中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

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

(Stock Code: 390)

RESULTS ANNOUNCEMENT FOR THE YEAR OF 2016

The board of directors (the "**Board**" or "**Board of Directors**") of China Railway Group Limited (the "**Company**" or "**China Railway**") is pleased to announce the annual audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016.

1 CORPORATE INFORMATION

Basic Information

Stock Name:	China Railway (A Share)	China Railway (H Share)
Stock Code:	601390	390
Stock exchange on which shares are listed:	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address:	918, Block 1, No. 128, South 4th Ring Road West, Fengtai District, Beijing, People's Republic of China	
Postal Code:	100070	
Website:	www.crec.cn	
E-mail:	ir@crec.cn	

Contact Details

Name:	Yu Tengqun
Address:	Block A, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, People's Republic of China
Postal Code:	100039
Telephone:	86-10-5187 8413
Facsimile:	86-10-5187 8417
E-mail:	ir@crec.cn

2 SUMMARY OF ACCOUNTING DATA

2.1 Key Accounting Data Prepared under International Financial Reporting Standard ("IFRS")

2.1.1 Summary of consolidated statement of comprehensive income

	For the year ended 31 December					Change 2016 vs 2015
	2016	2015	2014	2013	2012	
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**559,223**	544,207	518,022	456,272	396,906	2.8
Survey, Design and Consulting Services	**12,312**	10,711	10,265	9,180	9,069	14.9
Engineering Equipment and Component Manufacturing	**17,063**	15,782	14,519	13,711	11,464	8.1
Property Development	**32,976**	29,260	29,255	27,566	20,175	12.7
Other Businesses	**42,671**	40,044	54,963	68,958	56,432	6.6
Inter-segment Eliminations and Adjustments	**(31,389)**	(40,062)	(36,858)	(35,293)	(28,421)	N/A
Total	**632,856**	599,942	590,166	540,394	465,625	5.5
Gross Profit	**49,789**	48,686	48,515	40,340	35,561	2.3
Profit before Tax	**18,772**	17,017	16,233	14,819	11,130	10.3
Profit for the Year	**12,703**	11,786	10,676	10,075	8,069	7.8
Profit for the Year Attributable to Owners of the Company	**11,808**	11,675	10,262	9,374	7,390	1.1
Basic Earnings per Share *(RMB)*	**0.517**	0.530	0.482	0.440	0.347	–2.5

2.1.2 Summary of consolidated statement of financial position

	As at 31 December					Change 2016 vs 2015
	2016	2015	2014	2013	2012	**2015**
			RMB million			*(%)*
Assets						
Current Assets	**595,147**	565,601	545,525	503,090	434,855	5.2
Non-current Assets	**159,198**	147,904	137,353	124,940	115,806	7.6
Total Assets	**754,345**	713,505	682,878	628,030	550,661	5.7
Liabilities						
Current Liabilities	**506,603**	470,447	471,140	420,242	366,119	7.7
Non-current Liabilities	**98,746**	103,820	102,844	111,158	96,552	–4.9
Total Liabilities	**605,349**	574,267	573,984	531,400	462,671	5.4
Total Equity	**148,996**	139,238	108,894	96,630	87,990	7.0
Total Equity and Liabilities	**754,345**	713,505	682,878	628,030	550,661	5.7

2.2 Differences between Chinese Accounting Standard ("CAS") and IFRS

	Net Assets as at 31 December 2016	**Profit for the Year Ended 31 December 2016**
	RMB million	*RMB million*
Amount attributable to the ordinary shareholders of the Company stated in the financial statements prepared in accordance with CAS	140,333	12,509
Adjustments as required by IFRS:		
– Recognition of loss on shares conversion scheme of a subsidiary	(164)	–
Amount attributable to the owners of the Company and holders of perpetual notes stated in the financial statements prepared in accordance with IFRS	140,169	12,509

3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3.1 Changes in Shares

During the reporting period, there was no change in the total number of shares and shareholding structure of the Company.

3.2 Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the reporting period	Number of shares released from selling restrictions during the reporting period	Increase in the number of shares with selling restrictions during the reporting period	Number of shares with selling restrictions at the end of the reporting period	Reasons for selling restrictions	Date of releasing selling restrictions
China Railway Engineering Corporation ("**CRECG**")	308,880,308	–	–	308,880,308	Selling restrictions imposed by non-public issuance of A shares	2018/07/14
Beijing Zhong Shang Rong Sheng Trading Company Limited	141,570,141	141,570,141	–	–	Selling restrictions imposed by non-public issuance of A shares	2016/07/14
Nanjing An Ci Investment Management Company Limited	141,570,141	141,570,141	–	–	Selling restrictions imposed by non-public issuance of A shares	2016/07/14
Ping An UOB Fund Management Co. Ltd.	643,500,643	643,500,643	–	–	Selling restrictions imposed by non-public issuance of A shares	2016/07/14
China Merchants Wealth Asset Management Limited	137,323,037	137,323,037	–	–	Selling restrictions imposed by non-public issuance of A shares	2016/07/14
Cai Tong Fund Management Co. Ltd.	167,696,256	167,696,256	–	–	Selling restrictions imposed by non-public issuance of A shares	2016/07/14
CIB Wealth Asset Management Company Limited	3,861,017	3,861,017	–	–	Selling restrictions imposed by non-public issuance of A shares	2016/07/14
Total	**1,544,401,543**	**1,235,521,235**	**–**	**308,880,308**		

3.3 Number of Shareholders and Their Shareholdings

As at the end of the reporting period, the total number of ordinary shareholders of the Company was 777,756. The total number of ordinary shareholders as at the end of the month preceding the date of this announcement was 775,605.

3.3.1 Shareholdings of the top ten shareholders, top ten shareholders of tradable shares (or shareholders without selling restrictions) as at the end of the reporting period

Unit: Shares

Shareholdings of the top ten shareholders

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of pledged or frozen shares		Nature of shareholder
						Condition of shares	Number	
1	CRECG *(Note 1)*	+164,394,000	12,424,784,308	54.39	308,880,308	Nil	–	State-owned
2	HKSCC Nominees Limited *(Note 2)*	+321,000	4,003,990,909	17.53	–	Nil	–	Other
3	China Securities Finance Corporation Limited	+69,717,604	634,794,585	2.78	–	Nil	–	Other
4	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	–20,000,000	623,500,643	2.73	–	Nil	–	Other
5	Anbang Asset Management – China Merchants Bank – Anbang Asset – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Products	+468,805,172	468,805,172	2.05	–	Nil	–	Other
6	Central Huijin Asset Management Ltd.	–	235,455,300	1.03	–	Nil	–	Other
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	+201,448,116	201,448,116	0.88	–	Nil	–	Other
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	–37,320,000	100,003,037	0.44	–	Nil	–	Other
9	Anbang Pension Insurance Co., Ltd. – Group Universal Products	+65,046,237	65,046,237	0.28	–	Nil	–	Other
10	Hong Kong Securities Clearing Company Limited *(Note 3)*	+12,021,892	56,348,280	0.25	–	Nil	–	Other

Shareholdings of the top ten shareholders of shares without selling restrictions

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares: Type	Number
1	CRECG *(Note 1)*	11,951,510,000	RMB-denominated ordinary shares	11,951,510,000
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited *(Note 2)*	4,003,990,909	Overseas listed foreign shares	4,003,990,909
3	China Securities Finance Corporation Limited	634,794,585	RMB-denominated ordinary shares	634,794,585
4	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	623,500,643	RMB-denominated ordinary shares	623,500,643
5	Anbang Asset Management – China Merchants Bank – Anbang Asset – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Products	468,805,172	RMB-denominated ordinary shares	468,805,172
6	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	201,448,116	RMB-denominated ordinary shares	201,448,116
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	100,003,037	RMB-denominated ordinary shares	100,003,037
9	Anbang Pension Insurance Co., Ltd. – Group Universal Products	65,046,237	RMB-denominated ordinary shares	65,046,237
10	Hong Kong Securities Clearing Company Limited *(Note 3)*	56,348,280	RMB-denominated ordinary shares	56,348,280

Statement on the related relations and concerted actions between the shareholders above	CRECG, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.
Statement on shareholders of preference shares with reinstated voting rights and their shareholdings	Not applicable

Note 1: CRECG held 12,424,784,308 shares of the Company, including 12,260,390,308 A shares of the Company and 164,394,000 H shares of the Company.

Note 2: H shares held by HKSCC Nominees Limited are held on behalf of its various clients, and the number of H shares held by CRECG is already deducted.

Note 3: A shares held by Hong Kong Securities Clearing Company Limited are held on behalf of northbound investors of the Company through the Shanghai – Hong Kong Stock Connect.

Note 4: The data shown in the table is based on the register of members of the Company as at 31 December 2016.

3.3.2 Shareholdings of top ten shareholders of shares with selling restrictions and terms of selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares held with selling retrictions	Permission for public trading for shares with selling restrictions: Permitted timing for public trading	Permission for public trading for shares with selling restrictions: Number of new shares permitted for public trading	Terms of selling restrictions
1	CGECG	308,880,308	2018/07/14	–	36 months from the date of completion of the non-public issuance

Statement on the related relations and concerted actions between the shareholders above	Nil

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

Not applicable

3.4 Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

As at 31 December 2016, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"):

Holders of A shares

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

Holders of H shares

Name of substantial shareholders	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
BlackRock, Inc.	Interest of controlled corporations	390,884,046	Long position	9.29	1.71
		25,000	Short position	0.00	0.00
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
JPMorgan Chase & Co.	*(Note 1)*	242,878,498	Long position	5.77	1.06
		5,812,000	Short position	0.13	0.03
		133,318,607	Lending Pool	3.16	0.58
Deutsche Bank Aktiengesellschaft	*(Note 2)*	229,803,271	Long position	5.46	1.01
		123,424,962	Short position	2.93	0.54
		10,406,000	Lending Pool	0.25	0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.92
		94,560,550	Short position	2.25	0.41

Notes:

1 *According to the Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange dated 15 December 2016, the interests held by JPMorgan Chase & Co. were held in the following capacities:*

Capacity	***Number of H shares (Long position)***	***Number of H shares (Short position)***
Beneficial owner	*98,862,891*	*5,812,000*
Investment manager	*10,697,000*	*–*
Custodian corporation	*133,318,607*	*–*

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

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

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

	Long position				***Short position***			
Name of substantial shareholders	***Listed equity derivative payment in kind***	***Listed equity derivatives settled in cash***	***Non-listed equity derivatives payment in kind***	***Non-listed equity derivatives settled in cash***	***Listed equity derivatives payment in kind***	***Listed equity derivatives settled in cash***	***Non-listed equity derivatives payment in kind***	***Non-listed equity derivatives settled in cash***
BlackRock, Inc.	*–*	*–*	*–*	*4,180,000*	*–*	*–*	*–*	*25,000*
JPMorgan Chase & Co.	*69,000*	*–*	*19,096,595*	*5,511,405*	*123,000*	*339,000*	*0*	*5,350,000*
Deutsche Bank Aktiengesellschaft	*–*	*–*	*–*	*17,624,000*	*–*	*–*	*–*	*10,166,000*
Lehman Brothers Holdings Inc.	*–*	*–*	*10,000,000*	*–*	*–*	*–*	*60,000*	*–*

Apart from the foregoing, as at 31 December 2016, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

3.5 Information on Controlling Shareholder and the Ultimate Controller

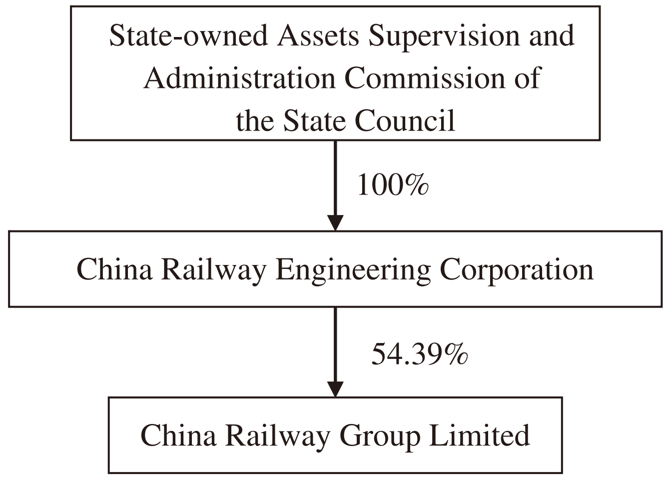
3.5.1 Details of controlling shareholder

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

3.5.2 Details of ultimate controller

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

3.5.3 The interests and controlling relationships between the Company and the ultimate controller



4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Review and Outlook

With the passing of time, we have completed another challenging year. For the Company, 2016 has been an extraordinary year. In the face of the new normal in the economic development, new trends in market competition, new mission of reforms of state-owned enterprises and new requirements on tightening Party discipline, we overcame all difficulties and challenges vigorously and achieved our targets for the year by focusing on development, optimization and expansion of the Company's operations. We achieved new heights in key economic indicators with the value of new contracts breaking through the RMB1 trillion mark. We jumped to the 57th place on the Fortune Global 500 list setting us up for a good start for the period of "13th Five-Year Plan".

During the year, we forged ahead with reforms, improved our structure and optimized supply-and-demand structure to facilitate transformation and upgrading. We optimized our corporate governance structure and refined the overall layout of our industry chains by making concerted efforts to raise total factor productivity and improve the quality of products and services at the supply end. In terms of corporate development, we facilitated the restructuring, swapping and listing of our industrial sectors and reformed our diversified mixed ownership with the employee stock ownership plan as a pilot scheme. All this generated renewed energy in the Company. In response to the macroeconomic environment, we captured opportunities to innovate our business and cooperation models through the coordination of our contractor operation and investment operation. Apart from consolidating and expanding our traditional market, we actively explored emerging markets of national strategic interest, while continuing development of the overseas market. These efforts have resulted in our ever-increasing competitiveness and ever-expanding market share. We strengthened management fundamentals and went all out to improve quality and increase efficiency by firmly focusing on our five goals of cutting industrial capacity, lowering corporate costs, reducing property inventories, deleveraging, and improving weak links. We continued to refine project management of our laboratory activities, and to enhance the quality of economic operations and risk control capabilities by remaining focused on our direction of intensive internal development. By strengthening our capital operation, promoting the integration of production and finance, enhancing capital market valuation and improving international credit rating, we fully utilized domestic and international financing channels to obtain funding for our corporate development, which helped to create value for the Company. We optimized resource allocation, vitalized essential production factors and enhanced quality of our products and services by driving innovation in our operations. Several important large-scale projects were completed at home and abroad, including the Shanghai-Kunming High Speed Railway, Huangling-Yan'an Expressway, Shenzhen Metro Line 11, Addis Ababa-Djibouti Railway and Angren-Pap Railway Line in Uzbekistan, thereby setting an excellent example to industry peers and demonstrating our commitment as a responsible central enterprise.

To realize our future dreams, it is now the time for toil and progress. As a backbone enterprise in the national economy and a pioneer of implementation of the Belt and Road Initiative, our prospects are interwoven with the development of the country. In the forthcoming year, upholding the "Five Major Development Concepts", the "Four Awarenesses" and the strategic deployment of "Four Comprehensives", we will take a more active role in contributing to the three core national strategies of the Belt and Road Initiative, the co-development of Beijing-Tianjin-Hebei and the Yangtze River Economic Belt. Undaunted by the challenges, we will proceed at a steady pace and reach far with our unyielding courage and strong willpower. We will spare no effort in maintaining our growth, pushing forward our reforms, facilitating transformation, and enhancing efficiency and risk control. We will forge ahead with our vision to become a world leading construction company, fulfill our mission by achieving our development plans and goals and share the fruits of our development with shareholders and employees.

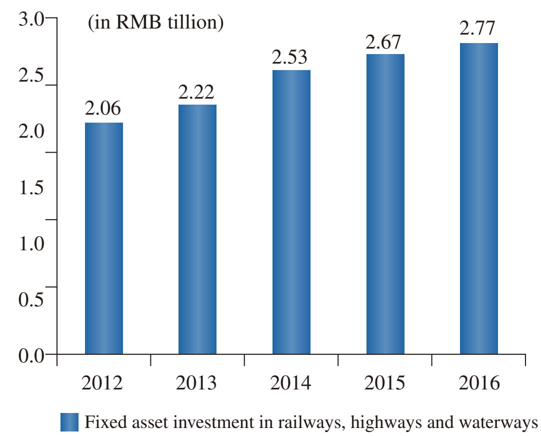
4.2 Business Overview

The Group is one of the largest multi-functional integrated construction groups in the PRC and even the world, which enables us to offer a full range of construction and industrial products and related services to our customers. The Group holds an industrial leading position in fields such as infrastructure construction, survey, design and consulting services, specialised engineering equipment and component manufacturing. The Group also diversifies its operations and expands its value-added services by exploiting into other businesses such as property development, merchandise trading, toll road operation, mining development and finance. After years of practice and development, the Group's business segments have established a close upstream-downstream relationship among themselves, with the property development, infrastructure investment and mining development businesses supporting the survey, design and consulting services and infrastructure construction operations; survey, design and consulting services supporting the infrastructure construction operation; engineering equipment and component manufacturing business providing construction equipment (such as bridge girder erection machine and shield) and the necessary components (such as turnout and bridge steel structure) for infrastructure construction; merchandise trading business supplying materials (such as steel and cement) for infrastructure construction; and finance business offering financing services for property development and infrastructure investment. All these have gradually formed a vertically integrated construction industry chain with outstanding principal operations supplemented by diversified relevant operations horizontally.

