55,969
CRCC-HC-CR15G Joint Venture.	72,713	46,245
Chongqing Yurong Highway Co., Ltd.	63,427	63,427
PetroChina & CRCC Petroleum Marketing Co., Ltd.	1,591	–
Shaanxi Jiuzheng Medical Technology Co., Ltd.	450	450
Jinli Assets Management Center	395	2,966
Chongqing Monorail Transit Engineering Co., Ltd.	–	2,630
	1,409,834	638,282

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2016	31 December 2015
Due to customers (Note (e))		
CRCC Financial Leasing Co., Ltd.	808,939	–
Jinli Assets Management Center	274,233	126,628
CRCCG	250,978	4,914,466
Beijing Tongda Jingcheng Highway Co., Ltd.	110,601	72,075
Chongqing Tiefa Jianxin Highway Co., Ltd.	34,949	–
Railway Construction Technology Magazine	1,064	3,673
	1,480,764	5,116,842
Long-term loans (Note (f))		
CRCCG	771,770	771,770
Long-term payables (Note (g))		
CRCC Financial Leasing Co., Ltd.	36,769	–

Note (a): The amounts due from/to related parties were interest-free, unsecured, and had no fixed terms of repayment.

Note (b): The amounts due from related parties were loans for cooperative development project from China Railway Construction Real Estate Group Co., Ltd. with the interest rate agreed in the contracts.

Note (c): The amounts due from CRCCG and CRCC Financial Leasing Co., Ltd. were borrowings from CRCC Finance Company Limited.

Note (d): The amounts due to CRCCG were mainly the funds contributed by CRCCG in the Funds Center of the Group, and the inter-company funds to CRCC International Group Co., Ltd. from CRCCG.

Note (e): The amounts due to CRCCG and other companies controlled by the same parent company as CRCCG and CRCC Financial Leasing Co., Ltd. were deposits in CRCC Finance Company Limited.

Note (f): According to "The Ministry of Finance's notification of 2013 central state capital budget about China Railway Construction Corporation", the Ministry of Finance appropriated RMB500,000,000 to CRCCG. According to "The Ministry of Finance's notification of 2012 central state capital budget about the special funds of safety production", the Ministry of Finance allocated RMB82,110,000 to CRCCG. According to "Strengthening Corporation Financial Information Management Interim Provisions", CRCCG transferred the fund to the Company by entrusted loans.

Note (g): The amounts due to CRCC Financial Leasing Co., Ltd. are rental expenses on financial leasing.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2016	31 December 2015
Investments in subsidiaries		
Unlisted, measured at cost	84,458,327	77,860,112
Loans to subsidiaries	41,263,814	37,070,877
	125,722,141	114,930,989

As at 31 December 2016, the dividends receivable due from a subsidiary in the current assets of the Company amounted to nil (31 December 2015: Nil) and the carrying amount of the current debt due to subsidiaries in the current liabilities was RMB28,191,523,000 (31 December 2015: RMB19,640,265,000). Except for the amounts deposited in the Company by the subsidiaries which bear the prevailing interest rate in the market stipulated by financial institutions, other current liabilities are unsecured, interest-free and shall be paid on demand or within one year.

The loans included in the investments to subsidiaries are interest-bearing at the prevailing interest rate in the market stipulated by financial institutions, unsecured and have no fixed terms of repayment.

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

	31 December 2016	31 December 2015
Contracted, but not provided for:		
Capital commitments	860,324	375,795
Investment commitments	3,507,371	115,000
Other commitments	7,080,179	8,275,318
	11,447,874	8,766,113

2. Contingencies

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

3. Guarantees

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

The Group	31 December 2016	31 December 2015
Associate	1,340,228	670,140
Other company invested by the Group	117,600	117,600
	1,457,828	787,740

As at 31 December 2016, the Group provided guarantees in respect of the banking facilities other than mortgages with an aggregate carrying amount of RMB1,457,828,000 (31 December 2015: RMB787,740,000), and provided guarantees in respect of mortgages with an aggregate carrying amount of RMB24,882,246,000 (31 December 2015: RMB15,786,204,000). Until 31 December 2016, the purchasers of the underlying properties rarely defaulted payments to the banks, thus the Group considered the risks related to the guarantees were low and the fair value was immaterial.