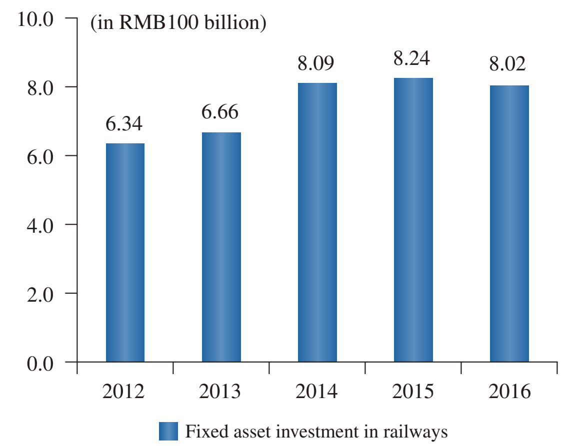
4.2.1 Industry development overview

(1) Infrastructure construction business

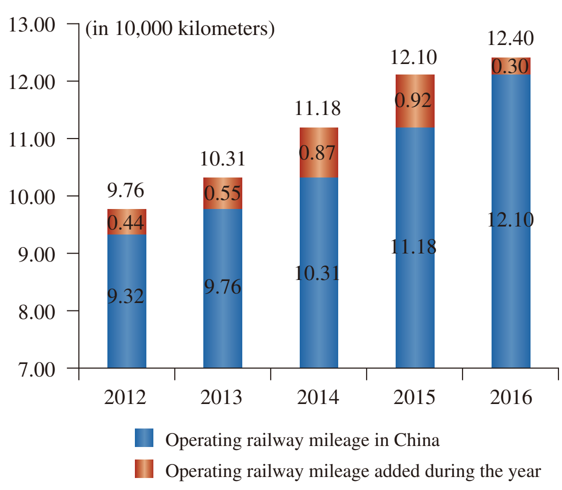
The construction industry in China generally followed an uptrend in recent years. Despite the "new normal" economic development, the industry still managed to keep advancing at mid to high speed. During the period of "13th Five-Year Plan", infrastructure construction, as an important foundation for securing growth, a crucial factor for supply-side structural reform and a strategic option for combating poverty, will continue to grow steadily. The chart below illustrates the overall development of the infrastructure industry in the past five years:



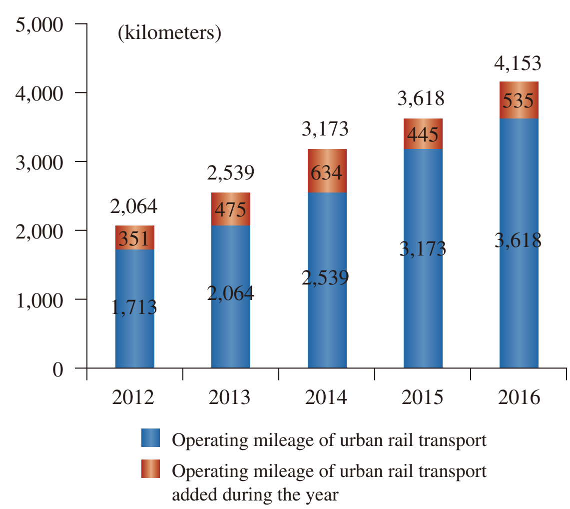
Source: Ministry of Transport



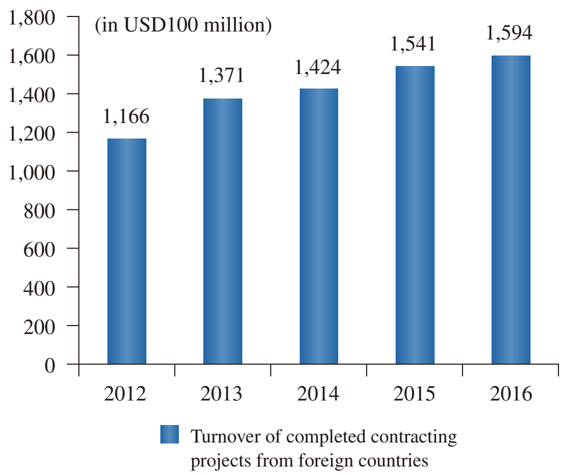
Source: National Bureau of Statistics



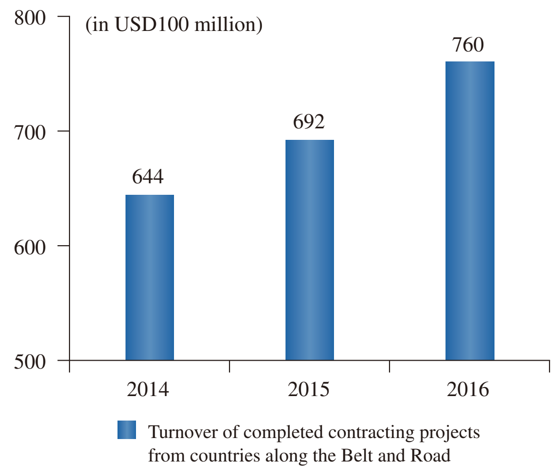
Source: Ministry of Transport



Source: China Urban Rail Transit Association



Source: National Bureau of Statistics



Source: National Bureau of Statistics

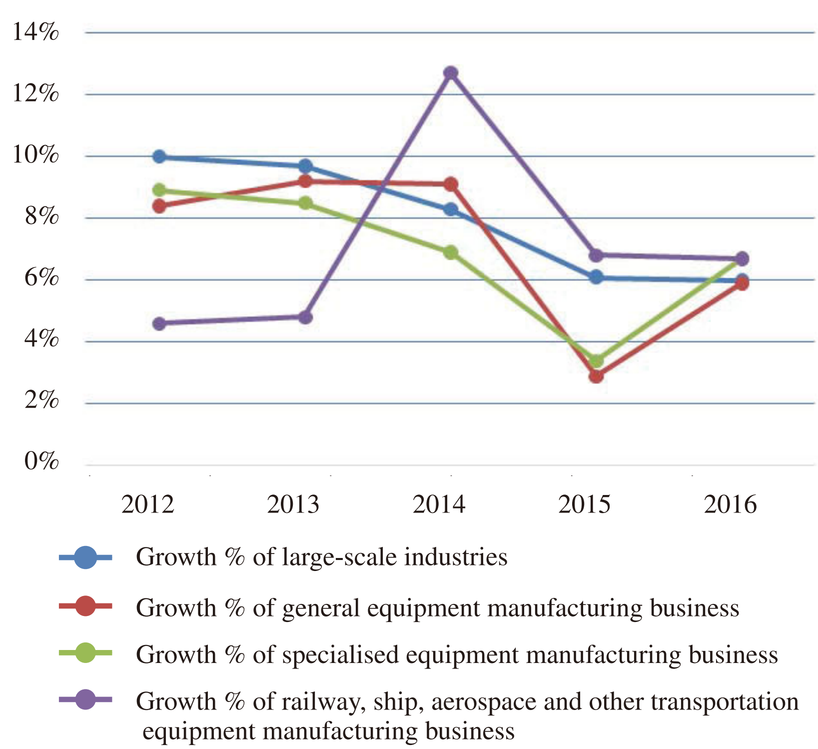
In 2016, the State sustained strong efforts to expand its fixed asset investment and took an active role in carrying out and promoting the regional strategies of the development of West China, revitalisation of Northeast China, rise of Central China and leading position of East China and the three core strategies of the Belt and Road Initiative, co-development of Beijing-Tianjin-Hebei and Yangtze River Economic Belt. The national infrastructure market, including railways, highways and urban rail transport, maintained continuous growth. The fixed asset investment in railways, highways and waterways for the whole year amounted to approximately RMB2,770 billion. In particular, the fixed asset investment in railways amounted to RMB801.5 billion and the new railway operating mileage was 3,281 kilometers. The national operating mileage reached 124,000 kilometers, of which more than 22,000 kilometers were attributable to high-speed railway. The investment in highway construction amounted to approximately RMB1,780 billion, with new highway mileage of more than 6,000 kilometers, making a total mileage of more than 130,000 kilometers. The State continued to promote urbanisation construction through overall enhancement in urban infrastructure construction, in particular the construction of high-capacity public transport such as subway and light rail, which contributed to 535 kilometers of new urban rail transit lines for the whole year. The economic and trading cooperation between China and countries along the Belt and Road countries quickened, and mutual investment remained at a relatively high level. During the year, the turnover of completed contracting projects from countries along the Belt and Road increased by 9.7% to US$76 billion, representing 47.7% of the turnover of completed contracting projects of China from all foreign countries. A large market has initially been formed for PPP, which is an emerging and important mode of project construction. As at the end of 2016, 11,260 PPP projects were registered by the Ministry of Finance, covering 19 sectors with a total investment of RMB13,500 billion. Among them, 1,351 projects with a total investment of RMB2,200 billion were signed, translating into a project floor rate of 31.6%.

(2) Survey, design and consulting services business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business is integral to project construction as it offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. The survey, design and consulting services industry will be better supported by the macroeconomic development strategy and policies during the "13th Five-Year Plan". The Belt and Road Initiative, city cluster development at the midstream of Yangtze River, co-development of Beijing-Tianjin-Hebei and ever-advancing national economic development initiatives, such as new urbanization and new industrialization, will provide ample market opportunities for the survey, design and consulting services industry. Meanwhile, the new trends of swift economic development, deep social reform and refinement of laws and regulations are calling for the acceleration in changing the way of economic development, industrial structure optimization and upgrading, development of a low-carbon economy and establishment of an "resource-saving and environmentally-friendly" society, which will in turn impose higher requirements on the survey and design industry in terms of innovation capability, technical know-how, quality standard, business scope and service pricing, while offering new market opportunities and new historical responsibilities to the industry.

(3) Engineering equipment and component manufacturing business

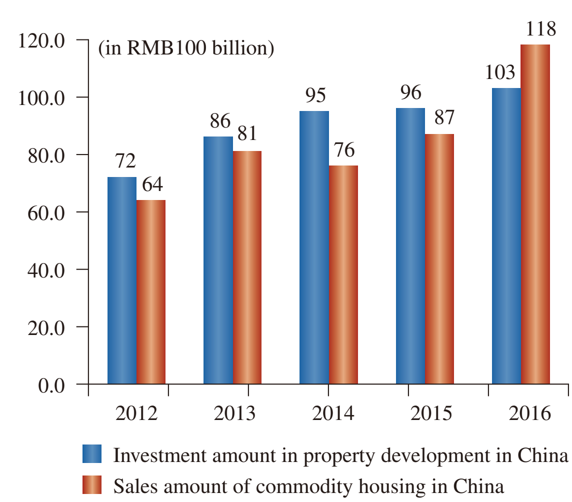
The State Council issued a series of industrial plans including "Made in China 2025" and "13th Five-Year Plan for the Development of National Strategic Emerging Industries", which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. During the period of the "13th Five-Year Plan", fixed investment in railways will stay at a high level, and the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow with the increase in construction of highways, urban rail transportation, irrigation works and underground development, and in further pursuance of the Belt and Road Initiative. In the meantime, due to the concept of green development, the implementation of the "Guiding Opinions on Developing Prefabricated Construction" and the market development of municipal bridge steel structure and high-rise steel structure construction, the market demand for steel structure will further expand. In 2016, the added value of large-scale industries recorded a year-on-year increase of 6.0% (2015: 6.9%), among which the added value of railway, ship, aircraft, aerospace and other transportation equipment manufacturing business increased by 3.2% (2015: 3.8%), general equipment manufacturing business increased by 5.9% and specialised equipment manufacturing business increased by 6.7%.



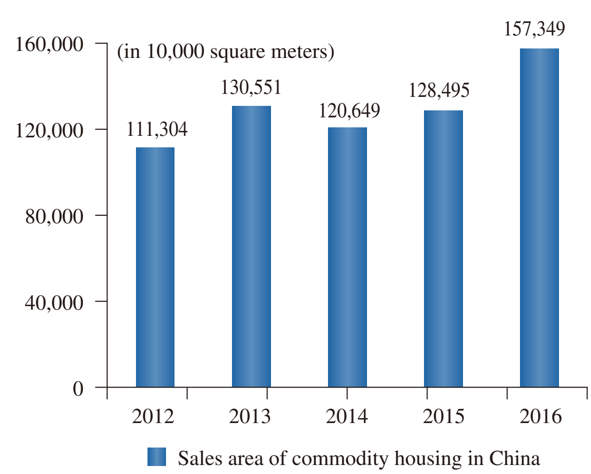
Source: National Bureau of Statistics

(4) Property development business

In 2016, the property market in China was characterised by significant deviation. Due to the efforts of local governments in tailoring their measures to destock housing inventory and stabilise housing prices based on the property controls of the central government, the property market maintained a steady and healthy development. Since the first half of 2016, China's property market has become highly polarised. Continuous surges in land and home prices were witnessed in popular first- and second-tier cities while serious destocking problems still lingered in certain second-tier cities and in third- and fourth-tier cities in general. In view of the complex market environment, the State considered "destocking" as the foremost measure for property control, and focused on addressing regional and structural problems by adopting a differentiated control policy. Property developers were instructed to bid for lands at reasonable prices in popular cities in order to avoid an overheating land market and curb rapidly surging home prices. As at the end of 2016, a new round of property control measures were introduced to 24 cities. For first- and second-tier core cities, purchase and loan restrictions were relaunched and the barriers to land purchases were further tightened. For third- and fourth-tier cities which were under great destocking pressure, lenient home purchase policies were continued in order to release reasonable demand for home purchases. During the year, the investment in property development was RMB10,258.1 billion, representing a year-on-year nominal increase of 6.9% (actual increase of 7.5%, net of price factor), and an increase in growth rate of 5.9 percentage points as compared with 2015. In particular, the investment in residential housing grew by 6.4%. Property sales increased significantly throughout the country, pushing both the sales amount and sales area to all-time highs. The sales area of commodity housing in China was 1,573.49 million square meters, representing an increase of 22.5%. The sales area of residential housing, office buildings and commercial housing increased by 22.4%, 31.4% and 16.8%, respectively. The sales of commodity housing in China was RMB11,762.7 billion, representing an increase of 34.8%. The sales of residential housing, office buildings and commercial housing rose by 36.1%, 45.8% and 19.5%, respectively.



Source: National Bureau of Statistics

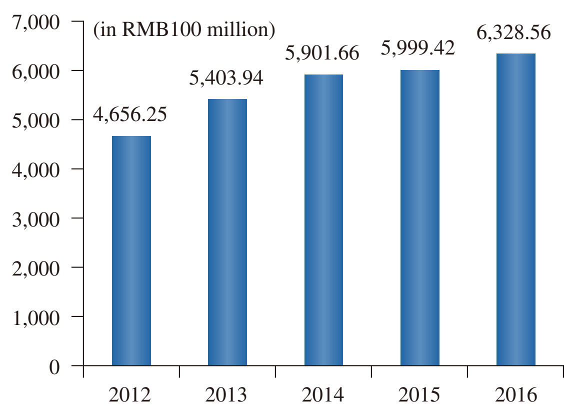


Source: National Bureau of Statistics

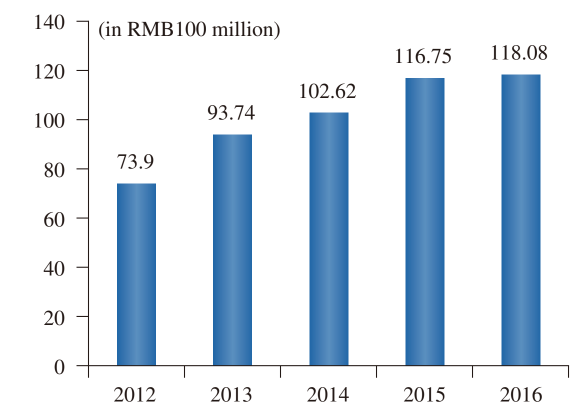
4.2.2 Business development overview

The Group's principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses. In 2016, the Group achieved total revenue of approximately RMB632.856 billion, representing a year-on-year growth of 5.5%. Benefiting from the expansion in investment in the infrastructure construction market in China and the pursuance of the Belt and Road Initiative, for the first time, the value of new contracts of the Group broke through the one thousand billion mark and reached RMB1,235.0 billion, representing a year-on-year increase of 29%. Among which, the overseas operation of the Group also went over one hundred billion to reach RMB102.5 billion for the first time, representing a year-on-year growth of 49.6%. The value of new PPP infrastructure investment contracts amounted to RMB291.16 billion, representing a year-on-year growth of 593%. As at 31 December 2016, the Group's contract backlog amounted to RMB2,037.78 billion, representing a year-on-year increase of 13.1%.

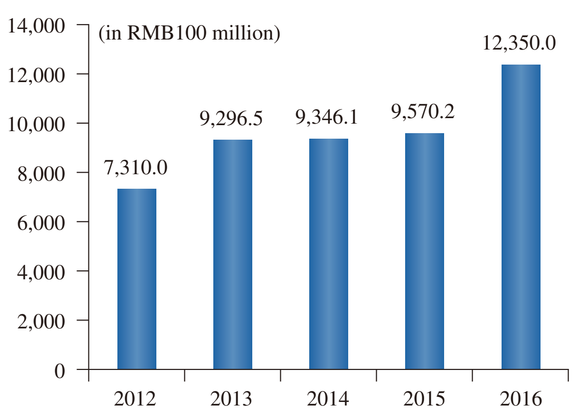
Revenue



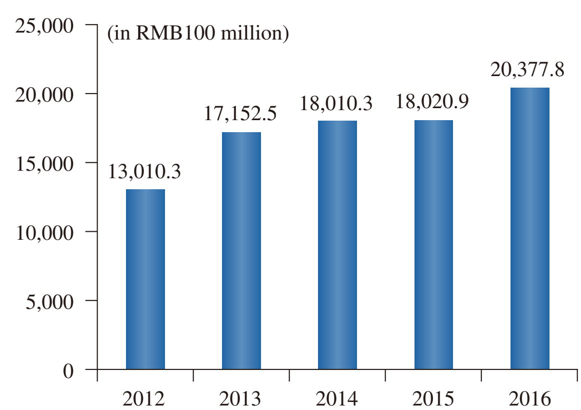
Profit for the year attributable to owners of the Company



Total value of new contracts



Total value of contract backlog



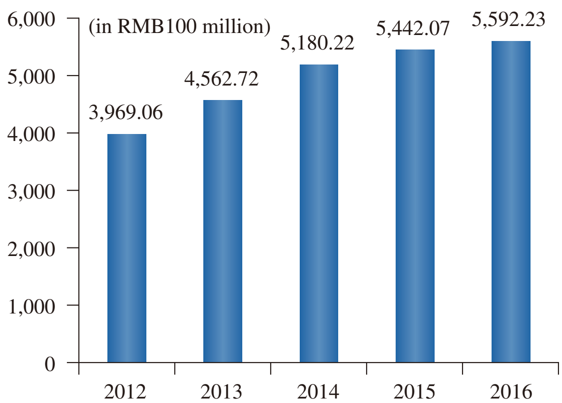
(1) Infrastructure construction business

The Group's infrastructure construction business involves various sectors, including railways, highways, municipal works, buildings, urban rail transport, irrigation works and hydroelectricity, ports, waterways, airports and docks, across more than 60 countries and regions globally. The Group was granted the highest qualifications in various infrastructure construction sectors in China, including extra grade qualification as general contractor in railway construction, extra grade qualification as general contractor in highway construction, extra grade qualification as general contractor in municipal and public construction and extra grade qualification as general contractor in building construction. The basic mode of operation is to complete the survey, design, purchase, construction and operation of a construction project and be responsible for the quality, safety and deadlines of the project as agreed in the contract by various ways such as EPC contracting, construction contracting, BOT and PPP, through market competition at home and abroad. The infrastructure investment business is an extension of the traditional key industry chain of infrastructure construction. With the promotion of the "Public-Private-Partnership" (PPP) mode and the introduction of the relevant policies by the State, the PPP mode quickly took root in the infrastructure construction sector and became an important mode of project construction in 2016. To actively adapt to changes in the infrastructure investment and financing system and consolidate the Group's position in the infrastructure industry, the Group engaged in the infrastructure investment business by taking part in a number of infrastructure sectors, such as railways, highways, urban rails and underground tunnels, through various innovative PPP modes, including "PPP+EPC", "PPP+funds" and "BOT+government gap subsidies", in order to develop its traditional construction business simultaneously. The infrastructure construction business of the Group has become a coexistence of the "contractor" and "investor+contractor+operator" modes.

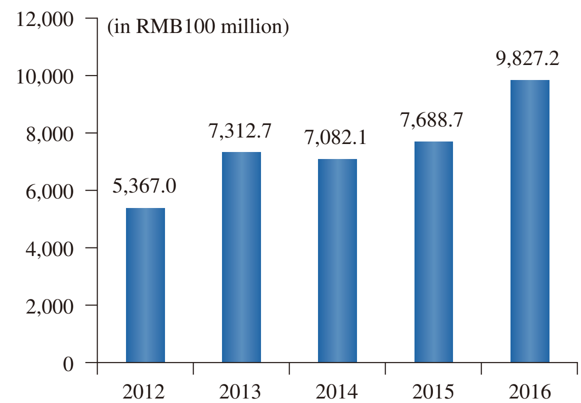
As one of the world's largest construction contractors, the Group remained as a leader of the infrastructure construction industry and was the owner of the only national key laboratory of high-speed railway construction technique in China as well as the biggest construction group in the railway infrastructure and urban railway infrastructure sectors in China, commanding more than 45% share in the railway infrastructure market, more than 50% share in the urban railway infrastructure market and around 12% share in the highway infrastructure market.

The revenue of infrastructure construction business of the Group was RMB559.223 billion in 2016, representing a year-on-year growth of 2.8%. The value of new contracts amounted to RMB982.72 billion, representing a year-on-year increase of 27.8%. As at 31 December 2016, the Group's contract backlog of infrastructure construction business was RMB1,658.88 billion, representing a year-on-year increase of 14.2%.

Revenue of infrastructure construction business



Value of new contracts of infrastructure construction business



(i) Railway construction

The value of new contracts of railway construction of the Group amounted to RMB334.01 billion in 2016, representing a year-on-year growth of 16.9%. The Group maintained its number one position in the market with a market share of 47.4% in the national tier-one railway market. As at 31 December 2016, the Group's contract backlog of railway construction was RMB601.10 billion, representing a year-on-year increase of 10.4%. During the year, the Group completed track laying of 7,161 kilometers of main railway line (new tracks and double tracks) and 8,250 kilometers of the line of the electrified railway network in total. A number of the Group's key projects under construction were progressing smoothly, such as Mongolia-China Railway, Beijing-Zhangjiakou Railway, Wuhan-Shiyan High Speed Railway and China-Laos Railway. A number of the Group's key railway projects were completed and commissioned, such as Zhengzhou-Xuzhou High Speed Railway and Shanghai-Kunming High Speed Railway, making great contribution to the formation of the original "Four Vertical and Four Horizontal" high speed rail network. A number of the Group's key railway projects were also completed and commissioned overseas, such as Angren-Pap Railway Tunnel in Uzbekistan and Addis Ababa-Djibouti Railway in Ethiopia, which significantly enhanced the transport accessibility of the relevant areas and improved the living conditions of the local people, contributing to local economic growth and development.

(ii) Highway construction

The value of new contracts of highway construction of the Group amounted to RMB126.19 billion in 2016, representing a year-on-year increase of 40.4%. As at 31 December 2016, the Group's contract backlog of highway construction was RMB197.25 billion, representing a year-on-year increase of 11.6%. The Group completed 2,244 kilometers of highway construction in total, of which 1,121 kilometers were expressway. The Beijing-Xinjiang Expressway and Shaanxi-Huangyan Expressway were formally commissioned. The main bridge sections of the Hong Kong-Zhuhai-Macau Bridge were connected together. The Polongou Bridge, the longest span cable-stayed bridge in Tibet undertaken by the Group, was also commissioned.

(iii) Municipal works and other construction

The value of new contracts of municipal works and other construction of the Group amounted to RMB522.52 billion in 2016, representing a year-on-year increase of 32.9%. The value of new contracts of urban rail construction amounted to RMB252.33 billion, representing a year-on-year growth of 79.0% and a market share of approximately 50%. As at 31 December 2016, the Group's contract backlog of municipal works and other construction amounted to RMB860.53 billion, representing a year-on-year increase of 17.6%, among which, the contract backlog for urban rail construction amounted to RMB328.27 billion, representing a year-on-year increase of 34.4%. In 2016, the Group participated in the construction of urban light rail and metro lines, among which, civil engineering and laying works accounted for 198 kilometers and 220 kilometers, respectively. A number of key and difficult projects, such as Beijing Metro, Shenzhen Metro, Guangzhou Metro, Chengdu Metro and Kunming Metro, constructed by the Group were progressing smoothly.

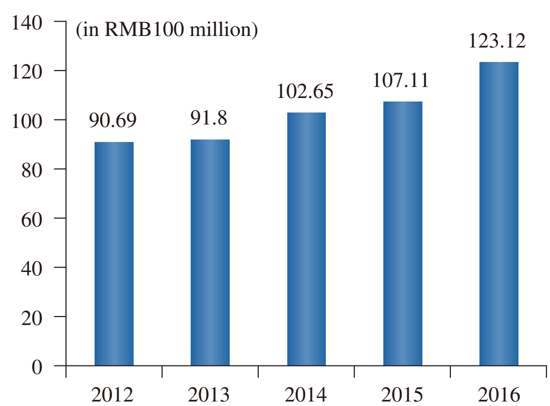
(2) Survey, design and consulting services business

The Group's survey, design and consulting services business covers the entire infrastructure construction process from research, planning, consultation, survey and design, supervision, EPC contracting to product industrialization. It primarily involves the sectors of railways, urban rail transport, highways, municipal works and construction, with a gradual extension to new industries, such as modern trams, magnetic levitation, straddle-type rail transport, smart transportation, civil airports, ports and docks, electricity and energy-saving and environmental protection. The basic mode of operation is to complete survey and design and the relevant services of a construction project as agreed in the contract through market competition at home and abroad. Meanwhile, the Group continues to innovate the operation mode of the survey and design business by fully capitalizing on its advantages in the planning of urban transport infrastructure to operate design projects as well as EPC contracting projects.

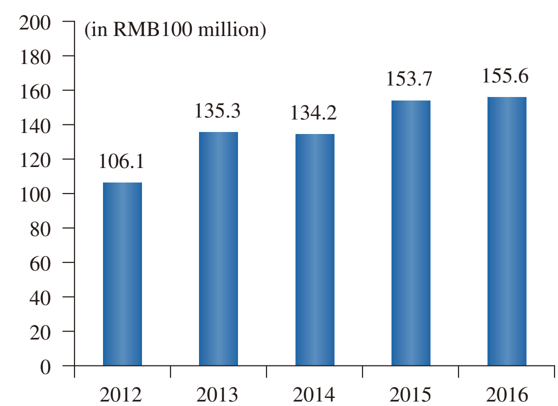
As one of the key operators in the survey, design and consulting services industry in China, the Group plays a vital leading and dominating role in the project construction sector, especially in assisting in formulating the railway industry standards in respect of construction and quality inspection.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

In 2016, the revenue of survey, design and consulting services business of the Group was RMB12.312 billion, representing a year-on-year increase of 14.9%. The value of new contracts amounted to RMB15.56 billion, representing a year-on-year growth of 1.2%. As at 31 December 2016, the Group's contract backlog of survey, design and consulting services business was RMB26.73 billion, representing a year-on-year increase of 11.3%. In 2016, the Addis Ababa-Djibouti Railway designed by the Group, which is the first railroad built entirely with Chinese standards, was successfully completed and commissioned. Shenzhen Metro Line 11, which is the longest one-off completed rail line in China with the largest investment scale and a maximum speed of 120km/h and whose survey, design and general contracting were undertaken by the Group, was commissioned. The test track of Zhongtang sky train in Chengdu – the world's first new-energy sky train whose survey and design work was undertaken by the Group – was successfully put into operation. The construction of the Wuhu Metro Line 1 and Line 2 Phase One project, whose survey and design work was undertaken by the Group, has been commenced smoothly, and it will be the first straddle-type monorail transport project in China.

Revenue of survey, design and consulting services business



Value of new contracts of survey, design and consulting services business



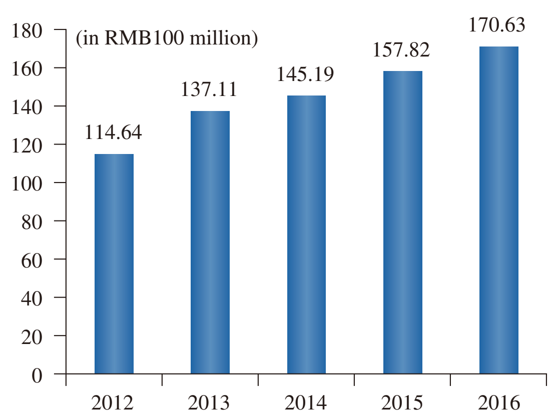
(3) Engineering equipment and component manufacturing business

The Group's engineering equipment and component manufacturing business mainly serves the infrastructure construction business at home and abroad, with products covering turnouts, tunnel construction equipment, bridge steel structure, construction machinery and railway electrification materials. The Group enjoys core competitive advantages throughout the industry chain of turnout products from design, research and development to manufacturing techniques, with an annual production capacity of 20,000 units of different kinds of turnouts, which are widely used in railways, metro and trams, etc. With respect to the manufacturing and installation of steel structures, the steel bridge manufacturing skills applied by the Group in several major projects are the first-of-its-kind in China. The Group also meets advanced international standards in the manufacturing of bridge steel structures and steel cable towers. As for tunnel construction equipment and services, the Group is capable of providing comprehensive products and services for different series of tunnel boring machinery, ancillary tunnel boring equipment and tunnel construction machinery, covering mixed shields, earth press balance shields, slurry pressure balance shields, irregular-shaped shields and hard rock tunnel boring machines, and the relevant ancillary services. The Group has also established a full industry chain encompassing components and ancillary equipment, design, research and development, production and manufacturing, market development and ancillary services. As for construction machinery, the Group is a leading large technological enterprise in China specialised in manufacturing, researching and developing specialised construction machinery in the sectors of railways, highways, urban rail transport, irrigation works and underground construction, etc. Its product lines include specialised railway construction equipment, such as track laying machinery, bridge erecting machinery, carry girders and carriers, and other large-scale construction machinery, such as lifting machinery, special construction vehicles and pile driving machinery, covering almost all the equipment required for infrastructure construction. The basic mode of operation is to provide the relevant products and services on a timely basis at the required quality as agreed in the contract through market competition at home and abroad.

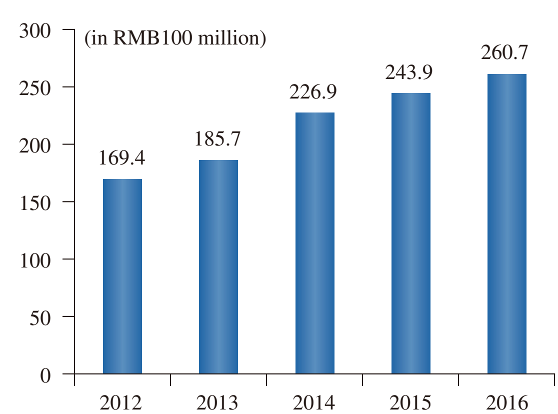
The Group enjoys a leading position in China and even the world in the manufacturing of high-end equipment in the sector of transport infrastructure, including railways, highways, urban rail transport and underground construction. Presently, the Company is the world's largest turnout and bridge steel structure manufacturer, the country's largest and the world's second largest shield developer and manufacturer, and the country's largest railway construction equipment manufacturer, with the only national key laboratory of shield tunneling and drilling technology in China. The Group occupied about 65% of the high-speed turnout market, about 40% of the shield manufacturing and selling market, more than 65% of the large bridge steel structure market and about 80% of the electrified railway network market.

In 2016, the Group's revenue on engineering equipment and component manufacturing business was RMB17.063 billion, representing a year-on-year increase of 8.1%. The value of new contracts amounted to RMB26.07 billion, representing a year-on-year increase of 6.9%. As at 31 December 2016, the Group's contract backlog of engineering equipment and component manufacturing business was RMB27.39 billion, representing a year-on-year increase of 10.8%. As the country's largest and the world's second largest shield developer and manufacturer, the Company greatly improved its production and operation capacity in shields, and equipped itself with an annual production capacity of 165 units of shields. 112 units of shields were sold and 87 units were manufactured in 2016. Meanwhile, while continuing to consolidate the domestic shield market, the Group stepped further into the international market, selling its shield products to foreign countries such as Singapore, Malaysia, India and Israel.

Revenue of engineering equipment and component manufacturing business



Value of new contracts of engineering equipment and component manufacturing business

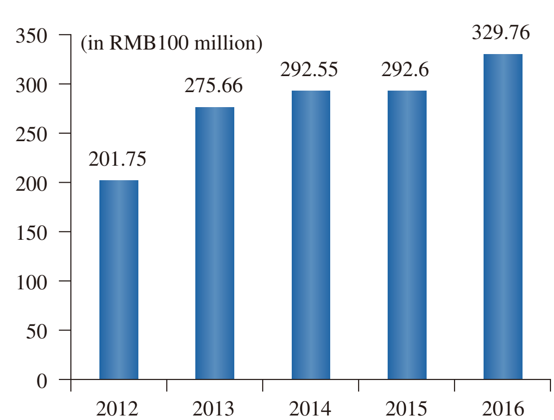


(4) *Property development business*

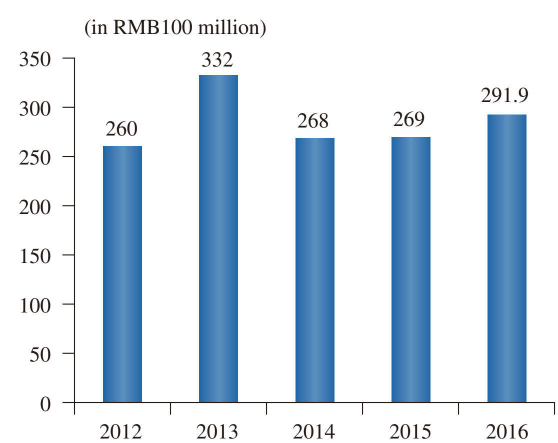
The Group's property development business consists of primary land development and property development. In respect of the mode of operation of primary land development, the Company is authorised by the local government through competition to perform land requisition, demolition and removal, urban infrastructure construction and public facility construction on a plot of land in a certain area based on the planning requirements in order to equip the land with the required facilities, and the Company will then recover its investment and gains through the income from land supply. As for property development, the mode of operation is to acquire the property development rights through market competition at home and abroad and the newly completed commodity housing would then be sold or leased.

As one of the 16 central enterprises approved by the SASAC to take property development as the main operation, the Group is well-positioned in a number of sectors, including residential housing, offices, commercial buildings, urban complexes, industrial parks, railway transport integrated property development, MICE centers, and cultural and tourism properties. In 2016, adopting the operational strategy of "quickening steps in transformation and upgrading and facilitating the enhancement of quality and efficiency", the property development business actively promoted the development of new property business models, such as elderly care and healthcare properties, cultural and tourism properties, industrial property and unique small towns. In 2016, to adapt to the complicated and dynamic property market, the property development business of the Group strove to achieve sound and sustainable development by adopting the operational strategy of "quickening steps in transformation and upgrading and facilitating the enhancement of quality and efficiency". The completed gross floor area for the year was 3.18 million square meters, representing a year-on-year increase of 0.7%, and the sales amount and sales area were RMB29.19 billion and 3.03 million square meters, respectively, representing a year-on-year growth of 8.4% and 10.8%, respectively. The Group realised a revenue of RMB32.976 billion, up by 12.7% year-on-year. As at 31 December 2016, the Group had a total of 143 property development projects in 23 provinces and 50 cities in China. The project area under development of the Group was 28.969 million square meters with a gross floor area of 53.007 million square meters. The land reserve area and gross floor area available for development were 17.192 million square meters and 25.975 million square meters, respectively.

Revenue of property development business



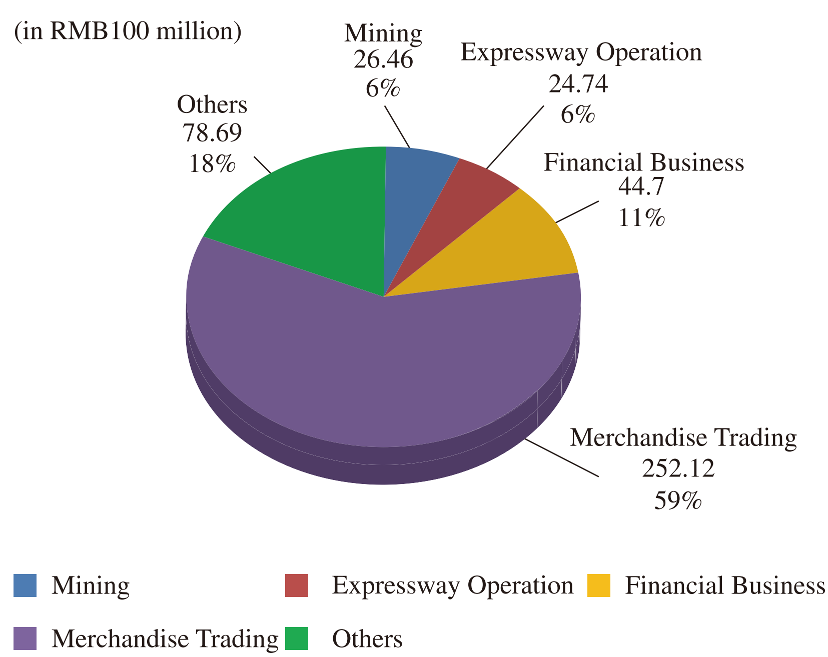
Sales amount of property development business



(5) Other businesses

In 2016, the other businesses of the Group realised revenue of RMB42.671 billion, representing a year-on-year increase of 6.6%. As required by the State to implement national supply-side structural reform and to solve the overcapacity problem of coal, the Group completed transferring its coal-related assets, including the Manglai Coal Mine and Xiaobaiyang Coal Mine, at the end of 2016, signifying the full retreat of the Group from the coal business and leading to the optimization of the industrial and product structures of its mining development business. As the prices of copper and cobalt products rebounded, mining development projects such as Luming Mine and Congo (Kinshasa) Sicomines Copper-Cobalt Mine have been operating smoothly, and the mining development business has entered a stage of steady development. The overall operation of expressway BOT projects remained satisfactory with a continuous increase in revenue. The gross profits of merchandise trading business further increased as a result of our business focusing on internal centralised procurement and stable external operations. Owing to an increase in market demand, the finance business grew at a high speed. By further consolidating internal financial resources, the Group fervently promoted the integration of industry and finance, created innovative investment and financing models and set up an industry-chain financial service system, leading to a gradual increase in income and profit contribution, which in turn helped to supplement the development of our principal operations.

Revenue mix of other businesses



4.2.3 Scientific research investment and technological achievements

In 2016, following the State's guidance on technological development of "achieving innovation and focused breakthroughs to support future development", the Group applied a lot of new technology, new techniques, new materials and new equipment in project construction, which led to the full advancement of the quality of our projects and products. The innovation capability of the Group was significantly enhanced.

In 2016, to meet the actual needs for corporate development and project construction, the Group had a total of 899 technological research topics under its technological development plan. Based on key projects including Sichuan-Tibet Railway, Mosco-Kazan High Speed Railway, Mongolia-China Railway, Zhengzhou-Xuzhou Railway, Lhasa-Nyingchi Railway, Beijing-Zhangjiakou Railway, Yarlung Zangbo River Bridge, Wuhan Yangsigang Yangtze River Bridge, Pingtan Strait Highway & Railway Bridge, Wuhan Qingshan Yangtze River Bridge, Qiongzhou Strait Cross-sea Project, Gaoli Gongshan Tunnel, Beijing Metro, Shenzhen Metro and Xiamen Metro, these topics focused on studying the key techniques of the box girder structure of a large-span cable-stayed railway bridge, manufacturing of large-span composite steel box and steel truss girder, construction of 1,000-meter-span wide steel box and composite steel box girder cable-stayed bridge and the design of long and large cross-sea railway tunnel under a complicated environment, etc. The operation and management of the Group's National Engineering Laboratory of High Speed Railway Construction, National Key Laboratory of Shield Tunneling and Drilling Technology, National Key Laboratory of Bridge Structural Stability and Safety Postdoctoral Work Stations, Corporate Technology Center, BIM Technology Application, Research and Development Center and professional research and development centers of bridges, tunnels, electrification, advanced engineering materials and inspection technology, railways and construction equipment ran smoothly.