The above guarantees in respect of mortgages are granted to the purchasers of the Group's properties and secured by the mortgages.

The Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

The Company	31 December 2016	31 December 2015
Subsidiaries	24,505,929	18,142,343
Associate	1,340,228	670,140
Other company invested by the Group	117,600	117,600
	25,963,757	18,930,083

In addition, no interest-bearing bank and other loans of the Company were guaranteed by the subsidiaries of the Company as at 31 December 2016 (31 December 2015: Nil).

XII. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the resolution of the 39th meeting of the 3rd session of the board meeting from 29 March 2017 to 30 March 2017, the board has voted for a cash dividend of RMB1.6 per 10 shares to all shareholders (RMB0.16 per share), based on the total number of shares of 13,579,541,500, which is expected to be RMB2,172,726,640 in total. The above-mentioned proposal will be effective only after the approval by shareholders at the shareholders' meeting.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS

1. Leases

As the lessee

Finance leases: As at 31 December 2016, the balance of unrecognised financing charges was RMB117,184,000 (31 December 2015: RMB174,671,000), which was amortised using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

	31 December 2016	31 December 2015
Less than 1 year (including 1 year)	1,189,007	1,312,336
1 to 2 years (including 2 years)	621,788	1,008,628
2 to 5 years (including 5 years)	321,241	573,407
	2,132,036	2,894,371

Significant operating leases: according to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

	31 December 2016	31 December 2015
Less than 1 year (including 1 year)	231,752	60,792
1 to 2 years (including 2 years)	217,670	51,201
2 to 3 years (including 3 years)	191,714	47,141
Over 3 years	108,257	8,385
	749,393	167,519

For the year ended 31 December 2016, payments under operating leases recognised in profit or loss for the year amounted to RMB194,782,000 (2015: RMB80,394,000).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting

Operating segments

For management purposes, the Group is organised into the following five operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services, as well as technology and equipment research and development services;
- (3) The manufacturing operations segment engages in the design, research and development, production and sale of large track maintenance machinery as well as the manufacture of components for railway construction;
- (4) The real estate operations segment engages in the development, construction and sale of residential properties and commercial properties; and
- (5) The other business operations segment mainly comprises logistics, finance and insurance.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

2016

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	534,279,796	12,247,604	12,082,809	38,319,888	32,396,993	-	629,327,090
Inter-segment sales	5,854,816	9,852	2,257,698	-	14,904,687	(23,027,053)	-
	540,134,612	12,257,456	14,340,507	38,319,888	47,301,680	(23,027,053)	629,327,090
Share of profits/(losses) of joint ventures and associates	29,846	(19,999)	20,171	(16,443)	(42,887)	-	(29,312)
Impairment losses recognised	44,388	12,313	7,615	29,454	506,357	-	600,127
Depreciation and amortisation	11,266,645	182,979	365,666	48,233	335,981	-	12,199,504
Profit before tax	9,386,216	1,408,265	1,751,510	4,885,357	1,850,456	(312,229)	18,969,575
Segment assets (i)	529,048,219	19,336,193	27,778,988	160,297,025	145,207,428	(122,322,819)	759,345,034
Segment liabilities (ii)	451,635,018	14,078,375	14,266,040	138,222,220	101,288,523	(108,861,128)	610,629,048
Other segment information							
Investments in joint ventures and associates	2,589,249	392,473	1,124,224	774,574	3,055,906	-	7,936,426
Increase in non-current assets other than long-term equity investments	15,428,400	695,720	1,250,080	96,202	12,054,152	-	29,524,554