In 2016, the Group won three National Advanced Science and Technology Prizes, one Technological Invention Award – Grade II, eight Zhan Tianyou Civil Engineering Prizes and 320 Provincial Technological Achievement Awards. It also received 59 provincial survey and design awards and 13 provincial consulting achievement awards. The Group was granted 1,008 patents, 369 of which were invention patents. The "automatic guide rail send-back system of a track laying machine", "reinforced concrete pile network structure of roadbed on ballastless tracks and the construction method thereof" and "upper-blocking and lower-draining construction method for undersea tunnel fault fracture zone" were awarded the Outstanding Award at the 18th China Patent Awards. It had 220 provincial-level engineering methods. The Group also participated in formulating 20 national standards and 58 industrial standard. These technological achievements and awards demonstrated the strong research and development capabilities of the Group in infrastructure construction, survey and design.

4.2.4 Establishment and implementation of safety and quality system

In 2016, the Group conscientiously implemented and complied with the standards of the quality management system, environmental management system, occupational health and safety management system (international quality management system: ISO 9001:2008; international quality management systems: GB/T 19001-2008/150 9001:2008 and GB/T 50430-2007; international environmental management system: ISO 14001:2004; international environmental management system: GB/T 24001-2004/150 14001:2004; international occupational health and safety management system: GB/T 28001-201'I/OHSAS 18001:2007). It also strictly implemented the domestic and international industrial standards and continuously improved its internal quality assurance system to make sure that its system and rules (including the Measures for Supervision on and Management of Construction Quality) are effectively compatible with those currently in force in relation to construction quality control, quality assurance and management, quality incident handling, and accountability for incidents, and that the management process is in an orderly and controllable condition, thus providing a solid foundation for the highly effective operation of the Group's quality management system. During the year, 13 projects of the Group won the Luban Prize and 19 projects were granted national prizes for high quality constructions. The branding and reputation of the construction projects of the Group were further enhanced.

In 2016, the Group strictly adhered to the new Production Safety Law, paid attention to safety hazards and followed the baseline safety standards. Adopting a people-oriented approach in safety development, the Group aimed at achieving "zero-accident" by implementing a responsibility system, perfecting the management system and solidifying the management foundation. Through the establishment and operation of seven major systems, namely the organizational protection system, tiered control system, regulation system, technological support system, education and training system, emergency rescue system and safety evaluation system, the Group's production safety system functioned property and the production safety level was generally stable and controllable. During the year, no incident occurred which qualified as or more severe than a major production safety incident and the Group received in total 21 national-level awards for AAA-rated safe civil and standardised construction sites.

4.2.5 Implementation of environmental protection measures

In 2016, the Group made full efforts to coordinate and plan for the energy-saving and emission reduction measures for the "13th Five-Year Plan" and completed preparing our plans for energy saving and emission reduction during the "13th Five-Year Plan". The Group played an active role in energy saving and emission reduction by establishing construction sites that conformed to the standards of energy saving and emission reduction, promoting the application of new technology, new techniques and new equipment to increase energy efficiency while strictly controlling the emission of pollutants, stepped up efforts in technical improvement and the elimination of obsolete equipment, reducing the emission of waste gas and sewage, and making full use of waste, such as waste residue. In 2016, the Group did not experience any incident concerning environmental responsibilities nor materially violated any regulations or disciplinary rules on energy conservation and emission reduction. The emission of pollutants was all in compliance with the corresponding national and local emission standards.

In terms of environmental control, the Group manifested the harmony between man and nature in every project and established a green environmental management system featuring top-down, all-round monitoring and control. It strived to protect the ecological system and the environment. By consistently adhering to the principles of "stressing on project quality and using civilised approaches", the various project departments of the Group applied a high standard to the Group's environmental protection and water and soil conservation measures as they worked for the target of "achieving excellence in project quality, environmental protection and water and soil conservation" and strived to achieve the harmony between building quality projects and maintaining a beautiful environment. For each investment and construction project, environmental impact appraisal was conducted according to the requirements of the local governments, environmental review and approval procedures were followed and preparatory environmental protection review was carried out. The Group tightened the control over major pollutant emission points and took effective measures in noise control, dust emission, pollutant emission, soil quarry/damp sites, transportation of waste residue and water protection in order to conduct the construction process in a compliant and environmentally-friendly manner. The Group made consistent efforts in the protection of the environment and ecological system. Before work was commenced on a construction project, it always arranged for professionals to do an in-depth assessment of the environment and ecological system and draw up practical and effective plans for their protection. Special efforts were made to protect the water and soil, bio-diversity and vegetation in and of construction areas which were ecologically vulnerable through the simultaneous planning and implementation of environmental protection measures and construction works. In the course of the works, increased investment was made for ecological protection, environmentally friendly equipment was used, work processes were improved and construction plans were optimised in order to reduce the impact on water, air, vegetation and organisms. Not a single ecological or environmental event occurred in the entire year.

4.2.6 Compliance with laws and regulations

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

4.2.7 Maintenance of relationship with stakeholders

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

4.2.8 Prospects

With respect to the domestic infrastructure market, the State's integrated implementation of the strategies of "Four Developing Regions" and "Three Supporting Belts" will continue to bring new growth points and development opportunities for the infrastructure market, which will remain as a crucial driver of steady investment and stable growth. According to the "Three-Year Action Plan on Major Transportation Infrastructure Construction Projects", "13th Five-Year Plan for Modern and Comprehensive Transport System Development" and "Mid- and Long-term Railway Network Plan" published and revised by the State, during the period of the "13th Five-Year Plan", the transport network coverage will further expand and intensified efforts will be made to develop the network, so that 80% of the cities with de jure population of more than one million will be covered by high speed railway, and virtually all cities with de jure population of more than 200,000 will be covered by railways, expressways and civil airports. The traveling time between key city clusters and core cities and between core cities and peripheral node cities will be reduced to one to two hours. A well accessible east-west and north-south "Ten Vertical and Ten Horizontal" comprehensive transport network will be established. In 2017, fixed asset investment in railways will remain at a high level. The nationwide fixed asset investment in railways is estimated to be over RMB800 billion, with 2,100 kilometers of new tracks, 2,500 kilometers of double tracks and 4,000 kilometers of electrified railways to be put into operation. With regard to highway construction, the State will keep pushing forward the "National Highway Network Planning (2013-2030)" in a rational and orderly manner, placing emphasis on the construction of the national highway network with the guidance of investment policies. Meanwhile, more efforts will be put in the construction of national and provincial highways in order to speed up the construction of roads with dead-end and overly narrow width. In 2017, the fixed asset investment in highways is estimated to be RMB1,650 billion, with newly constructed expressways of 5,000 kilometers and newly redeveloped rural highways of 200,000 kilometers. As for city infrastructure, the "New Urbanisation Plan (2014-2020)", "Guidance on Promoting the Construction of Sponge Cities" and "Guidance Opinions on Promoting the Construction of Underground Integrated Utility Tunnels" issued by the State clearly stated that the new urbanization process will need to be promoted in a quick and orderly manner to improve city functions. Urban development plans or comprehensive transportation development plans were laid out to facilitate the construction of urban infrastructures, such as urban roads, public transport, water supply and drainage, sewage treatment, waste treatment and underground public facilities to increase the overall carrying capacity of cities and towns. With respect to urban rails, the State encouraged the systematic development of metro as well as elevated or ground-level rail transport, such as light rail and tram, and also streamlined the plan approval procedures for urban railway construction so as to further accelerate the approval process for rail transport construction plans and projects. From 2016 to 2018, the State will roll out 103 urban rail transport projects, and 2,000 kilometers of new rail lines will be constructed. The investment amount will be approximately RMB1,650 billion. It is anticipated that by 2020, the operating mileage of urban rail transport will almost double that of 2015. The introduction and improvement of the framework planning documents on the top-level design of the national transport network and the introduction and gradual implementation of the top-level reform proposal of the investment and financing mechanism indicate a positive prospect for China's infrastructure market in 2017 and even during the period of the "13th Five-Year Plan", which will provide a favorable policy environment and ample business opportunities for the Group's development.

In respect of the international infrastructure market, due to further development of economic globalization, new breakthroughs in global governance, acceleration in regional economic integration, promotion in the Belt and Road Initiative and development of international cooperation over production capability, together with the "equal, open-minded, cooperation-driven and mutual sharing" world governance principle upheld by the State, different countries quickened their steps in mutual cooperation and development. The progress and achievements of the Belt and Road Initiative are much better than expected. As China strengthens the cooperation with the Belt and Road countries over the five goals of "policy co-ordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds", a cooperative atmosphere featured with mutual discussion, mutual construction and mutual sharing has already been formed among different countries. Financial cooperation, represented by the Asia Infrastructure Investment Bank and Silk Road Fund, will continue to take root and a number of influential landmark projects will be gradually carried out. It is anticipated that during the period of the "13th Five-Year Plan", infrastructure investment and construction will remain as a main driver of world economic development. In particular, most of the 65 countries along the Belt and Road are developing countries with poor infrastructure and huge demand for infrastructure construction. This will definitely lead to continuous increase in the demand for infrastructure construction along the Belt and Road and create new development opportunities for the world's construction industry, which will further help the Group to "expand overseas".

On the other hand, during the period of the "13th Five-Year Plan", the development of the construction industry in China will still face a complicated situation in view of the growing pile of local government debt and certain acute problems of PPP projects, such as incomplete legal protection, low participation of private capital and substandard implementation of certain projects. The replacement of business tax with value-added tax may also increase our tax burden in the short term. Therefore, severe challenges will still linger around construction enterprises in the future. On the international front, it is still too early to be optimistic about the situation in some of the regions. The instability of the European Union and continuous regional wars and conflicts will pose uncertainties and potential risks for the international operations of the construction enterprises in China. While the construction enterprises will have to meet new requirements on technical innovation, energy conservation, environmental protection and green development, different kinds of protectionism and inflation will also make it more difficult for construction enterprises to expand their operations overseas.

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

4.2.9 Operation plan

In 2017, the Group plans to achieve total revenue of approximately RMB641.7 billion, costs of operation of approximately RMB580.8 billion, aggregate of selling, administrative and finance expenses of approximately RMB32.15 billion. It is estimated that the new contracts to be entered into will amount to approximately RMB1,150.0 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

4.3 Financial Performance Overview

The Group's principal business activities are infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development and other businesses.

In the year of 2016, the management of the Company seized the opportunity in the domestic and international infrastructure market development with a focus on the enhancement of quality and efficiency. It duly forged ahead with its works by following the six principles of "solidifying foundation, refining projects, innovating systems, stringent management, strengthening capabilities and better enterprise". The Company's market competitiveness was further enhanced through external marketing operation and internal scientific management with unity and pragmatism; and all the annual operating targets achieved record-high results.

In the year of 2016, the Group achieved revenue of RMB632.856 billion, representing a year-on-year increase of 5.5%. Profit for the year increased by 7.8% year-on-year to RMB12.703 billion while profit for the year attributable to owners of the Company increased by 1.1% year-on-year to RMB11.808 billion.

4.4 Consolidated Results of Operations

Revenue

In 2016, the Group's total revenue increased year-on-year by 5.5% to RMB632.856 billion. New contracts of the Group increased year-on-year by 29% and reached RMB1,235.0 billion. As at 31 December 2016, the Group's contract backlog increased by year-on-year by 13.1% to RMB2,037.78 billion.

Cost of sales and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2016, the Group's cost of sales recorded a year-on-year increase of 5.8% to RMB583.067 billion while gross profit of the Group increased year-on-year by 2.3% to RMB49.789 billion. The overall gross profit margin for 2016 was 7.9%, representing a decrease of 0.2 percentage point from 8.1% for 2015. It was mainly due to the decrease of gross profit margin of infrastructure construction business.

Other income

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government, and other income. In 2016, the Group's other income was RMB1.855 billion, decreased by 25.1% from RMB2.475 billion of last year. The decrease of other income was primarily due to the decrease in revenue from sales of materials.

Other expenses

The Group's other expenses primarily includes expenditures on research and development. In 2016, other expenses increased by 1.3% from RMB10.281 billion of last year to RMB10.417 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capabilities and enhanced energy saving and emission reduction efforts.

Other gains and losses

The Group's other gains and losses mainly include impairment loss on trade and other receivables, foreign exchange gains/losses, increase/decrease in the fair value of available-for-sale financial assets, gains/losses on disposal/write-off of fixed assets and subsidiaries. The other gains of RMB0.630 billion in 2016 (2015: other losses of RMB1.088 billion) primarily included impairment loss on assets of RMB2.660 billion, net exchange gain of RMB2.275 billion and gain on disposal of assets and subsidiaries of RMB1.015 billion.

Selling and marketing expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2016, the Group's selling and marketing expenses amounted to RMB2.560 billion, representing a year-on-year increase of 9.3%. The selling and marketing expenses as a percentage of the total revenue for 2016 was 0.4%, same as that for 2015.

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2016, the Group's administrative expenses increased year-on-year by 1.0% to RMB17.680 billion. Administrative expenses as a percentage of revenue for 2016 was 2.8%, representing a decrease of 0.1 percentage point from 2.9% for 2015.

Interest income

In 2016, the interest income was RMB2.197 billion, representing a decrease of 27.1% from 2015. It was mainly due to the increase in average fund balances within the Group as a result of strengthened fund centralization management, which caused the decrease in balances at banks and interest income.

Interest expenses

In 2016, the interest expenses was RMB5.774 billion, representing a decrease of 6.6% from 2015. It was mainly due to the decrease in total interest-bearing liabilities from last year and the Group's lower finance cost by actively exploring direct financing.

Profit before tax

As a result of the foregoing factors, the profit before tax for 2016 increased by RMB1.755 billion, or 10.3% to RMB18.772 billion from RMB17.017 billion for 2015.

Income tax expense

In 2016, the income tax expense increased year-on-year by 16.0% to RMB6.069 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group increased by 0.4 percentage point from 27.7% for 2015 to 28.1% for 2016. It was mainly due to the reason that deferred income tax assets were not recognised for project losses and impairment loss on assets made during the year.

Profit for the year attributable to holders of perpetual notes

As at 31 December 2016, the Company has issued perpetual notes with a total principal amount of RMB12 billion (31 December 2015: RMB12 billion). In 2016, the profit for the year attributable to holders of perpetual notes amounted to RMB0.701 billion (2015: RMB0.583 billion).

Profit for the year attributable to owners of the Company

As a result of the foregoing factors, profit for the year attributable to owners of the Company for 2016 increased by 1.1% to RMB11.808 billion from RMB11.675 billion for 2015.

4.5 Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2016 are set forth in the table below.

Business segment	**Segment revenue**	**Growth rate**	**Profit before tax**	**Growth rate**	**Profit before tax margin**[1]	**Segment revenue as a percentage of total**	**Profit before tax as a percentage of total**
	RMB million	*(%)*	*RMB million*	*(%)*	*(%)*	*(%)*	*(%)*
Infrastructure Construction	559,223	2.8	14,753	3.9	2.6	84.2	73.1
Survey, Design and Consulting	12,312	14.9	1,442	27.5	11.7	1.8	7.1
Engineering Equipment and Component Manufacturing	17,063	8.1	1,349	28.5	7.9	2.6	6.7
Property Development	32,976	12.7	2,458	–6.0	7.5	5.0	12.2
Other Businesses	42,671	6.6	184	N/A	0.4	6.4	0.9
Inter-segment Elimination and Adjustments	(31,389)		(1,414)				
Total	**632,856**	**5.5**	**18,772**	**10.3**	**3.0**	**100.0**	**100.0**

1 *Profit before tax margin is the profit before tax divided by the segment revenue.*

Infrastructure construction business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from construction of railway, highway, municipal works, urban rails and other projects. Revenue from the operation of the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2016, the revenue from the infrastructure construction business accounted for 84.2% of the total revenue of the Group (2015: 85.0%). In 2016, segment revenue from the Group's infrastructure construction business increased by 2.8% year-on-year to RMB559.223 billion. It was mainly due to the growth in income from railway and municipal works a result of the continuous development of the domestic infrastructure construction market. Gross profit margin and profit before tax margin of the infrastructure construction segment for 2016 was 5.8% and 2.6% respectively (2015: 6.0% and 2.6% respectively). It was mainly due to (1) the significant increase in cost of raw materials as well as the delay in raw material cost adjustment and (2) certain projects were at closeout phase with claim of adjustments not yet being completed.

Survey, design and consulting services business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects, including integrated "one-stop" solutions as well as specialized services in the areas of railway electrification, bridge, tunnel and machinery design. Benefiting from the stable growth of investment in domestic infrastructure construction segment, in 2016, segment revenue of survey, design and consulting services business increased year-on-year by 14.9% to RMB12.312 billion. Gross profit margin and profit before tax margin for the segment for 2016 was 29.6% and 11.7% respectively (2015: 31.7% and 10.6% respectively). It was mainly due to the increase in dividend income and interest income outweighed the decrease in gross profit margin resulting from the increase in staff cost and outsourcing expenses and technical consultancy charges as the business scale expanded.

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. In 2016, due to the increase in sale of shields and steel structures, segment revenue of the engineering equipment and component manufacturing business of the Group increased by 8.1% year-on-year to RMB17.063 billion. Gross profit margin and profit before tax margin was 21.4% and 7.9% respectively for 2016 (2015: 20.6% and 6.7% respectively). It was mainly due to the increase in sale of shields and steel structures which have higher gross profit margin and the increase in gross profit margin resulting from the technology advantage of power transmission equipment of railway.

Property development business

Revenue from the Group's property development business primarily derives from the development, sale and management of a wide range of residential properties targeting middle and upper-middle income purchasers and commercial properties in the PRC. In 2016, the Group strengthened its destocking effort by adhering to the national's destocking policy. The sales of property projects at first and second tier cities achieved promising results. In 2016, the revenue from property development business recorded RMB32.976 billion, increased by 12.7% year-on-year. Gross profit margin and profit before tax margin was 19.8% and 7.5% (2015: 21.5% and 8.9% respectively). It was mainly attributable to the impairment loss on assets of RMB1.170 billion made in 2016 (2015: RMB0.236 billion).

Other businesses

The Group has progressively implemented the "limited and interrelated" diversification strategy. Revenue from other businesses increased year-on-year by 6.6% to RMB42.671 billion in 2016. Gross profit margin for 2016 was 19.6% (2015: 19.5%) while profit before tax for 2016 was RMB0.184 billion (2015: loss before tax of RMB0.450 billion). It was mainly due to the continuous development of financial business which has a higher gross profit margin and strategic shrinkage of merchandise trading business. Among which, (1) revenue from expressway operation was RMB2.474 billion, year-on-year increase of 4.8% while gross profit margin was 59.2%, representing a decrease of 4.6 percentage points from last year. (2) Revenue from mining was RMB2.646 billion, representing a year-on-year increase of 20.6% while gross profit margin was 17.8%, representing an increase of 4.6 percentage points from last year. (3) Due to the active shrinkage of the external merchandise trading business, revenue from merchandise trading was RMB25.212 billion, representing a year-on-year decrease of 1.0% while gross profit margin was 4.3%, an increase of 1.0 percentage point from last year and (4) Revenue from financial business was RMB4.470 billion, representing a year-on-year increase of 32.1% while gross profit margin was 96.9%, representing a decrease of 0.5 percentage point from last year.