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

2015

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate operations	Other business operations	Eliminations and adjustments	Total
Revenue from external customers	513,877,065	10,064,622	13,781,930	28,670,651	34,144,462	-	600,538,730
Inter-segment sales	5,435,772	15,700	905,755	-	12,785,953	(19,143,180)	-
	519,312,837	10,080,322	14,687,685	28,670,651	46,930,415	(19,143,180)	600,538,730
Share of profits/(losses) of joint ventures and associates	12,858	(97,435)	39,229	51,391	90,027	-	96,070
Impairment losses recognised	263,017	9,246	321,598	18,991	2,951,763	-	3,564,615
Depreciation and amortisation	10,213,665	181,613	330,417	49,429	341,730	-	11,116,854
Profit before tax	10,484,707	1,423,024	984,702	4,314,153	(321,315)	227,767	17,113,038
Segment assets (i)	484,514,684	15,600,861	23,775,001	144,853,460	118,782,463	(91,430,139)	696,096,330
Segment liabilities (ii)	415,499,547	10,872,545	11,518,926	126,007,389	94,195,429	(90,816,671)	567,277,165
Other segment information							
Investments in joint ventures and associates	1,684,470	365,409	7,000	296,412	1,804,505	-	4,157,796
Increase in non-current assets other than long-term equity investments	11,171,474	596,732	835,563	97,810	14,024,736	-	26,726,315

(i) Segment assets do not include deferred tax assets of RMB2,811,397,000 (31 December 2015: RMB2,373,821,000), as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB125,134,216,000 (31 December 2015: RMB93,803,960,000) are eliminated on consolidation.

(ii) Segment liabilities do not include deferred tax liabilities of RMB276,491,000 (31 December 2015: RMB430,459,000) and corporate income tax payable of RMB2,357,370,000 (31 December 2015: RMB2,419,526,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB111,494,989,000 (31 December 2015: RMB93,666,657,000) are eliminated on consolidation.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Group information

Geographical information

Revenue from external customers

	2016	2015
Mainland China	596,478,794	572,900,558
Outside Mainland China	32,848,296	27,638,172
	629,327,090	600,538,730

Non-current assets (Note)

	31 December 2016	31 December 2015
Mainland China	99,970,644	82,534,108
Outside Mainland China	2,628,077	2,753,397
	102,598,721	85,287,505

In the geographical information above, revenue from external customers is based on the locations of the customers. Non-current asset information above is based on the locations of the non-current assets.

Note: Non-current assets consisted of property, plant and equipment, investment properties, construction in progress, intangible assets, long-term prepaid expenses and investments in joint ventures and associates.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer during the year ended 31 December 2016 (2015: 10%).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information

(i) Pension scheme contributions

	2016	2015
Pension scheme contributions (defined contribution plans)	4,498,675	4,146,636
Pension scheme costs (defined benefit plans)	39,829	76,666

As at 31 December 2016, there were no forfeited contributions available to reduce the Group's contributions to its pension scheme in the next year (31 December 2015: Nil).

(ii) Directors', supervisors' and key management's remuneration

Directors' and supervisors' remuneration

	2016	2015
Fees	–	–
Other emoluments:		
Salaries, housing benefits, other allowances and benefits in kind	1,810	1,963
Performance-related bonuses	2,417	5,303
Pension scheme contributions	263	274
	4,490	7,540

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

- (ii) Directors', supervisors' and key management's remuneration (Continued)

The names of the directors and supervisors and their respective remuneration for the year are as follows:

	Salaries, housing benefits, other allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions	Total remuneration
Year ended 31 December 2016				
Executive directors:				
Mr. MENG Fengchao	173	494	45	712
Mr. QI Xiaofei	173	492	45	710
Mr. ZHUANG Shangbiao	173	471	43	687
	519	1,457	133	2,109
Independent non-executive directors:				
Mr. WANG Huacheng	192	–	–	192
Mr. Patrick SUN	163	–	–	163
Mr. CHENG Wen	122	–	–	122
Ms. LU Xiao Qiang	145	–	–	145
	622	–	–	622
Supervisors:				
Mr. HUANG Shaojun	138	419	45	602
Mr. ZHANG Liangcai	267	277	44	588
Mr. LI Xuefu	264	264	41	569
	669	960	130	1,759
	1,810	2,417	263	4,490

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors', supervisors' and key management's remuneration (Continued)

	Salaries, housing benefits, other allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions	Total remuneration
Year ended				
31 December 2015				
Executive directors:				
Mr. MENG Fengchao	160	960	42	1,162
Mr. PENG Shugui	34	718	10	762
Mr. ZHANG Zongyan	80	880	19	979
Mr. QI Xiaofei	158	878	42	1,078
Mr. ZHUANG Shangbiao	138	858	39	1,035
	570	4,294	152	5,016
Independent non-executive directors:				
Mr. WANG Huacheng	198	–	–	198
Mr. Patrick SUN	181	–	–	181
Mr. CHENG Wen	190	–	–	190
Ms. LU Xiao Qiang	166	–	–	166
	735	–	–	735
Supervisors:				
Mr. HUANG Shaojun	128	554	42	724
Mr. ZHANG Liangcai	266	234	42	542
Mr. LI Xuefu	264	221	38	523
	658	1,009	122	1,789
	1,963	5,303	274	7,540

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year (2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors', supervisors' and key management's remuneration (Continued)

Five highest paid employees

An analysis of the five highest paid employees within the Group for the year is as follows:

	2016	2015
Non-director and non-supervisor employees	5	5

Details of the remuneration of the above non-director and non-supervisor highest paid employees for the year are as follows:

	2016	2015
Salaries, housing benefits, other allowances and benefits in kind	1,226	1,557
Performance-related bonuses	14,550	11,949
Pension scheme contributions	67	102
	15,843	13,608

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	2016	2015
Nil to RMB1,000,000 (including RMB1,000,000)	–	–
RMB1,000,001 to 1,500,000 (including RMB1,500,000)	–	–
RMB1,500,001 to 2,000,000 (including RMB2,000,000)	–	–
RMB2,000,001 to 2,500,000 (including RMB2,500,000)	–	3
RMB2,500,001 to 3,000,000 (including RMB3,000,000)	3	–
Higher than RMB3,000,000	2	2
	5	5

4. Comparative information

In accordance with the regulations, some retrospective adjustments have been made to the current year's financial statements. Respectively, some comparative amounts have been reclassified and restated to conform to the current period's presentation.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

An ageing analysis of accounts receivable is as follows:

	31 December 2016	31 December 2015
Within 1 year	4,145,134	1,529,443
1 to 2 years	267,502	209,377
	4,412,636	1,738,820

Accounts receivable by category are as follows:

	31 December 2016 Provision for bad debts			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	4,412,636	100.00	–	–

	31 December 2015 Provision for bad debts			
	Amount	Percentage	Provision for bad debts	Percentage
Individually significant and subject to separate provision for bad debts	1,738,820	100.00	–	–

As at 31 December 2016, no amount due from shareholders that held 5% or more of the Company's voting rights or other related parties was included in the aforesaid balance of accounts receivable (31 December 2015: Nil).