As at 31 December 2016, the Group's mining resources information is shown below.

No	Project name	Type	Grade	Resource/Reserve Unit	Resource/Reserve Quantity	Group's share (%)	Planned total investment (billion)	Accumulated investment (billion)	Investment in the reporting period (billion)	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.09%	Thousand tonne	716.5	83	4.217	4.131	–	Completed	Commenced production
2	Luishia Copper-Cobalt Mine, Congo (Kinshasa)	Cooper Cobalt	2.55% 0.201%	Thousand tonne	759.8 66.8	72	1.657	1.77	–	Completed	Commenced production
3	MKM Copper-Cobalt Mine, Congo (Kinshasa)	Cooper Cobalt	3.36% 0.22%	Thousand tonne	156 17.9	80.2	1.195	1.199	–	Completed	Commenced production
4	Sicomines Copper-Cobalt Mine, Congo (Kinshasa)	Cooper Cobalt	2.55% 0.20%	Thousand tonne	8,529.6 570.7	41.72	24.915	10.674	–	Completed	Phase I commenced production
5	Wulan Lead and Zinc Mine, Guoxinxin Company, Mongolia	Lead Zinc Silver	1.67% 4.80% 80.2g/t	Thousand tonne Tonne	282.2 765.2 1,367.6	100	–	–	–	–	Commenced production
6	Muhaer Lead and Zinc Mine, Guoxinxin Company, Mongolia	Lead Zinc Silver	0.75% 3.50% 108.33g/t	Thousand tonne Tonne	81.7 382.6 1,184.64	100	–	–	–	–	Exploration and feasibility study in progress
7	Gold mine, Guoxinxin Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	–	Exploration in progress
8	Lead and Zinc Mine, Guoxianglong Company, Mongolia	Lead Zinc Silver	6.28% 3.81% 234.67g/t	Thousand tonne Tonne	151.5 91.9 866	100	–	–	–	–	Ceased production

Note: According to the national requirement regarding the measures to mitigate over-production of coal, the sale of the Group's assets related to coal mines was completed in December 2016.

4.6 Cash Flow

In 2016, the net cash inflow from operating activities of the Group amounted to RMB54.495 billion, representing an increase in cash inflow of RMB23.938 billion from RMB30.557 billion in 2015. It was primarily attributable to the significant achievement on the recoverability of trade receivables through the Group's active implementation of cash flow management plan. In 2016, the net cash outflow from investing activities of the Group amounted to RMB17.478 billion, representing an increase from net cash outflow of RMB15.552 billion for 2015, which was mainly due to the increase in cash paid for investment in PPP projects. In 2016, the net cash outflow from financing activities of the Group amounted to RMB15.770 billion while there was a net cash inflow from financing activities of RMB9.424 billion for 2015. It was mainly because the Group repaid part of the bank loans as operating cash flow improved.

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure (excluding acquisition of subsidiaries) for 2016 was RMB14.677 billion (2015: RMB13.766 billion).

The following table sets forth the Group's capital expenditure by business segment in 2016.

For the year ended 31 December 2016	**Infrastructure construction**	**Survey, design and consulting services**	**Engineering equipment and component manufacturing**	**Property development**	**Other businesses**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Property, plant and equipment	8,538	241	1,015	829	1,036	11,659
Land use rights	1,311	1	222	997	300	2,831
Investment properties	5	1	-	-	-	6
Intangible assets	36	12	11	2	89	150
Mining assets	-	-	-	-	31	31
Total	**9,890**	**255**	**1,248**	**1,828**	**1,456**	**14,677**

Working capital

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
Inventories	**28,737**	30,110
Properties under development for sale	**60,962**	66,064
Trade and bills receivables	**162,379**	146,647
Trade and bills payables	**298,715**	258,879
Turnover of inventory (days)	**18**	25
Turnover of trade and bills receivables (days)	**88**	92
Turnover of trade and bills payables (days)	**173**	165

At the end of 2016, the balance of Group's inventories and properties under development for sale was decreased by 4.6% and 7.7% respectively from the end of 2015. Meanwhile, the Group's inventory turnover days was 18 days in 2016, decreased by 7 days as compared to 25 days in 2015, which was mainly because the Group strengthened its efforts on destocking and put dormant assets to good use in accordance with the national's destocking policy. The Group's trade and bills receivables increased by 10.7% from the end of 2015 to RMB162.379 billion as at the end of 2016, which was mainly due to the continuous expansion in the Group's business scale. Nevertheless, the Group's turnover days of trade and bills receivables was 88 days as the end of 2016, a decrease of 4 days as compared to the 92 days at the end of 2015. It was mainly contributable to the satisfactory result on the recoverability of trade receivables through the Group's strengthened effort on recovery of trade receivables.

Trade and bills receivables

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 25.4% (31 December 2015: 31.6%) of the total receivables, which reflected the sound receivables management capability of the Group.

The following table sets forth the ageing analysis of the Group's trade and bills receivables as at 31 December 2016 and 2015, based on invoice date.

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
Less than six months	**92,483**	75,435
Six months to one year	**28,676**	24,802
One year to two years	**23,037**	26,098
Two years to three years	**9,328**	11,326
More than three years	**8,855**	8,986
Total	**162,379**	146,647

Trade and bills payables

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 15.4% from the end of 2015 to RMB298.715 billion as at the end of 2016. It was mainly because the Group arranged payment by making good use of its good business credit. The turnover days of trade and bills payables was 173 days in 2016, representing an increase from 165 days in 2015. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were less than one year and the trade and bills payables of more than one year accounted for 9.9% (31 December 2015: 11.7%) of the total payables.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 31 December 2016 and 2015, based on invoice date.

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
Less than one year	**269,171**	228,672
One year to two years	**18,217**	18,432
Two years to three years	**5,549**	6,224
More than three years	**5,778**	5,551
Total	**298,715**	258,879

4.7 Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2016 and 2015. 46.4% of the Group's borrowings were short-term borrowings (31 December 2015: 46.7%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
Bank borrowings		
Secured	**30,466**	34,442
Unsecured	**91,760**	92,503
	122,226	126,945
Short-term debentures, unsecured	**–**	3,000
Long-term debentures, unsecured	**33,322**	34,015
Other short-term borrowings, unsecured	**8,755**	8,755
Other short-term borrowings, secured	**6**	72
Other long-term borrowings, unsecured	**7,591**	7,635
Other long-term borrowings, secured	**425**	–
Total	**172,325**	180,422
Long-term borrowings	**92,308**	96,213
Short-term borrowings	**80,017**	84,209
Total	**172,325**	180,422

Bank borrowings carry interest rates ranging from 1.12% to 9.00% (31 December 2015: 0.92% to 10.05%) per annum. Short-term debentures carry fixed interest rates ranging from 2.80% to 4.50% per annum (31 December 2015: 3.58% to 4.50%). Other short-term borrowings carry interest rates ranging from 1.00% to 7.98% (31 December 2015: 1.38% to 10.50%) per annum. Long-term debentures carry fixed interest rates ranging from 3.07% to 6.40% per annum (31 December 2015: 3.85% to 7.20%). Other long-term borrowings carry interest rates ranging from 4.75% to 7.80% (31 December 2015: 6.28% to 13.92%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 31 December 2016 and 2015.

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
Less than one year	**80,017**	84,209
One year to two years	**28,117**	19,783
Two years to five years	**36,931**	45,616
More than five years	**27,260**	30,814
Total	**172,325**	180,422

As at 31 December 2016 and 2015, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB1.502 billion and RMB1.449 billion and floating-rate bank borrowings amounting to RMB120.724 billion and RMB125.496 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2016 and 2015. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euro.

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
USD	**1,946**	3,238
Euro	**136**	122
Others	**164**	163
Total	**2,246**	3,523

The following table sets forth the details of the Group's secured borrowings as at 31 December 2016 and 2015.

	As at 31 December			
	2016		2015	
	Secured borrowings	**Carrying amount of pledged assets and contract value of certain rights**	Secured borrowings	Carrying amount of pledged assets and contract value of certain rights
	RMB million	***RMB million***	*RMB million*	*RMB million*
Property, plant and equipment	**12**	**13**	192	166
Land use rights	**300**	**793**	–	–
Intangible assets	**21,043**	**35,098**	21,103	35,792
Properties under development for sale	**8,888**	**19,428**	11,329	22,609
Bills receivables	**–**	**–**	37	37
Accounts receivables	**654**	**944**	1,503	2,333
Rights to collect cash flows in relation to certain construction projects	**–**	**–**	350	525
Total	**30,897**	**56,276**	34,514	61,462

As at 31 December 2016, the Group's unused short-term credit line facility from banks was RMB518.242 billion.

As at 31 December 2016, the Group's gearing ratio (total liabilities/total assets) was 80.2%, representing a decrease of 0.3 percentage point as compared with 80.5% for 2015. The Group has been primarily financing its working capital and other capital requirements through internal funds generated from operations, and mainly through borrowings in case of any deficiencies. In the year of 2016, the Group completed the issuance of corporate bonds of RMB4.17 billion, notes of USD0.5 billion and private placement bonds of RMB1 billion.

4.8 Contingent Liabilities

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

	As at 31 December	
	2016	2015
	RMB million	*RMB million*
Pending lawsuits:		
– arising in the ordinary course of business *(Note 1 & Note 2)*	**987**	1,458
– overseas lawsuits *(Note 3 & Note 4)*	**381**	854
Total	**1,368**	2,312

Note 1: The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for those pending lawsuits where the management considered that the claims will not be successful. The aggregate sum of these unprovided claims is disclosed in the table above.

*Note 2: The indirectly owned subsidiary of the Company, China Railway Resources Haixi Coal Co., Ltd. ("**CRRH**"), was transferred to Beijing Yinuojie Investment Management Co., Ltd. ("**Yinuojie**") this year, and 100% equity interest in Yinuojie held by the Group was transferred to CRECG this year. All pending litigations relevant with CRRH, including its project settlement disputes with Tianjun Haoxin Mechanize Service Co., Ltd. and Ximing North Longsheng Highway Project Co., Ltd. no longer constitute contingent events of the Group.*

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

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

In 2014, the Consortium began to settle the above case through the negotiation with PGDNRM by coordination of relevant parties.

On 25 February 2015, the Poland Warsaw District Court decided to suspend the lawsuit procedure for one year. On 26 February 2016, as the suspension of the lawsuit procedure expired, PGDNRM applied to resume the lawsuit procedure. To proceed the settlement of this case, the Group made effort to negotiate with PGDNRM and all parties agreed to apply for suspension in 2016. On 25 April 2016, the trial of this case was suspended again.

On 25 February 2017, as the suspension of the lawsuit procedure expired, the Poland Warsaw District Court resumed the lawsuit procedure. On 24 March 2017, the Group applied to the Poland Warsaw District Court for suspension together with PGDNRM.

There is no significant progress up to the date of this announcement. At this stage, the Directors consider it premature to assess the outcome of this case.

*Note 4: Exploitations Artisanales Au Congo ("**EXACO**") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("**MKM**"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire interests in MKM.*

*On 1 September 2015, EXACO filed an arbitration application to International Court of Arbitration of the International Chamber of Commerce due to MKM's failure of fulfilling its contractual obligation, and claimed for a compensation from MKM amounting to USD54.77 million (equivalent to approximately RMB356 million) including the loss caused by previous 43.5% share transfer and previous 11.5% share forced sale with the interests due to delayed payment since November 2012, and all arbitration fees and other expenses EXACO has paid for the arbitration proceedings. EXACO also requested that China Railway Resources Global Holding Limited ("**CRRG**"), the holding company of MKM, and China Railway Resources, the holding company of CRRG, bear joint liabilities as to the obligations of above compensations.*

On 7 January 2016, the International Court of Arbitration of the International Chamber of Commerce appointed 3 arbitrators for this arbitration and the arbitration tribunal was formed on 12 May 2016. According to the arbitration arrangements, this case will be heard for the first time on 22 May 2017.

On 10 February 2017, EXACO submitted its Statement of Defense and counterclaims to the arbitration tribunal. In the Statement of Defense and counterclaims, EXACO amended the amount of loss caused by 43.5% share transfer from USD54.77 million (equivalent to approximately RMB356 million) to USD53.40 million (equivalent to approximately RMB370 million).

Given this case is still pending, the Directors consider that it is premature to assess the outcome of this case.

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

	As at 31 December			
	2016		2015	
	Amount *RMB million*	**Expiry period**	Amount *RMB million*	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,467**	**2017-2023**	4,011	2016-2025
Joint ventures	**400**	**2017-2018**	2,230	2016-2020
Other government-related enterprise	**61**	**2017**	57	2016
Property purchasers	**21,005**	**2017-2025**	17,920	2016-2021
An investee of the Group	**–**	**N/A**	5	2016
A former subsidiary	**928**	**2022**	541	2021-2022
Two former associates	**1,363**	**2020-2024**	–	N/A
Total	**29,224**		24,764	

4.9 Business Risks

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

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

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

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

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

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

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

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

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

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

5 SIGNIFICANT EVENTS

5.1 The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves

5.1.1 Formulation, implementation or adjustment of the cash dividend policy

(1) Implementation of the cash dividend policy during the reporting period

Profits are distributed in cash under the profit distribution plan of the Company in 2015. Pursuant to the profit distribution plan considered and passed at the 2015 annual general meeting convened on 24 June 2016, a cash dividend of RMB0.86 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2015 was declared, totaling RMB1,964,609,932.70 and representing around 16% of net profit attributable to the listed company's shareholders for the year 2015 under the consolidated financial statements of the Company. The announcement on the profit distribution of A shares was published on 5 August 2016 on the websites of China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the Shanghai Stock Exchange. As at 18 August 2016, the implementation of the profit distribution plan of the Company for 2015 has been completed.

(2) Profit distribution plan for 2016

Pursuant to the relevant requirements of the Company Law and the Articles of Association, and in accordance with the "Resolution on the Profit Distribution Plan for 2016 of China Railway Group Limited" which was passed at the 31st meeting of the third session of the Board, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, the retained profits of the parent company at the beginning of 2016 was RMB20,903,465,237.71 based on the audited financial report of the Company for 2016. After adding the net profit realised by the parent company of RMB11,830,171,236.15 during the year and deducting the cash dividends for 2015 and interest payments on perpetual notes amounting to RMB2,751,776,599.36, and with 10% of the net profit of the parent company, i.e. RMB1,183,017,123.62, being appropriated to its statutory surplus reserve, the distributable profit of the parent company to shareholders amounted to RMB28,798,842,750.88 for the year. A cash dividend of RMB0.88 per 10 shares (tax inclusive) is proposed to be distributed. Based on the Company's total share capital of 22,844,301,543 shares as at 31 December 2016, the total amount of such dividend is RMB2,010,298,535.78, representing 16% of net profit attributable to the listed company's shareholders for the current year under the consolidated financial statements of the Company. Upon the distribution, the remaining retained profit of the parent company amounting to RMB26,788,544,215.10 will be carried forward to the next year.

The independent directors of the Company have expressed their opinion on the plan, and the above plan is still subject to the approval of the 2016 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2016 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

(3) *Information on the profit distribution for 2016*

(i) The Company intends to distribute less than 30% of the net profits attributable to shareholders for the year as cash dividends due to the following reasons: (1) Considering the international infrastructure construction market, the in-depth development of the Belt and Road Initiative received positive response from the world, with more than 100 participating countries and international organisations. China has entered into the Belt and Road Initiative cooperation agreements with more than 30 Belt and Road countries. Financial cooperation, represented by the Asia Infrastructure Investment Bank and Silk Road Fund, will continue to take root and present immense opportunities for our overseas expansion. Domestically, the domestic infrastructure construction market will continue to flourish. According to the "Three-Year Action Plan on Major Transportation Infrastructure Construction Projects", 303 key projects on railways, highways, waterways, airports and urban rail transports will be launched from 2016 to 2018, with a total investment of approximately RMB4,700 billion. 2017 will be a critical year for the implementation of the "Three-Year Action Plan on Major Transportation Infrastructure Construction Projects". A number of projects will be rolled out during the year and there will also be an increase in the number of different types of PPP-led investment projects. All these will present beneficial opportunities to the sustainable development of the Company. The Company will need sufficient cash reserves to be in a position to seize suitable opportunities, meet new challenges and implement further developments. (2) The construction industry is extremely competitive, where comparatively low profit margins, comparatively high debt gearing ratios, comparatively large amounts of receivables and inventory are not uncommon. Moreover, due to the extensive locations and scope of projects and the large scale of each single project, the working capital requirements of the Company to maintain its ordinary course of operations are relatively high. Therefore, a high cash dividend payout policy is not appropriate for the Company.

(ii) All independent directors of the Company have issued their independent opinions on the reasonableness of the above profit distribution plan for 2016 as follows: (1) Taking into account various factors, including the characteristics of the industry in which the Company is operating, its development stage, business model and capital requirements, the Company's profit distribution plan for 2016 has been formulated in line with the Company's circumstances and requirements. (2) The amount of cash dividends accounts for 16% of net profit attributable to the listed company's shareholders for the year 2016 under the consolidated financial statements of the Company. This percentage ratio has remained the same as from the previous year, with such stability supporting the continuity and sustainability of the Company's profit distribution policy and is in line with the cash dividend policy stipulated in the Articles of Association and the mid- to long-term plan for shareholders' return. Not only does the plan offer reasonable returns to investors, it also supports the continuing operation of the Company. As such, the profit distribution plan of the Company for 2016 is reasonable and they agreed to such plan.

5.1.2 The plan for profit distribution for ordinary shares or capitalisation of capital reserves of the Company for the latest three years (including the reporting period)

Unit: Hundred million Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend amount per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net profit attributable to the listed company's ordinary shareholders during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to the listed company's ordinary shareholders under the consolidated financial statements *(%)*
2016	–	0.88	–	20.10	125.09	16
2015	–	0.86	–	19.65	122.58	16
2014	–	0.78	–	16.61	103.6	16

Note: Implementation of the 2016 profit distribution plan is subject to approval at the annual general meeting.

5.1.3 The inclusion of shares repurchased through cash offer in cash dividend

Not applicable

5.1.4 If profits for the reporting period and profit distributable to ordinary shareholders are positive and no ordinary profit distribution plan in cash for the ordinary shares is proposed, the Company should disclose the reasons as well as the use and intended use of the retained profits

Not applicable

5.2 Performance Status of Undertakings

5.2.1 Undertakings made by the Company, shareholders holding more than 5% of the shares of the Company, controlling shareholders and ultimate controller given or subsisting in the reporting period or continuing during the reporting period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CRECG	Upon the establishment of China Railway in accordance with the law, CRECG and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CRECG or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CRECG or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CRECG warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	No	No	Yes	/	/

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
Undertakings related to refinancing	Other undertakings	CRECG	If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, the Company shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes	/	/

Note: For details of the relevant undertakings made by the Company and CRECG during the material asset restructuring of China Railway Erju Co., Ltd. (renamed to China Railway Hi-Tech Industry Co., Ltd. in March 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 21 September 2016. The Company and CRECG are currently duly complying with all the undertakings.