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

As at 31 December 2016, accounts receivables from the five largest customers were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable %
Company 1	Third party	966,727	Within 1 year	21.91
Company 2	Third party	852,031	Within 1 year	19.31
Company 3	Third party	626,857	Within 1 year	14.21
Company 4	Third party	529,123	Within 1 year	11.99
Company 5	Third party	439,289	Within 1 year	9.95
		3,414,027		77.37

As at 31 December 2015, accounts receivables from the five largest customers were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total accounts receivable %
Company 1	Third party	479,300	Within 1 year	27.56
Company 2	Third party	381,163	Within 2 year	21.92
Company 3	Third party	309,307	Within 1 year	17.79
Company 4	Third party	243,781	Within 1 year	14.02
Company 5	Third party	220,591	Within 1 year	12.69
		1,634,142		93.98

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

An ageing analysis of other receivables is as follows:

	31 December 2016	31 December 2015
Within 1 year	41,593,684	36,972,062
1 to 2 years	7,412	150
2 to 3 years	1,639	1,639
Over 3 years	171,612	171,612
	41,774,347	37,145,463

Other receivables by category are as follows:

	31 December 2016 Provision for bad debts			
	Amount	Percentage	Provision for bad debts	Percentage
Subject to provision by group Individually not significant but subject to separate provision for bad debts	41,683,007	99.78	-	-
	91,340	0.22	-	-
	41,774,347	100.00	-	-

	31 December 2015 Provision for bad debts			
	Amount	Percentage	Provision for bad debts	Percentage
Subject to provision by group Individually not significant but subject to separate provision for bad debts	37,022,268	99.67	-	-
	123,195	0.33	-	-
	37,145,463	100.00	-	-

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 31 December 2016, the five largest amounts of other receivables were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
Company 1	Subsidiary	22,515,599	Within 1 year	53.90
Company 2	Subsidiary	5,613,404	Within 1 year	13.44
Company 3	Subsidiary	3,059,472	Within 1 year	7.32
Company 4	Subsidiary	1,123,750	Within 1 year	2.69
Company 5	Subsidiary	1,072,200	Within 1 year	2.57
		33,384,425		79.92

As at 31 December 2015, the five largest amounts of other receivables were as follows:

	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
Company 1	Subsidiary	19,515,600	Within 1 year	52.54
Company 2	Subsidiary	5,967,404	Within 1 year	16.06
Company 3	Subsidiary	3,008,210	Within 1 year	8.10
Company 4	Subsidiary	957,100	Within 1 year	2.58
Company 5	Subsidiary	932,778	Within 1 year	2.51
		30,381,092		81.79

As at 31 December 2016, no balance due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of other receivables (31 December 2015: Nil).

As at 31 December 2016, other receivables from related parties were as follows:

	31 December 2016	31 December 2015
Subsidiaries	41,263,814	37,070,877

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

		31 December 2016	31 December 2015
Cost method			
Subsidiaries	(i)	84,458,327	77,860,112
Equity method			
Joint ventures	(ii)	667,490	–
Associates	(iii)	48,000	667,282
		85,173,817	78,527,394

Note: All the long-term equity investments are investments in unlisted companies except for the investments in CRCCE.

(i) Subsidiaries

Company name	31 December 2016 Percentage of equity interest attributable to the Company	31 December 2016 Carrying amount	31 December 2015 Carrying amount
China Civil Engineering Construction Ltd.	100.00	2,946,507	2,946,507
China Railway 11th Bureau Group Co., Ltd. (Note VII 1 Note(a))	100.00	1,893,912	1,893,912
China Railway 12th Bureau Group Co., Ltd. (Note VII 1 Note(b))	100.00	1,957,277	1,957,277
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	100.00	2,460,480	2,460,480
China Railway 14th Bureau Group Co., Ltd. (Note VII 1 Note(c))	100.00	2,130,105	2,130,105
China Railway 15th Bureau Group Co., Ltd.	100.00	1,585,152	1,585,152
China Railway 16th Bureau Group Co., Ltd.	100.00	1,482,412	1,482,412
China Railway 17th Bureau Group Co., Ltd.	100.00	1,714,582	1,714,582
China Railway 18th Bureau Group Co., Ltd.	100.00	1,103,234	1,103,234

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Subsidiaries (Continued)

Company name	31 December 2016 Percentage of equity interest attributable to the Company	31 December 2016 Carrying amount	31 December 2015 Carrying amount
China Railway 19th Bureau Group Co., Ltd	100.00	3,954,638	3,954,638
China Railway 20th Bureau Group Co., Ltd. (Note VII 1 Note(d))	100.00	1,615,144	1,615,144
China Railway 21st Bureau Group Co., Ltd. (Note VII 1 Note(e))	100.00	1,557,251	1,557,251
China Railway 22nd Bureau Group Co., Ltd.	100.00	1,295,286	1,295,286
China Railway 23rd Bureau Group Co., Ltd.	100.00	1,545,004	1,545,004
China Railway 24th Bureau Group Co., Ltd.	100.00	1,346,917	1,346,917
China Railway 25th Bureau Group Co., Ltd.	100.00	1,078,597	1,078,597
China Railway Construction Group Ltd.	100.00	2,868,346	2,868,346
China Railway Electrification Bureau Group Co., Ltd.	100.00	1,105,530	1,105,530
China Railway Construction Real Estate Group Co., Ltd.	100.00	7,233,191	7,233,191
China Railway First Survey and Design Institute Group Co., Ltd.	100.00	623,730	623,730
China Railway Fourth Survey and Design Institute Group Co., Ltd.	100.00	1,015,309	1,015,309
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100.00	318,196	318,196
China Railway Shanghai Design Institute Group Co., Ltd.	100.00	267,624	267,624
China Railway Goods and Materials Group Co., Ltd. (Note VII 1 Note(f))	100.00	3,314,805	2,314,805
China High-tech Equipment Co., Ltd.	63.70	1,714,797	1,714,797
China Railway Construction Heavy Industry Co., Ltd.	100.00	4,042,705	4,042,705
Chenghe Insurance Broker Co., Ltd.	100.00	113,290	113,290

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Subsidiaries (Continued)

Company name	31 December 2016 Percentage of equity interest attributable to the Company	31 December 2016 Carrying amount	31 December 2015 Carrying amount
China Railway Construction (Beijing) Business Management Co., Ltd.	100.00	28,313	28,313
China Railway Construction Investment Co., Ltd.	100.00	10,000,000	10,000,000
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	100.00	1,385,891	1,385,891
CRCC Finance Company Limited	94.00	5,640,000	5,640,000
CRCC International Group Co., Ltd.	100.00	3,000,102	3,000,102
CRCC Assets Management Co., Ltd.	100.00	520,000	20,000
CRCC Urban Engineering Co., Ltd.	100.00	2,000,000	2,000,000
Chongqing Tiefa Suiyu Highway Co., Ltd.	0.00	–	2,001,785
Beijing CRCC Tianrui Machinery Equipment Co., Ltd.	98.04	2,000,000	2,000,000
China Railway Strait Construction Group Co., Ltd.	50.00	500,000	500,000
CRCC Kunlun Investment Co., Ltd. (Note VII 1 Note(g))	100.00	3,000,000	–
CRCC Huabei Investment & Development Co.,Ltd	100.00	200,000	–
CRCC Nanfang Construction and Investment Co.,Ltd	100.00	200,000	–
CRCC Chongqing Investment Co.,Ltd. (Note VII 1 Note(h))	100.00	3,000,000	–
China Railway Maglev Transportation Investment Construction Co., Ltd. (Note VII 1 Note(i))	70.00	700,000	–
		84,458,327	77,860,112

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Investments in joint ventures

2016

Company name	Investment cost	Opening balance	Share of profits	Dividend distribution	Closing balance	Percentage of equity %	Percentage of voting rights %
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	667,282	208	-	667,490	57.29	57.29

2015

Company name	Investment cost	Opening balance	Share of profits	Dividend distribution	Closing balance	Percentage of equity %	Percentage of voting rights %
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	665,794	2,061	(573)	667,282	57.29	57.29

Note: China-Africa Lekkil is considered a joint venture of the Group, more details are included in Note V.12.