5.2.2 If the Company has made a profit estimate as to its assets or projects, and the profit estimate period is within the reporting period, the Company's explanation on whether its assets or projects would meet its profit forecast and the reasons

Not applicable

5.3 Fund Occupancy and Progress of Collection During the Reporting Period

Not applicable

5.4 Explanation of the Company on the "Modified Audit Report" from Auditors

Not applicable

5.5 Analysis and Explanation of the Company on the Reasons for and Impacts of the Changes in Accounting Policies or Accounting Estimates or Correction of Material Accounting Errors

5.5.1 Analysis and explanation of the Company on the reasons for and impacts of the changes in accounting policies or accounting estimates

Not applicable

5.5.2 Analysis and explanation of the Company on the reasons for and impacts of correction of material accounting mistakes

Not applicable

5.5.3 Communications with former auditors

Not applicable

5.5.4 Others

Not applicable

5.6 Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

	Current appointment
Name of domestic auditors	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	4,050
Term of domestic auditors	10 years
Name of international auditors	Deloitte Touche Tohmatsu
Remuneration of international auditors	250
Term of international auditors	10 years

	Name	**Remuneration**
Auditors for internal control audit	Deloitte Touche Tohmatsu CPA LLP	251

5.6.1 Explanation on the appointment and removal of auditors

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been providing annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, the Company intends to change both the auditors for annual audit and the internal control auditors for 2017. On 30 March 2017, according to the "Resolution on the appointment of auditors of the Company for 2017" and "Resolution on the appointment of internal control auditors for 2017" which were passed at the 31st meeting of the third session of the Board, the Company proposed to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2017 and engage PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2017. Such changes of auditors will have to be submitted to the 2016 annual general meeting of the Company for consideration. For details of such changes, please refer to the Announcement on the Change of Auditors for Annual Audit published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 31 March 2017.

5.6.2 Explanation on the change of auditors during the audit period

Not applicable

5.7 Risk of Suspension of Listing

5.7.1 Reason for suspension of listing and response measures to be adopted by the Company

Not applicable

5.8 Delisting and the reasons thereof

Not applicable

5.9 Matters Relating to Insolvency or Restructuring

Not applicable

5.10 Material Litigation, Arbitration and General Concerns of the Media

5.10.1 Litigation, arbitration or general concerns of the media which were disclosed in an announcement without subsequent progress

Outline and nature	Information link
Poland A2 Highway construction disputes: The Consortium comprising COVEC and China Railway Tunnel Group Co., Ltd. (subsidiaries of the Company) and two third-party companies terminated the contract and had dispute with PGDNRM, the project owner, in respect of the bid won for sections of A and C of Poland A2 Highway.	2011 Interim Report and subsequent periodic reports of the Company.

During the reporting period, the progress of the abovementioned lawsuit is set out as below:

Given the intention of the Consortium and PGDNRM to reach a settlement, on 25 February 2015, the Poland Warsaw District Court adjourned the proceedings. As this further adjournment would exceed the applicable extension deadline, PGDNRM applied to the Poland Warsaw District Court to resume legal proceedings on 26 February 2016. The Consortium and PGDNRM have conducted proactive communication and in order to avoid the legal proceedings affecting the progress of the settlement discussions, on 25 April 2016, according to the application proposed by PGDNRM and the consent of both parties, the Warsaw District Court suspended the trial procedures again. On 25 February 2017, as the suspension of the lawsuit procedure expired, the Poland Warsaw District Court resumed the lawsuit procedure. On 24 March 2017, the Consortium applied to the Poland Warsaw District Court for suspension together with PGDNRM.

5.10.2 Litigation and arbitration which were undisclosed in announcement or might have had subsequent progress

Not applicable

5.10.3 Others

Not applicable

5.11 Penalty and Rectification Order against the Listed Company and its Directors, Supervisors, Senior Management, Controlling Shareholders, Ultimate Controller and Acquirer

Not applicable

5.12 Integrity of the Company and its Controlling Shareholders and Ultimate Controllers

During the reporting period, the Company and its controlling shareholder and ultimate controller have no outstanding obligations pursuant to any judgement made by a court nor have they failed to repay substantial debts that have become due and outstanding.

5.13 Share Incentive Scheme, Employee Stock Ownership Plan and Other Incentive Schemes and the Impacts Thereof

5.13.1 Incentives which were disclosed in announcement without subsequent progress or changes

Not applicable

5.13.2 Incentives which were undisclosed in announcement or might have had subsequent progress

Not applicable

5.14 Significant Related Party Transactions

5.14.1 Related party transactions in ordinary course of business

(1) Matters which were disclosed in announcement without subsequent progress or changes

Not applicable

(2) Matters which were disclosed in announcement with subsequent progress or changes

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	32,628	32,628	Less than 1%
China Railway Hongda Asset Management Center	Wholly owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	29,595	29,595	Less than 1%
Total					62,223	62,223	

Description of related party transactions	The above two transactions resulted from the implementation of the Comprehensive Services Agreement and Premises Leasing Agreement renewed by the Company and CRECG on 30 December 2015. The terms of both agreements are three years. The total transaction amount involved was within the authority of the Board and was approved at the 15th meeting of the third session of the Board, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the Premises Leasing Agreement and Comprehensive Services Agreement was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Hong Kong Listing Rules.

(3) Matters undisclosed in announcement

Not applicable

5.14.2 *Related party transactions in relation to acquisition and disposal of assets or equity interests*

(1) Matters which were disclosed in announcement without subsequent progress or changes

Description	Information link
In 2016, in order to follow the national policy of "cutting industrial capacity, lowering corporate costs, reducing property inventories, deleveraging, and improving weak links" and to implement the national guidance on eliminating overcapacity in coal industry, the Company transferred all its equity interests in Lince Railway and 12 coal-related assets and the relevant equity interests held by China Railway Resources Group Co., Ltd. ("**CRR**"), its wholly-owned subsidiary, to Beijing Yinuojie Investment Management Co., Ltd., a wholly-owned subsidiary of CRR. On 29 December 2016, CRR and CRECG, the controlling shareholder of the Company, entered into the Agreement on the Transfer of Equity Interests in Beijing Yinuojie Investment Management Co., Ltd., pursuant to which CRR agreed to transfer its 100% equity interests in Beijing Yinuojie Investment Management Co., Ltd. to CRECG at a consideration of RMB2,456.336 million.	For details, please refer to the Announcement on the Related Party Transaction of China Railway Group Limited published on the website of Shanghai Stock Exchange at http://www.sse.com.cn on 30 December 2016.

(2) Matters which were disclosed in announcement with subsequent progress or changes

Not applicable

(3) Matters undisclosed in announcement

Not applicable

(4) If agreement upon performance is involved, the performance achievements during the reporting period shall be disclosed

Not applicable

5.14.3 Significant related party transactions in relation to joint external investment

(1) *Matters which were disclosed in announcement without subsequent progress or changes*

Not applicable

(2) *Matters which were disclosed in announcement with subsequent progress or changes*

Not applicable

(3) *Matters undisclosed in announcement*

Not applicable

5.14.4 Amounts due from/to related parties

(1) *Matters which were disclosed in announcement without subsequent progress or changes*

Not applicable

(2) *Matters which were disclosed in announcement with subsequent progress or changes*

Not applicable

(3) *Matters undisclosed in announcement*

Not applicable

5.14.5 Others

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
China Railway *(Note 1)*	Lince Railway Co., Ltd.	697,600	June 2008	June 2024	No
CRECG *(Note 2)*	China Railway	5,000,000	January 2010	January 2020	No
CRECG *(Note 2)*	China Railway	3,500,000	October 2010	October 2025	No
CRECG *(Note 2)*	China Railway	2,500,000	October 2010	October 2020	No

Note 1: At the 2007 annual general meeting of the Company held on 25 June 2008, the Proposal of Provision of a Guarantee with Respect to the Loans for Lince Railway Co., Ltd. and China Railway Engineering Sunite Railway Co., Ltd. was considered and approved, in which it was agreed that a guarantee would be provided with respect to the bank loan for Lince Railway Co., Ltd. in the amount of RMB820.7 million for a guarantee period of 17 years. In June 2008, the Company and Huhhot Xincheng Dongjie Sub-branch of the Industrial and Commercial Bank of China Limited entered into a guarantee contract agreeing that a guarantee in the total amount of RMB783 million (product of the total loan amount of RMB2.7 billion multiplied by the shareholding percentage of 29%) with a joint and several liability and a guarantee period commencing on 30 June 2008 and ending on 20 June 2025 should be provided to Lince Railway Co., Ltd. As at 31 December 2016, Chen Wenxin, a supervisor of the Company, remained as a director of Lince Railway Co., Ltd. Lince Railway Co., Ltd. is a related party of the Company according to the Listing Rules of the Shanghai Stock Exchange. Therefore, these guarantees remained as related party guarantees of the Company.

Note 2: These are unconditional and irrevocable joint and several liability guarantees provided by CRECG for the entire amount of the 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010. As at 31 December 2016, the remaining payable amount of above-mentioned corporate bonds was RMB10,969.480 million (31 December 2015: RMB10,963.668 million).

(2) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	**Amount for the Current Year**	Amount for the Previous Year
Loans *(Note)*	CRECG	**1,600,000**	–

Unit: Thousand Currency: RMB

Item	Related Party	**31 December 2016**	31 December 2015
Deposit-taking *(Note)*	CRECG	**55,311**	1,938,956
	China Railway Hongda Asset Management Center	**571**	5,013

Note: In order to increase the utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and CRECG was considered and passed at the 15th meeting of the third session of the Board convened by the Company on 2 December 2015, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would sign the Financial Services Framework Agreement (the agreement would expire on 31 December 2018) with CRECG, the controlling shareholder of the Company, and provide deposits, loans and other financial services to CRECG and its subsidiaries pursuant to the agreement. For details, please see the relevant announcement of the Company dated 30 December 2015 published on the website of the Shanghai Stock Exchange.

On 29 December 2016, China Railway Finance Co., Ltd. provided CRECG with a loan of RMB1.6 billion to supplement CRECG's liquid capital. The daily loan balance (including interest accrued) obtained by CRECG from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

During the reporting period, the maximum daily amount of deposits (including interest accrued) provided by China Railway Finance Co., Ltd. to CRECG and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

(3) Other related party transactions

Unit: Thousand Currency: RMB

Items	Related party	**January to December 2016**	January to December 2015
Interest income *(Note 1)*	CRECG	**492**	–
Interest expenses *(Note 2)*	CRECG	**18,651**	72,456
Interest expenses *(Note 2)*	China Railway Hongda Asset Management Center	**56**	18

Note 1: The interest income represent the interest receivable by the Company from CRECG for the loans to CRECG.

Note 2: The interest expenses represent the interest payable by the Company to CRECG for the entrusted loan and the interest payable by China Railway Finance Co., Ltd., a subsidiary of the Company, to CRECG and its subsidiary, China Railway Hongda Asset Management Center, for deposit-taking.

5.15 Material Contracts and Their Performance

5.15.1 Trusteeship, contracting and leasing

Not applicable

5.15.2 Guarantees

Unit: Thousand Currency: RMB

Guarantee provided by the Company (excluding those provided to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party relationship
China Railway	The same entity	Lince Railway Co., Ltd.	697,600	2008/08/01	2008/08/01	2024/06/20	Suretyship of joint and several liability	No	No	–	No	Yes	Others
China Railway	The same entity	Inner Mongolia Sunite Railway Co., Ltd	200,000	2008/11/24	2008/11/24	2020/11/30	Suretyship of joint and several liability	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	470,500	2013/04/23	2013/04/23	2019/06/12	Suretyship of joint and several liability	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	173,355	2014/09/23	2014/09/23	2019/12/28	Suretyship of joint and several liability	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	400,000	2013/12/20	2013/12/20	2018/12/19	Suretyship of joint and several liability	No	No	–	No	No	/
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	1,003,500	2015/12/24	2015/12/24	2023/11/24	Suretyship of joint and several liability	No	No	–	No	No	/
China Railway Electrification Engineering Group Co., Ltd.	Wholly-owned subsidiary	Nanjing China Railway Electrification Investment Co., Ltd	290,000	2012/07/16	2012/07/16	2022/12/20	Suretyship of joint and several liability	No	No	–	No	No	/
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	61,045.6	2012/12/29	2012/12/29	2017/12/31	Suretyship of joint and several liability	No	No	–	No	No	/

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	–3,258,118.08
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	3,296,000.60
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	5,989,628.15
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	36,350,962.95
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	39,646,963.55
Percentage of aggregate guarantee to net assets of the Company (%)	28.25
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	–
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	35,070,276.55
Excess amount of aggregate guarantee over 50% of net assets (E)	–
Aggregate amount of the above three categories (C+D+E)	35,070,276.55
Statement on the contingent joint and several liability in connection with unexpired guarantee	Not applicable
Statement on guarantee	As at 31 December 2016, the aggregate guarantee of China Railway Group Limited (combined) in relation to real estate mortgage was RMB21,004.790 million.

5.15.3 Management of cash assets entrusted to third parties

(1) Entrusted wealth management

Not applicable

(2) Entrusted loans

Unit: Yuan Currency: RMB

Name of borrower	Amount of entrusted loan	Term of loan	Interest rate	Use of loan	Collateral or guarantor	Overdue or not	Related party transaction or not	Extended or not	Involved in a litigation or not	Related party relationship	Profit and loss of investment
Chongqing Dianzhong Expressway Co., Ltd.	36,000,000.00	1 year	4.35%	Daily working capital	No	No	No	No	No	–	1,257,150.00
Chongqing Dianzhong Expressway Co., Ltd.	80,000,000.00	1 year	4.35%	Daily working capital	No	No	No	No	No	–	2,532,666.67
Chongqing Dianzhong Expressway Co., Ltd.	25,000,000.00	1 year	4.35%	Daily working capital	No	No	No	No	No	–	311,145.83
Chongqing Dianzhong Expressway Co., Ltd.	73,000,000.00	1 year	4.35%	Daily working capital	No	No	No	No	No	–	379,295.83
Changsha Metro Group Co., Ltd.	100,000,000.00	5 years	Benchmark interest rate +10% on the effective date	Construction of the railway transport project in Changsha	No	No	No	No	No	–	1,242,694.44

(3) Other investments in wealth management products and derivatives

Unit: Yuan Currency: RMB

No.	Type of investment	Parties	Investment amount	Term of investment	Product type	Profit and loss of investment	Involved in a litigation or not
1	Derivative	China Construction Bank	/	10 years	Interest rate swap	–	No
2	Derivative	Bank of Communications	/	15 years	Interest rate swap	–	No
3	Derivative	Industrial and Commercial Bank of China, China Merchants Bank	Investment position corresponding to a guaranteed deposit not exceeding RMB470 million	3 months, rollover	Futures contract	–178,794,616.10	No
4	Derivative	Yingda Futures Co., Ltd., GF Futures Co., Ltd.	Investment position corresponding to a guaranteed deposit not exceeding RMB133 million	3 months, rollover	Futures contract	2,629,500.00	No
5	Other investment	Jianxin Trust Co., Ltd.	15 million units	5 years	Trust product	1,825,900.00	No
6	Other investment	Jianxin Trust Co., Ltd.	50 million units	2 years	Trust product	–	No
7	Other investment	Jianxin Trust Co., Ltd.	160 million units	7 years	Trust product	–	No
8	Other investment	Jianxin Trust Co., Ltd.	15 million units	4.5 years	Trust product	1,784,395.83	No
9	Other investment	Jianxin Trust Co., Ltd.	10 million units	6.5 years	Trust product	1,067,694.44	No
10	Other investment	Jianxin Trust Co., Ltd.	50 million units	2 years	Trust product	3,389,907.77	No
11	Other investment	Jianxin Trust Co., Ltd.	75 million units	2 years	Trust product	–	No
12	Other investment	Jianxin Trust Co., Ltd.	43.90 million units	2 years	Trust product	–	No
13	Other investment	Jianxin Trust Co., Ltd.	121.35 million units	3 years	Trust product	–	No
14	Other investment	Jianxin Trust Co., Ltd.	7.50 million units	3 years	Trust product	815,875.00	No
15	Other investment	Tianjin Trust Co., Ltd.	279 million units	3 years	Trust product	17,161,286.59	No
16	Other investment	Tianjin Trust Co., Ltd.	279 million units	3 years	Trust product	–	No
17	Other investment	China Railway Trust Co., Ltd.	52.45 million units	6 years	Trust product	–	No
18	Other investment	China Railway Trust Co., Ltd.	150 million units	5.95 years	Trust product	–	No
19	Other investment	China Railway Trust Co., Ltd.	99 million units	5.72 years	Trust product	–	No
20	Other investment	China Railway Trust Co., Ltd.	99 million units	5.46 years	Trust product	–	No
21	Other investment	China Railway Trust Co., Ltd.	99 million units	5.2 years	Trust product	–	No
22	Other investment	China Railway Trust Co., Ltd.	99 million units	4.96 years	Trust product	–	No
23	Other investment	China Railway Trust Co., Ltd.	300 million units	6 years	Trust product	–	No
24	Other investment	China Railway Trust Co., Ltd.	385 million units	6 years	Trust product	–	No
25	Other investment	CITIC Trust Co., Ltd.	1 million units	2 years	Trust product	–	No
26	Other investment	CITIC Trust Co., Ltd.	66 million units	3 years	Trust product	20,000,000.00	No
27	Other investment	Zhonghai Trust Co., Ltd.	10 million units	5 years	Trust product	–	No
28	Other investment	CITIC Prudential Asset Management Co., Ltd.	75 million units	3 years	Specialised Asset Management Scheme	–	No
29	Other investment	Jianxin Trust Co., Ltd.	64 million units	15 years	Trust product	–	No
30	Other investment	Shanghai Xing Yan Ju He Investment Management Center (Limited Partnership)	1,430 million units	7 years	Trust product	–	No
31	Other investment	Jianxin Trust Co., Ltd. and China Railway Central – South Investment Development Co., Ltd.	20 million units	12 years	Trust product	302,222.22	No
32	Other investment	Jianxin Trust Co., Ltd.	329.25 million units	5 years	Trust product	–	No
33	Other investment	Jianxin Trust Co., Ltd.	340 million units	7 years	Trust product	–	No
34	Other investment	Jianxin Trust Co., Ltd.	115 million units	7 years	Trust product	–	No

5.15.4 Other material contracts

(1) New material construction contracts

(i) Material contracts executed before the reporting period but remaining effective during the reporting period:

(A) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Harbor Bureau, China Railway Airport, China Railway Shanghai, China Railway Electrification	Mengxi-Huazhong Railway Co., Ltd.	The civil engineering of the new coal transportation railway channel from west Inner Mongolia to Central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project MHSS-3 Section, MHSS-5 Section and MHSS – 6 Section; MHQG-2 Section of the relocation and alteration of the telecommunication cables, radio and TV cables and electric power lines	2015/02 2015/07	3,068,982	55-60 months
2	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway Tunnel, China Railway Electrification Engineering, China Railway Airport, China Railway Shanghai	Jingfu Passenger Railway Line Anhui Co., Ltd.	Before-station construction project of Sections SHZQ-3, SHZQ-5, SHZQ-8, SHZQ-10, SHZQ-11, SHZQ-13, SHZQ-15 and SHZQ-16 of the new Shangqiu-Hefei-Hangzhou Railway (Anhui, Zhejiang Section)	2015/11	2,041,162	59.4 months
3	China Railway Major Bridge Engineering	Fujian Fuping Railway Co., Ltd.	Before-station construction project of Section FPZQ-3 of the new Fuzhou-Pingtan Railway	2013/10	879,909	2,007 calendar days