(iii) Investment in associates

Company name	Investment cost	Opening balance	Additional investment	Share of profits	Dividend distribution	Closing balance	Percentage of equity %	Percentage of voting rights %
Chongqing Tiefu Jianxin Highway Co., Ltd.	48,000	-	48,000	-	-	48,000	24.00	24.00

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales

The operating revenue is as follows:

	2016	2015
Operating revenue from principal operations	13,814,138	7,589,944
Other operating revenue	52,151	399
	13,866,289	7,590,343

The operating costs are as follows:

	2016	2015
Operating costs	13,338,990	6,578,286

5. Finance costs

	2016	2015
Interest expenses	2,118,004	2,613,301
Less: Interest income	(1,734,344)	(2,297,195)
Exchange loss	722,430	752,460
Bank charges and others	37,050	34,161
	1,143,140	1,102,727

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Finance costs (Continued)

The Group's interest expenses are as follows:

	2016	2015
Interest on loans wholly repayable within five years	1,088,629	1,352,237
Interest on loans repayable beyond five years	18,995	2,556
Interest on corporate bonds	1,010,380	1,258,508
	2,118,004	2,613,301

6. Investment income

	2016	2015
Share of net profit of the joint ventures	208	2,061
Investment income received from long-term equity investments under the cost method	3,992,511	3,681,248
Other	10,766	26,867
	4,003,485	3,710,176

For the year ended 31 December 2016, the investment income was composed of investment income of RMB71,536,000 (2015: RMB375,641,000) from listed companies and RMB3,931,922,000 from non-listed companies (2015: RMB3,334,535,000).

As at 31 December 2016, the remittance of the Company's investment income was not subject to significant restriction.

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2016	2015
Reconciliation of net profit to cash flows from operating activities		
Net profit	2,738,963	3,253,696
Plus:		
Depreciation of fixed assets	16,610	12,889
Amortisation of intangible assets	1,817	1,507
Loss from disposal of fixed assets and other long-term assets	90	138
Losses/(gains) from changes in fair value	313,753	(11,706)
Finance costs	1,106,091	1,068,567
Investment income	(4,003,485)	(3,710,176)
Increase in deferred tax assets	(63,794)	(40,027)
(Decrease)/increase in deferred tax liabilities	(14,094)	43,941
Increase in inventories	(975,658)	(1,083,768)
(Increase)/decrease in operating receivables	(7,447,518)	3,645,927
Increase in operating payables	9,522,000	1,607,761
Net cash flows from operating activities	1,194,775	4,788,749

(2) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash	4,108,022	5,869,234
Including: cash on hand	67	234
cash with banks/financial institutions without restrictions	4,107,955	5,869,000
Cash equivalents	9,090,347	1,950,520
Closing balance of cash and cash equivalents	13,198,369	7,819,754

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION

1. Summary of non-recurring profit or loss

	2016	2015
Gains/(losses) from disposal of fixed assets and intangible assets	87,934	(11,324)
Gains from disposal of long-term equity investments	46,522	14,558
Government grants recognised through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	553,610	388,104
Net gains from debt restructuring	73,606	12,095
Investment income from disposal of held-for-trading financial assets and available-for-sale financial assets	7,827	113,846
Losses from changes in fair value of financial assets at fair value through profit or loss	(222,416)	(27,495)
Reversal of impairment of accounts receivable	728,718	616,720
Net profit from the entity combined under common control from the beginning of the year to the consolidation date	-	210,120
Other non-operating income and expenses other than the above items	102,789	94,820
Impact on income tax	(299,325)	(308,401)
Impact on non-controlling interests (after tax)	(8,167)	(42,024)
Non-recurring profit or loss	1,071,098	1,061,019

Government grants recognised in profit or loss but not included in non-recurring profit or loss items for being closely related to normal operating activities and continuously granted following the national policies and certain quota are as follows:

	2016	2015	Reason for being recognised in profit or loss
Special equipment appropriation from the Ministry of Railway	20,000	20,000	Related to normal operating activities
Special equipment appropriation from the Ministry of Finance	300	300	Related to normal operating activities
	20,300	20,300	

Notes to Financial Statements (continued)

2016 (All amounts in RMB'000 unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share ("EPS")

Group

2016

	Weighted average return on net assets %	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	11.55	1.03	1.01
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	10.66	0.95	0.94

2015

	Weighted average return on net assets %	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	12.41	0.98	0.98
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	11.37	0.90	0.90

The Company held no potential ordinary shares that were dilutive.

The above weighted average return on equity and earnings per share are calculated in accordance with Compilation Rules No. 9 for Information Disclosure by Companies Offering Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share (Revised in 2010).

Section XIV Five Years' Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unit: thousand yuan

Item	2016	2015	2014 (Restated)	2013	2012 (Restated)
Operating revenue	629,327,090	600,538,730	593,302,675	586,789,590	484,312,928
Operating cost	571,377,532	531,756,328	528,374,916	527,247,896	432,889,011
Business tax and surcharges	8,144,208	18,016,474	18,042,432	16,827,296	14,441,235
Selling expense	4,177,673	3,703,662	3,272,163	2,509,220	1,946,450
Management expense	24,089,617	22,835,612	22,889,544	22,719,838	20,537,792
Financial expense	2,731,705	4,385,029	4,368,885	3,749,441	3,500,584
Asset impairment loss	600,127	3,564,615	1,583,440	1,431,257	331,869
Gains on changes in fair value	-222,416	-27,495	8,293	942	3,240
Investment gains	147,524	359,528	179,240	-22,172	186,935
Operating profit	18,131,336	16,609,043	14,958,828	12,283,412	10,856,162
Non-business income	1,213,038	808,618	830,662	966,248	655,864
Non-business expenses	374,799	304,623	257,056	209,920	448,193
Net non-operating income	838,239	503,995	573,606	756,328	207,671
Total profit	18,969,575	17,113,038	15,532,434	13,039,740	11,063,833
Income tax	4,118,744	3,738,604	3,472,424	2,600,357	2,392,977
Net profit	14,850,831	13,374,434	12,060,010	10,439,383	8,670,856
Net profit attributable to shareholders of the listed company	13,999,610	12,645,478	11,734,664	10,344,658	8,629,127
Profit and loss of minority shareholders	851,221	728,956	325,346	94,725	41,729
Basic earnings per share (RMB/share)	1.03	0.98	0.95	0.84	0.70
Diluted earnings per share (RMB/share)	1.01	0.98	0.95	0.84	0.70

Section XIV Five Years' Financial Summary (continued)

TOTAL CONSOLIDATED ASSETS AND LIABILITIES

Unit: thousand yuan

Item	2016	2015	2014 (Restated)	2013	2012 (Restated)
Total assets	759,345,034	696,096,330	623,565,997	553,018,596	480,683,438
Total liabilities	610,629,048	567,277,165	518,382,651	469,193,880	407,476,879
Shareholders' equity	148,715,986	128,819,165	105,183,346	83,824,716	73,206,559

Section XV Documents for Inspection

DOCUMENTS FOR INSPECTION

1. Financial statements signed and sealed by the chairman, chief financial officer and head of accounting department;
2. Original audit report with the seal of Ernest & Young Hua Ming LLP and signed and sealed by certified public accountant;
3. Original copies of all documents and announcements of the Company which had been disclosed to the public on the newspapers designated by CSRC and the website of Shanghai Stock Exchange during the Reporting Period;
4. CRCC 2016 Self-evaluation Report on Internal Control; and
5. CRCC 2016 Social Responsibility Report.

Chairman: MENG Fengchao
Submission Date Approved By the Board: 30 March 2017

Revision Information

Applicable Not Applicable



中国铁建

中國鐵建股份有限公司
China Railway Construction Corporation Limited