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-Purpose Bridge Project	2014/06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) LBAMSG-2 Section	2014/12	869,121	30 months
3	China Railway No. 1 Engineering, COVEC	East Timor Public Affairs Bureau and Petroleum and Mineral Resources Bureau	Construction project of Suai-Beaco Highway Road, Section 1: Suai-Fatukai/Mola Section, East Timor	2015/01	182,741	730 calendar days
Municipal works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases 2 and 3 of Chengdu Metro Line 3	2015/10	787,310	39 months
2	China Railway	Nanning City Railway Group Co. Ltd.	Construction Contract of Section 02 of Phase one of Line 3 of Nanning City Railway (Keyuan Road and Pingle Road)	2015/06	456,913	1,340 calendar days
3	China Railway Construction	Jiangxi Zhengsheng Shidai Property Co., Ltd.	EPC contract for construction project of Zhengsheng Taigugang Commercial City, Nanchang	2015/09	320,000	1,000 calendar days

(B) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Shanghai-Kunming Railway Passenger Line Guizhou Co., Ltd.	Survey and design contract of the new Changsha-Kunming Railway Passenger Line (Guizhou Section)	2010/09	112,604	72 months
2	China Railway Eryuan Engineering	Chengdu-Lanzhou Railway Co., Ltd.	Survey and design contract of the new Chengdu-Lanzhou Railway	2011/01	84,100	72 months
3	China Railway Eryuan Engineering	Russia "High-speed Rail" Open Joint Stock Company	Working contract of project survey, regional land survey and design, and construction design document preparation for Moscow-Kazan High-speed Rail	2015/06	81,900	18 months

(C) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel structure						
1	China Railway Baoji Bridge	Hunan Dayue Highway Dongtinghu Bridge Construction Development Co., Ltd.	Construction project of main bridge steel truss girder of Hang Rui National Highway Hunan Linxiang (Xiang E Border) – Yueyang Highway Dongtinghu Bridge	2015/08	51,105	22 months
2	China Railway Baoji Bridge	Hutong Yangtze River Bridge Project Manager Department of CCCC Second Harbour Engineering Company Ltd.	GL01 Package production and installation for steel truss girder (arch) of New Hutong Railway Hutong Yangtze River Bridge HTQ-1 Section	2014/11	49,048	41 months
Turnout						
1	China Railway Baoji Bridge	China Railway Corporation Hajia Passengers Railway Co., Ltd.	New Harbin – Jiamusi Railway Project Contract with loans from the World Bank	2015/08	40,847	/
2	China Railway Shanhaiguan Bridge	Shanghai Railway Bureau	High-speed turnouts for the new Lianyungang – Yancheng Railway Project	2015/05	17,005	12 months
Construction machinery						
1	China Railway Engineering Equipment	Zhongtian Construction Group	Shield Sales & Purchase Contract	2015/07	14,560	6-10 months
2	China Railway Baoji Bridge	Beijing Enterprises Holdings Maglev Technology Development Co., Ltd.	Procurement and installation of turnout system for the demonstration line of medium-low speed magnetic levitation transit (Line S1) in Beijing	2015/09	11,935	/

(D) Property development business

No.	Project name	Project location	Project type	Planning area *(0'000 m²)*
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.60
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.54
3	Nobel Mingdu	Jinan, Shandong	Residential	89.34
4	Qingdao West Coast Project	Qingdao, Shandong	Comprehensive	78.86
5	Dalian Nobel Binhai Garden	Dalian, Liaoning	Residential	53.45
6	China Railway West Town	Beijing	Residential	49.36

(E) Other businesses

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period	Operation (Repurchase) term
BOT							
1	China Railway	Yulin Municipal Government	BOT Project of Yulin (Shaanxi) – Shenmu Expressway	2007/10	517,000	36 months	30 years
2	China Railway	Guangxi Department of Communications	BOT Project of the Guangxi Cenxi-Xingye Expressway	2005/08	516,361	36 months	28 years
3	China Railway	Yunnan Department of Communications	BOT Project of the Yunnan Funing-Guangnan, Guangnan-Yanshan Expressway	2005/12	644,000	36 months	27 years

(ii) Material contracts signed during the reporting period

(A) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway	Bangladesh Ministry of Railways	Bangladesh Padma Bridge Rail Link Project	2016/08	2,080,897	54 months
2	China Railway No. 5 Engineering, China Railway No. 1 Engineering, China Railway No. 4 Engineering, China Railway Shanghai, China Railway Airport, China Railway No. 3 Engineering,	Xi'an-Chengdu High Speed Railway Shanxi Co., Ltd., Yinchuan-Xi'an Railway Co., Ltd.	Before-station construction project of Sections 1, YXZQ – 3, YXZQ-4 and YXZQ-7 of the new Yinchuan-Xi'an Railway (Shaanxi Section) and Before-station construction project of Sections YX-SG-ZQ4, YX-SG-ZQ6, YX-SG-ZQ7, X-SG-ZQ8 and YX-SG-ZQ9 of the Ganning Section	2016/09	1,678,004	47-52 months
3	China Railway No. 6 Engineering, China Railway Tunnel, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 10 Engineering, China Railway No. 8 Engineering, China Railway Shanghai, China Railway No. 3 Engineering, China Railway No. 2 Engineering, China Railway Electrification	Kunming Railway Bureau	Before-station construction project of Sections YMZQ-1, YMZQ-3, YMZQ-5, YMZQ-6, YMZQ-11, YMZQ-13, YMZQ-14, YMZQ-16 and YMZQ-22, and temporary electricity supply project of Sections YMLD–[illegible] and YMLD–[illegible]of the new Yuxi-Mohan Railway	2016/04/05	1,323,803	12-56 months
Highway						
1	China Railway Tunnel	Shantou Su'ai Passage Construction Investment and Development Co., Ltd.	EPC contract of construction project of Su'ai Passage, Shantou	2016/02	388,377	/
2	China Railway Major Bridge Engineering	People's Government of Xianning, Hubei	Construction contract of Chibi Yangtze River Highway Bridge	2016/04	210,000	43 months
3	China Railway No. 1 Engineering China Railway Tunnel	Xiamen Construction Bureau	Construction project of Sections A3 and A1 of No.2 West Passage, Xiamen	2016/03	132,669	42 months

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Municipal works						
1	China Railway No. 7 Engineering	Xiangtan Urban and Rural Construction Development Group Co., Ltd.	Construction contract of the Xiangjiang River Scenery Zone Project in Xiangtan (Shaoyao Port-Xiang Gangtieniu Wharf Heavy Plate Pier-Shuangyong Road)	2016/12	428,000	730 days
2	China Railway Tunnel	Shenzhen Transportation Infrastructure Management Center	EPC contract of construction of Spring Breeze Tunnel, Shenzhen	2016/12	387,456	35 months
3	China Railway No. 8 Engineering	Kunming Airport Investment and Development Co., Ltd.	Construction project of Chenghuang Road in Kunming (Economic Development Zone to Airport Express Section)	2016/06	218,248	/
4	China Railway No. 7 Engineering China Railway Major Bridge Engineering	Outside Road Project Department of Zhengzhou Railway Bureau	Construction project of Sections NYLDJSG-2 and NYLDJSG-1 of Expressway of Agriculture Road in Zhengzhou	2016/04	133,419	18 months

(B) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Engineering Consulting Group	Management Office of Urban Rail Transit Construction of Wuhu	Survey, design and EPC contract of Phase One of Wuhu Metro Line 1 and Line 2	2016/07	18,220	2020/06
2	China Railway Major Bridge Engineering	Lian-Zhen Railway Construction Headquarters of Shanghai Railway Bureau	Survey and design contract of the new Lianyungang-Zhenjiang Railway Project (Wufengshan Yangtze River Grand Bridge)	2016/03	17,741.0	32 months
3	China Railway Major Bridge Engineering	Wuhan Urban Construction Investment and Development Group Co., Ltd.	Design contract of the Wuhan Yangsigang Yangtze River Bridge Project	2016/03	13,897.3	60 months

(C) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel structure						
1	China Railway Baoji Bridge	Beijing Urban Construction Group Co., Ltd.	Fabrication and installation contract of the steel box girder and steel tower of Yongding River Grand Bridge on the west extension of Chang'an Avenue (including equipment repairing, purchasing and installation)	2015/12	46,727	33 months
2	China Railway Baoji Bridge	Dali-Ruili Railway Project Manager Department of China Railway 18th Bureau Group, the Second Engineering Co., Ltd.	Steel truss arch and steel box girder project construction and professional subcontracting contract for the Nujiang four-lined extra-large bridge of the before-station civil engineering construction project of Section 1 of Nujiang-Longling Section of the new Dali-Ruili Railway	2016/03	40,775	32 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu – Guiyang High-Speed Railway Co., Ltd.	The full length of the main line of the project is 515.02 kilometers, of which 258.577 kilometers are located in Sichuan Province and 177.144 kilometers are located in Guizhou Province. It is a dual passenger railway line with electric traction. It has a designed running speed of 250 kilometers/hour and 13 new stations	2016/11	31,712	24 months
2	China Railway Baoji Bridge	Huning Intercity Railway Co., Ltd.	100 units of high-speed turnout	2016/03	21,694	From March 2016 to the completion of construction
Construction machinery						
1	China Railway Baoji Bridge	Yan'an Travel Group Huangling Investment Co., Ltd.	EPC agreement of the sightseeing train project of the tourist service center in Yellow Emperor Mausoleum Scenic Area	2016/05	16,974	24 months
2	China Railway Engineering Equipment	CCCC Fourth Harbor Engineering	Shield Sales & Purchase Contract	2016/10	14,478.50	7 months

(D) Particulars of material properties

Property held for investment

Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term	100%
Huaxi Changan Center Building A1, Floor 1-2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term	100%
Gongti Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Yichulianghua Mall	No. 1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Celebrity Resort Huashuiwan	Huashuiwan Town, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%
15-17/F, Jingxin Building	A2 Dongsanhuanbei Road, Chaoyang District, Beijing	Commercial	Medium term	100%
China Railway Consultation Mansion	No. 15 Guangan Road, Fengtai District, Beijing	Commercial	Medium term	100%

Property held for development and/or sale

Name of building or project	Location	Current land use	Site area *(sq. m.)*	Floor area *(sq. m.)*	State of completion	Expected completion date	Interests of the Company and its subsidiaries
China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial, residential	1,060,600	2,425,300	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan, Hubei	Residential	528,000	1,141,400	Under construction	2018	67%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	863,900	1,482,700	Under construction	2029	100%

(2) *Material infrastructure investment projects*

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway, China Railway Construction	People's Government of Chengdu	50%	BOT project of Pujiang-Dujiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	2016/04	355.59	36 months	29.5 years
2	China Railway and Urumqi Urban Metro Group Co., Ltd	Urumqi Urban Metro Group Co., Ltd	51%	PPP project of Phase One of the Urumqi Metro Line 3	2016/11	173.88	58 months	30 years
3	China Railway and other parties	Office of Construction and Management of Airport and Railway of Hohhot	49%	PPP project of Hohhot Metro Line 1 Phase One	2016/08	146.8	57 months	30 years
4	China Railway and other parties	Management Office of Urban Rail Transit Construction of Wuhu	14%	Phase One of Wuhu Metro Line 1 and Line 2 project	2016/12	146	3 years	27 years
5	China Railway and other parties	People's Government of Ziyang, People's Government of Chengdu	49%	BOT project of Ziyang-Tongnan (within the territory of Sichuan) Highway	2016/11	135.2	3 years	29 years and 11 months
6	China Railway and other parties	People's Government of Yulin, People's Government of Yan'an	65%	PPP project of the Suide – Yanchuan Motorway (including Qingjian – Zichang High-speed Connection Line) in Shaanxi Province	2016/09	131	39 months	30 years
7	China Railway and other parties	Transportation Bureau of Shantou, Transportation Bureau of Jieyang of Guangdong Province	60%	BOT project of Shantou-Jiexi Segment of Shantou-Zhanjiang Highway	2016/09	117.46	3 years	25 years

5.16 Explanation for Other Significant Events

To follow the "Guidelines on Deepening the Reform of State-owned Enterprises" of the CPC Central Committee and State Council and to proactively implement the strategies deployed in "Made in China 2025" to facilitate the structural optimization and upgrading of our engineering equipment and component manufacturing business segment through tactics such as mergers, acquisitions and restructuring in the capital market, the Company and China Railway Erju (stock code: 600528), a listed subsidiary controlled by the Company, conducted a material asset swap and an asset purchase through non-public share offering of China Railway Erju (the "**Transaction**"), with a view to building up a listed company platform in our engineering equipment and component manufacturing business segment.

At the 15th meeting of the third session of the Board and the 20th meeting of the third session of the Board, the relevant proposals, including Proposal on Material Asset Reorganization Regarding an Asset Swap and Share Issuance for Acquisition of Assets Between the Company and China Railway Erju and the Fundraising of China Railway Erju, were considered and approved. The relevant documents were disclosed on the website of the Shanghai Stock Exchange and the designated newspapers for information disclosure of the Company. The Transaction was approved by the SASAC of the State Council on 5 May 2016 and was considered and unconditionally approved by the 2016 56th work meeting of the Review Board for Mergers, Acquisitions, and Restructuring of Listed Companies of the China Securities Regulatory Commission (CSRC) held on 29 July 2016. An approval was received from the CSRC on 20 September 2016. The formalities of the transfer of equity interests and change of business registration regarding the acquired assets and disposed assets under the Transaction were completed on 5 January 2017. On 12 January 2017, China Railway Erju completed registering the 383,802,693 A shares issued to China Railway as consideration for the purchase of assets. The change of business registration regarding the change of name to China Railway Hi-Tech Industry Co., Ltd. was completed on 24 January 2017, and the stock short name was changed from "China Railway Erju" to "China Railway Hi-Tech Industry" on 2 March 2017. As approved by the CSRC, China Railway Hi-Tech Industry conducted the fundraising through non-public share offering to not more than 10 designated investors in March 2017 and eventually issued 378,548,895 shares at RMB15.85 per share for total proceeds of RMB5,999,999,985.75. Registration was completed for these new shares on 27 March 2017. Subsequent to the Transaction, the equity interests in China Railway Hi-Tech Industry held directly and indirectly by the Company was changed to 50.13% as at the date of this announcement.

5.17 Proactive Fulfilment of Social Responsibilities

5.17.1 Poverty relief efforts of the listed company

Under the arrangements Leading Group Office of Poverty Alleviation and Development of the State Council, CRECG has been participating in various targeted poverty relief programmes since 2002. For more than a decade, upholding its values and mission, CRECG has been devoted to targeted poverty relief by considering the real needs of the local people. Ever since its listing, China Railway has been actively participating in the precision poverty alleviation programmes organised by CRECG, who has been focusing on poverty alleviation through cadre and education. CRECG sent 34 cadres to the targeted areas, including Rucheng County and Guidong County of Hunan Province and Baode County of Shanxi Province, to act as deputy county head, with a focus on improving the educational infrastructures and helping students from poor families to go to school in the targeted counties. CRECG helped 13 primary and secondary schools in the targeted counties by renovating, redeveloping and expanding their teaching buildings, stadiums, dormitories and canteens, etc.

5.17.2 Social responsibility commitments

As a leader in the construction industry, the Company has always been a practitioner, promoter and leader of corporate social responsibilities. Since 2008, China Railway has started setting up a rational, regulated, systematic and effective mechanism for corporate social responsibility management. Based on the ten aspects of social responsibility planning, namely legal corporate governance, quality services, efficiency creation, employee development, safety supervision, technological advancement, environmental protection, charity, win-win cooperation and overseas responsibilities, a series of corporate social responsibility activities was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous and irreplaceable contribution to the society. During the reporting period, the Company donated a total of RMB5,219,000 (2015: RMB4,306,000) for the fulfillment of social responsibilities. For details in relation to the social responsibility commitments of the Company, please see the Social Responsibility Report of China Railway Group Limited for 2016 as published on the website of Shanghai Stock Exchange at http://www.sse.com.cn.

5.17.3 Descriptions on environmental protection of listed company and its subsidiaries falling into the category of heavily polluting industries designated by national environmental authorities

Not applicable

5.18 Convertible Corporate Bonds

Not applicable

6 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016 RMB million**	2015 RMB million
Revenue	*3&4*	**632,856**	599,942
Cost of sales and services		**(583,067)**	(551,256)
Gross profit		**49,789**	48,686
Other income	*5*	**1,855**	2,475
Other expenses	*5*	**(10,417)**	(10,281)
Other gains and losses	*6*	**630**	(1,088)
Selling and marketing expenses		**(2,560)**	(2,342)
Administrative expenses		**(17,680)**	(17,509)
Interest income		**2,197**	3,012
Interest expenses		**(5,774)**	(6,184)
Share of profits of joint ventures		**118**	88
Share of profits of associates		**614**	160
Profit before tax		**18,772**	17,017
Income tax expense	*7*	**(6,069)**	(5,231)
Profit for the year		**12,703**	11,786
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(24)**	(159)
Income tax relating to remeasurement of defined benefit obligations that will not be reclassified		**8**	36
		(16)	(123)

	NOTES	**2016** **RMB million**	2015 RMB million
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**548**	120
Fair value (loss) gain on available-for-sale financial assets		**(141)**	157
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale financial assets		**(23)**	(76)
Fair value gain (loss) on cash flow hedging instrument		**8**	(3)
Income tax relating to items that may be reclassified subsequently		**31**	(29)
		423	169
Other comprehensive income for the year, net of income tax		**407**	46
Total comprehensive income for the year		**13,110**	11,832
Profit (loss) for the year attributable to:			
Owners of the Company		**11,808**	11,675
Holders of perpetual notes		**701**	583
Non-controlling interests		**194**	(472)
		12,703	11,786
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**12,141**	11,716
Holders of perpetual notes		**701**	583
Non-controlling interests		**268**	(467)
		13,110	11,832
		RMB	RMB
Earnings per share			
Basic	*8*	**0.517**	0.530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	**31/12/2016 RMB million**	31/12/2015 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment		**54,778**	51,765
Deposits for acquisition of property, plant and equipment		**1,429**	1,280
Lease prepayments		**11,986**	9,290
Deposits for land use rights		**99**	1,251
Deposits for investments		**2,012**	–
Investment properties		**4,547**	3,722
Intangible assets		**36,821**	37,547
Mining assets		**4,664**	5,454
Interests in joint ventures		**5,524**	2,640
Interests in associates		**5,958**	5,249
Goodwill		**829**	829
Available-for-sale financial assets		**12,896**	8,351
Other loans and receivables		**6,976**	8,813
Deferred tax assets		**5,258**	4,367
Other prepayments		**212**	209
Trade and other receivables	*10*	**5,209**	7,137
		159,198	147,904
Current assets			
Lease prepayments		**239**	192
Properties held for sale		**23,315**	28,205
Properties under development for sale		**60,962**	66,064
Inventories		**28,737**	30,110
Available-for-sale financial assets		**1,210**	3,886
Trade and other receivables	*10*	**234,229**	206,253
Amounts due from customers for contract work		**111,791**	122,379
Current income tax recoverable		**807**	1,030
Other loans and receivables		**9,650**	6,620
Held-for-trading financial assets		**123**	144
Restricted cash		**9,254**	7,414
Cash and cash equivalents		**114,830**	93,304
		595,147	565,601
Total assets		**754,345**	713,505

	NOTES	**31/12/2016** **RMB million**	31/12/2015 RMB million
EQUITY			
Share capital		**22,844**	22,844
Share premium and reserves		**105,287**	95,456
Equity attributable to owners of the Company		**128,131**	118,300
Perpetual notes		**12,038**	12,123
Non-controlling interests		**8,827**	8,815
Total equity		**148,996**	139,238
LIABILITIES			
Non-current liabilities			
Other payables	*11*	**686**	631
Borrowings		**92,308**	96,213
Obligations under finance leases		**42**	492
Retirement and other supplemental benefit obligations		**3,453**	3,779
Provisions		**335**	248
Deferred government grant and income		**1,140**	1,537
Deferred tax liabilities		**782**	920
		98,746	103,820
Current liabilities			
Trade and other payables	*11*	**407,418**	365,245
Amounts due to customers for contract work		**12,952**	14,857
Current income tax liabilities		**5,129**	4,065
Borrowings		**80,017**	84,209
Obligations under finance leases		**451**	1,346
Retirement and other supplemental benefit obligations		**466**	494
Provisions		**13**	46
Held-for-trading financial liabilities		**157**	185
		506,603	470,447
Total liabilities		**605,349**	574,267
Total equity and liabilities		**754,345**	713,505
Net current assets		**88,544**	95,154
Total assets less current liabilities		**247,742**	243,058

NOTES:

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

Amendments to IFRS 11	Accounting for Acquisitions of interest in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

Except as described below, the application of the amendments to IFRSs in the current year have had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The ordering of capital management and financial instruments have been revised to give prominence to the areas of the Group's financial performance and financial position. Specifically, information to capital management and financial instruments was reordered to note 45. Other than the above disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

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

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

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurements of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 December 2016:

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company (the "**Directors**") anticipate that the application of new hedging requirements may not have a material impact on the Group's current designation and hedge accounting.

IFRS 15 Revenue from Contracts with Customers and the related Amendments

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

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported as timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB747 million as disclosed in Note 44. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. REVENUE

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

	2016	2015
	RMB million	RMB million
Revenue from:		
Construction contracts	**545,192**	517,860
Rendering of other services	**24,999**	20,462
Sale of properties	**32,224**	27,920
Sale of goods	**30,441**	33,700
	632,856	599,942

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

Segment revenues and results

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

	Infrastructure construction RMB million	**Survey, design and consulting services RMB million**	**Engineering equipment and component manufacturing RMB million**	**Property development RMB million**	**Other businesses RMB million**	**Total segments RMB million**
Year ended 31 December 2016						
External revenue	**551,486**	**11,615**	**12,315**	**32,583**	**31,760**	**639,759**
Inter-segment revenue	**5,003**	**653**	**4,399**	**25**	**10,423**	**20,503**
Other operating income	**2,465**	**44**	**349**	**368**	**372**	**3,598**
Inter-segment other operating income	**269**	**–**	**–**	**–**	**116**	**385**
Segment revenue	**559,223**	**12,312**	**17,063**	**32,976**	**42,671**	**664,245**
Segment results						
Profit before tax	**14,753**	**1,442**	**1,349**	**2,458**	**184**	**20,186**
Segment results included:						
Share of profits (losses) of joint ventures	**12**	**1**	**75**	**(2)**	**32**	**118**
Share of profits (losses) of associates	**381**	**18**	**49**	**(3)**	**169**	**614**
Interest income	**3,268**	**71**	**34**	**287**	**1,211**	**4,871**
Interest expenses	**(3,659)**	**(173)**	**(156)**	**(1,136)**	**(3,414)**	**(8,538)**

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

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

	2016 **RMB million**	2015 RMB million
Segment revenue	**664,245**	640,004
Inter-segment elimination	**(20,888)**	(15,900)
Reconciling items:		
Reclassification of sales tax *(note (a))*	**(6,903)**	(19,291)
Reclassification of other operating income *(note (b))*	**(3,598)**	(4,871)
Total consolidated revenue, as reported	**632,856**	599,942
Segment interest income	**4,871**	4,696
Inter-segment elimination	**(2,870)**	(1,968)
Reconciling items:		
Reclassification of interest income obtained from other loans and receivables	**196**	284
Total consolidated interest income, as reported	**2,197**	3,012
Segment interest expenses	**(8,538)**	(8,209)
Inter-segment elimination	**2,764**	2,024
Reconciling items:		
Reclassification of amortisation of financial guarantee contracts	**–**	1
Total consolidated interest expenses, as reported	**(5,774)**	(6,184)
Segment results	**20,186**	18,540
Inter-segment elimination	**(2,513)**	(2,233)
Reconciling items:		
Land appreciation tax *(note (c))*	**1,099**	710
Total consolidated profit before tax, as reported	**18,772**	17,017

Notes:

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

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

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

Segment assets and liabilities

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

	Infrastructure construction RMB million	**Survey, design and consulting services RMB million**	**Engineering equipment and component manufacturing RMB million**	**Property development RMB million**	**Other businesses RMB million**	**Total segments RMB million**
At 31 December 2016						
ASSETS						
Segment assets	**563,496**	**14,765**	**31,605**	**149,468**	**213,287**	**972,621**
Segment assets included:						
Interests in joint ventures	**3,475**	**39**	**324**	**36**	**1,650**	**5,524**
Interests in associates	**5,018**	**101**	**202**	**106**	**531**	**5,958**
LIABILITIES						
Segment liabilities	**472,462**	**9,842**	**21,699**	**130,009**	**188,807**	**822,819**

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

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

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

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

	31/12/2016	31/12/2015
	RMB million	RMB million
Segment assets	**972,621**	868,967
Inter-segment elimination	**(224,067)**	(160,570)
Reconciling items:		
Deferred tax assets	**5,258**	4,367
Shares conversion scheme of subsidiaries *(note (d))*	**(163)**	(163)
Current income tax recoverable	**807**	1,030
Prepaid land appreciation tax included in income tax recoverable	**(111)**	(126)
Total consolidated assets, as reported	**754,345**	713,505
Segment liabilities	**822,819**	727,343
Inter-segment elimination	**(222,820)**	(157,553)
Reconciling items:		
Deferred tax liabilities	**782**	920
Current income tax liabilities	**5,129**	4,065
Land appreciation tax payable included in current income tax liabilities	**(561)**	(508)
Total consolidated liabilities, as reported	**605,349**	574,267

Note:

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

Other segment information

	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Year ended 31 December 2016						
Capital expenditure:						
Property, plant and equipment	**8,538**	**241**	**1,015**	**829**	**1,036**	**11,659**
Land use rights	**1,311**	**1**	**222**	**997**	**300**	**2,831**
Investment properties	**5**	**1**	**–**	**–**	**–**	**6**
Intangible assets	**36**	**12**	**11**	**2**	**89**	**150**
Mining assets	**–**	**–**	**–**	**–**	**31**	**31**
Acquisition of subsidiaries	**–**	**–**	**–**	**6**	**–**	**6**
Total	**9,890**	**255**	**1,248**	**1,834**	**1,456**	**14,683**
Depreciation and amortisation:						
Property, plant and equipment	**5,457**	**224**	**486**	**213**	**905**	**7,285**
Land use rights	**154**	**10**	**30**	**38**	**35**	**267**
Investment properties	**34**	**12**	**3**	**68**	**52**	**169**
Intangible assets	**29**	**7**	**52**	**4**	**766**	**858**
Mining assets	**–**	**–**	**–**	**–**	**133**	**133**
Other prepayments	**25**	**8**	**10**	**–**	**6**	**49**
	5,699	**261**	**581**	**323**	**1,897**	**8,761**
(Gain) loss on disposal and/or write-off of property, plant and equipment	**(91)**	**1**	**(14)**	**–**	**(21)**	**(125)**
Gain on disposal of land use rights	**(444)**	**–**	**–**	**–**	**–**	**(444)**
Allowance for foreseeable loss on construction contracts	**150**	**–**	**–**	**–**	**–**	**150**
Gain on disposal of investment properties	**(38)**	**–**	**–**	**–**	**–**	**(38)**
Impairment loss on trade and other receivables	**430**	**14**	**17**	**16**	**481**	**958**
Impairment loss on other loans and receivables	**–**	**–**	**–**	**–**	**352**	**352**
Impairment loss on property, plant and equipment	**–**	**–**	**–**	**–**	**142**	**142**
Impairment loss on mining assets	**–**	**–**	**–**	**–**	**565**	**565**
Impairment loss on investment properties	**–**	**–**	**–**	**27**	**–**	**27**
Impairment loss on land use rights	**–**	**–**	**–**	**8**	**–**	**8**
Impairment loss on interests in associates	**–**	**–**	**–**	**–**	**345**	**345**
Impairment loss on available-for-sale financial assets	**–**	**–**	**–**	**–**	**263**	**263**

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

Geographical information

	Revenue from external customers			
	Year ended		Non-current Assets	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
	RMB million	RMB million	**RMB million**	RMB million
Mainland China	**604,590**	569,077	**120,676**	112,006
Hong Kong and Macao	**706**	719	**3**	178
Overseas	**27,560**	30,146	**8,180**	7,052
	632,856	599,942	**128,859**	119,236

Note: Non-current assets excluded financial instruments and deferred tax assets.

Revenue from major customers

Revenue from a wholly state-owned enterprise of the PRC arising from infrastructure construction, survey, design and consulting service and engineering equipment and component manufacturing is approximately RMB191,940 million (2015: RMB191,513 million), which contributed 30% (2015: 32%) of the total revenue of the Group. Other than this customer, no other single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2016 and 2015.

5. OTHER INCOME AND EXPENSES

	2016	2015
	RMB million	RMB million
Other income from:		
Dividend income	**127**	184
Government subsidies *(note (a))*	**421**	440
Compensation income	**57**	37
Relocation compensation income	**53**	117
Income from sundry operations *(note (b))*	**795**	1,297
Waiver of trade and other payables	**71**	33
Bargain purchase gain on acquisition	**–**	8
Amortisation of financial guarantee contracts	**–**	1
Others	**331**	358
	1,855	2,475
Other expenses on:		
Research and development expenditure	**10,417**	10,281
	10,417	10,281

Notes:

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

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

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

6. OTHER GAINS AND LOSSES

	2016 **RMB million**	2015 RMB million
Impairment loss recognised on financial assets		
Available-for-sale financial assets	**(263)**	(18)
Trade and other receivables	**(958)**	(1,897)
Other loans and receivables	**(352)**	(562)
	(1,573)	(2,477)
Impairment loss on mining assets *(note (a))*	**(565)**	(401)
Impairment loss on property, plant and equipment	**(142)**	(12)
Impairment loss on land use rights	**(8)**	–
Impairment loss on investment properties	**(27)**	–
Impairment loss recognised on interests in associates *(note (b))*	**(345)**	(308)
Gain on disposal of subsidiaries	**427**	83
Gain (loss) on disposal and/or write-off of:		
Property, plant and equipment	**125**	91
Land use rights	**444**	82
Available-for-sale financial assets	**44**	17
Investment properties	**38**	3
Interests in associates	**(1)**	1
Interests in joint ventures	**(5)**	3
Cumulative gain on disposal of available-for-sale investments	**23**	76
(Loss) gain arising on change in fair value of financial assets/liabilities classified as held-for-trading	**(80)**	3
Excess of fair value of the previously-held investments	**–**	5
Foreign exchange gains, net	**2,275**	1,746
	630	(1,088)

Notes:

(a) During the year, in view of the unfavourable future prospects of the relevant coal mines and mineral mines due to the forecasted low selling price and expected decrease in profit margin as a result of the slowdown of the global economy, the Group modified the investment and operation plan in relation to the Group's coal mines in Qinghai Province Muli area, and performed impairment assessment on the relevant cash-generating units within the Group's other businesses segment. As a result of impairment assessment, the Group recognised impairment loss on mining assets of RMB565 million during the year (2015: RMB401 million).

(b) During the year, the Group also recognised an impairment loss on interest in an associate of RMB345 million (2015: RMB308 million), in view of reduction of coal production capacity and restructuring of coal industry. The associate is a company engaged in coal mining and development business which locates in Inner Mongolia. The recoverable amount is determined on the basis of its fair value less costs of disposal, since the Group intended to transfer the interest in this associate, together with the Company's subsidiary named 北京翼諾捷投資管理有限公司 holding the interest, to CRECG during the year.

7. INCOME TAX EXPENSE

	2016 **RMB million**	2015 RMB million
Current tax		
Enterprise Income Tax ("**EIT**")	**5,959**	4,830
Land Appreciation Tax ("**LAT**")	**1,099**	710
Overprovision in prior years	**(8)**	(5)
Deferred tax	**(981)**	(304)
	6,069	5,231

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2015: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (2015: 12.5% or 15%) for the year ended 31 December 2016.

Certain of the Group's overseas entities are located in the Congo, South Africa, Hong Kong, Malaysia, Papua New Guinea and Ethiopia. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rate of 30%, 30%, 16.5%, 24%, 48% and 30% (2015: 30%, 30%, 16.5%, 25%, 30% and 30%) are applied to these entities respectively.

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

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

	2016 **RMB million**	2015 RMB million
Profit before tax	**18,772**	17,017
Tax at PRC EIT rate of 25% (2015: 25%) *(Note)*	**4,692**	4,254
Tax effect of:		
Non-deductible expenses	**177**	182
Non-taxable income	**(166)**	(45)
Tax losses not recognised as deferred tax assets	**1,071**	651
Utilisation of tax losses previously not recognised as deferred tax assets	**(168)**	(340)
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(59)**	(71)
Other deductible temporary differences not recognised as deferred tax assets	**812**	775
Preferential tax rates on income of group entities and other income tax credits	**(950)**	(793)
Share of profits of joint ventures	**(30)**	(22)
Share of profits of associates	**(154)**	(40)
Deferred tax changes resulting from changes in applicable tax rates	**23**	(37)
LAT	**1,099**	710
Tax effect of LAT	**(275)**	(178)
Overprovision in respect of prior years	**(8)**	(5)
Others	**5**	190
Income tax expense for the year	**6,069**	5,231

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

Income tax recognised directly in other comprehensive income

	2016 **RMB million**	2015 RMB million
Deferred tax		
Retirement and other supplemental benefit obligations	**8**	36
Fair value changes of available-for-sale financial assets	**31**	(29)
Total income tax recognised in other comprehensive income	**39**	7

8. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2016 is calculated by dividing the profit attributable to owners of the Company of RMB11,808 million (2015: RMB11,675 million) by 22,844,301,543 shares (2015: weighted average number of shares of 22,023,441,545) in issue during the year.

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

9. DIVIDEND

The final dividend of RMB0.088 per share in respect of the year ended 31 December 2016 amounting to approximately RMB2,010 million in aggregate has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

On 24 June 2016, final dividend of RMB0.086 per share (2015: RMB0.078 per share in respect of the year ended 31 December 2014) in respect of the year ended 31 December 2015, amounting to RMB1,965 million (2015: RMB1,661 million) in aggregate, was declared and subsequently paid in August 2016.

10. TRADE AND OTHER RECEIVABLES

The majority of the Group's revenue is generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions.

	31/12/2016	31/12/2015
	RMB million	RMB million
Trade receivables	**154,287**	148,024
Less: impairment	**(3,679)**	(3,348)
	150,608	144,676
Bills receivable	**11,771**	1,971
Trade and bill receivables	**162,379**	146,647
Other receivables (net of impairment)	**33,528**	34,290
Advance to suppliers	**43,531**	32,453
	239,438	213,390
Less: Amount due after one year included in non-current assets	**(5,209)**	(7,137)
Amount due within one year included in current assets	**234,229**	206,253

The Group's major customers are the wholly state-owned entities and other government-related enterprises, the majority of which have good credit standing and strong economic background. More than 90% of the trade receivables that are neither past due nor impaired are from customers with good payment history.

Included in trade and bills receivables are retention receivables of RMB47,961 million (2015: RMB50,160 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to this construction contract is usually more than one year.

The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date, based on invoice date:

	31/12/2016 **RMB million**	31/12/2015 RMB million
Less than six months	**92,483**	75,435
Six months to one year	**28,676**	24,802
One year to two years	**23,037**	26,098
Two years to three years	**9,328**	11,326
More than three years	**8,855**	8,986
	162,379	146,647

The Directors consider that there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in allowance for doubtful debts of trade and other receivables during the year are as follows:

	2016 **RMB million**	2015 RMB million
At beginning of year	**7,524**	5,759
Impairment loss recognised during the year	**958**	1,897
Written-off	**(30)**	(132)
Disposal of subsidiaries	**(6)**	–
At end of year	**8,446**	7,524

The impairment loss recognised during the year attributable to trade receivables amounted to RMB352 million (2015: RMB352 million).

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

11. TRADE AND OTHER PAYABLES

	31/12/2016	31/12/2015
	RMB million	RMB million
Trade and bills payables	**298,715**	258,879
Advance from customers	**54,542**	54,780
Accrued payroll and welfare	**2,688**	2,878
Other taxes	**2,556**	10,548
Deposit received in advance	**140**	144
Dividend payables	**510**	367
Other payables	**48,953**	38,280
	408,104	365,876
Analysed for reporting purposes as:		
Non-current	**686**	631
Current	**407,418**	365,245
	408,104	365,876

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB6,548 million (2015: RMB5,770 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract is usually more than one year.

The balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

The following is an aged analysis of trade and bills payables at the reporting date, based on invoice date:

	31/12/2016	31/12/2015
	RMB million	RMB million
Less than one year	**269,171**	228,672
One year to two years	**18,217**	18,432
Two years to three years	**5,549**	6,224
More than three years	**5,778**	5,551
	298,715	258,879

7 AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2016.

8 DIVIDENDS

The Board of Directors of the Company recommended the payment of a final dividend in the amount of RMB0.088 per share (including tax), totalling approximately RMB2.010 billion for the year ended 31 December 2016 (2015: RMB0.086 per share (including tax) totalling approximately RMB1.965 billion). The distribution plan will be implemented upon approval at the 2016 annual general meeting of the Company and the dividend is expected to be made to shareholders of the Company in approximately August 2017.

9 REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries sell any securities of the Company, nor did they repurchase or redeem any of the securities of the Company during the year ended 31 December 2016.

10 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As a company listed on the Main Board of the Hong Kong Stock Exchange, the Company is committed to comply with the requirements under the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company has complied with all provisions of the Corporate Governance Code during the reporting period.

11 PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2016 Annual Report prepared in accordance with the IFRS will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2016 Annual Report and its abstract prepared in accordance with CAS will be released on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.crec.cn).

By Order of the Board
China Railway Group Limited
Chairman
LI Changjin

30 March 2017

As at the date of this announcement, the executive directors of the Company are LI Changjin (Chairman), YAO Guiqing and ZHANG Zhongyan; and the independent non-executive directors are GUO Peizhang, WEN Baoman, ZHENG Qingzhi and NGAI Wai Fung.