中國交通建設股份有限公司

CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

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

(Stock Code: 1800)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

Revenue of the Group in 2016 amounted to RMB429,972 million, representing an increase of RMB26,356 million or 6.5% from RMB403,616 million in 2015.

Gross profit in 2016 amounted to RMB57,899 million, representing an increase of RMB8,145 million or 16.4% from RMB49,754 million in 2015.

Operating profit in 2016 amounted to RMB31,124 million, representing an increase of RMB5,326 million or 20.6% from RMB25,798 million in 2015.

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

Earnings per share[Note] for the year 2016 amounted to RMB1.00, as compared with RMB0.96 in 2015.

The value of new contracts in 2016 amounted to RMB730,802 million, representing an increase of 12.4% from RMB650,315 million in 2015.

As at 31 December 2016, the backlog for the Group was RMB1,099,752 million, representing an increase of 26.8% from RMB867,298 million as at 31 December 2015.

The Board has proposed a final dividend of RMB0.19444 per share (tax inclusive) for the year ended 31 December 2016, subject to Shareholders' approval.

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

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company is experiencing a strategic transformation opportunity period, so we will seize the opportunities to develop, speed up to promote the reform and development of the Company with high-spirited attitude, greater enthusiasm and more effective measures, and make continuous efforts to build the Company into a world-class enterprise with international competence sooner.

BUSINESS OVERVIEW

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

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

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

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

I. BUSINESS REVIEW AND MARKET STRATEGIES

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

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

1. Infrastructure Construction Business

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

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

(1) Port Construction

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

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

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

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

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

(2) Road and Bridge Construction

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

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

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

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

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

(3) Railway Construction

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

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

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

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

(4) Investment Projects

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

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

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

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

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

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

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

(5) Overseas Construction Projects

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

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

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

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

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

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

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

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

(6) Municipal and Other Projects

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

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

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

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

2. Infrastructure Design Business

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

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

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

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

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

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

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

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

3. Dredging Business

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

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

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

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

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

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

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

4. Heavy Machinery Manufacturing Business

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

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

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

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

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

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

1. Infrastructure Construction Business

Port Construction

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

Road and Bridge Construction

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

Railway Construction

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

Investment Projects

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

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

Overseas Construction Projects

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

2. *Infrastructure Design Business*

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

3. *Dredging Business*

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

4. *Heavy Machinery Manufacturing Business*

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

II. BUSINESS OUTLOOK

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

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

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

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

III. BUSINESS PLAN

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

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

IV. TECHNOLOGY INNOVATION

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

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

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

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

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

V. FINANCIAL INNOVATION

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

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

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

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

1. Completed and Accepted Projects During the Reporting Period

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

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

2. Projects Under Construction During the Reporting Period

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

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

3. Investment Projects

(1) Investment Projects Newly Entered into in 2016

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period *(Year)*	Operating project or not	Consolidated or not	Operation/ Procurement Period *(Year)*
1	Lianzhou-Fogang Highway Project in Guangdong	BOT	23,800	16,744	4	Yes	Yes	25
2	G569 Beishan–Xianmisi First-Class Highway Project in Gansu	BOT	18,700	14,200	2	Yes	No	8
3	Taihangshan Highway Project in Hebei	BOT	14,570	8,100	3	Yes	No	25
4	Libo-Rongjiang Highway Project in Guizhou	BOT	10,560	7,720	4	Yes	No	30
5	Hengli Island Urban Complex Project in Nansha New Area, Guangzhou, Guangdong	Comprehensive urban development	10,241	14,630	–	No	Yes	10
6	Comprehensive Investment and Construction Project of Urban Living Facilities and Infrastructure construction on University Campus in Zhenjiang, Jiangsu	Comprehensive urban development	7,000	6,000	2	No	Yes	3
7	Comprehensive Urban Development Project in Eastern New City of Shunde, Guangdong	Comprehensive urban development	6,948	4,600	8	No	Yes	8

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period *(Year)*	Operating project or not	Consolidated or not	Operation/ Procurement Period *(Year)*
8	Yulin-Zhanjiang Highway (Guangxi Section) Project in Guangxi	BOT	6,300	4,302	3	Yes	Yes	30
9	Eastward Expansion Comprehensive Development PPP Project of Tianning Development Zone in Changzhou, Jiangsu	Comprehensive urban development	6,000	4,200	3	No	Yes	15
10	G575 Highway Project in Xinjiang	BOT	5,752	4,568	4	Yes	Yes	30
11	Huanggang Industrial Park PPP Project in Wuhan Economic and Technological Development Zone, Hubei	Comprehensive urban development	5,560	7,500	3	No	Yes	8
12	Quanzhou–Xiamen–Zhangzhou City Alliance Quanzhou Section Project of Haixi Highway Network in Fujian	BOT	4,708	3,247	3	Yes	Yes	24
13	Comprehensive Rehabilitation Project of Hexi Xiangjiang River Scenic Belt and First Bridge in Hunan	PPP	4,100	2,500	2	No	No	10
14	Tongren-Huaihua Highway Project (Tongren Section)	BOT	4,022	3,136	3	Yes	No	30
15	Jiayu North Section of Wuhan Shenzhen Highway Project	BOT	3,802	2,692	3	Yes	Yes	30
16	One bridge, One Tunnel & Two Highways and Supporting Municipal Engineering Project in Xiangtan, Hunan	PPP	2,900	1,630	3	No	Yes	7
17	Transportation Infrastructure Project in Chengdong work zone, Huaiyin Port Area, Huai'an, Jiangsu	PPP	2,855	2,130	2	No	Yes	6

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period *(Year)*	Operating project or not	Consolidated or not	Operation/ Procurement Period *(Year)*
18	Phase II Terminal Project of Xiaomangniu Work Zone in Xiangshui Port, Yancheng, Jiangsu	PPP	2,713	1,761	8	No	Yes	13
19	Infrastructure Project of Taiwanese Investment Zone Songshan Area in Fuzhou, Fujian	PPP	2,660	2,500	3	No	Yes	7
20	Comprehensive Pipe Gallery Project in Urban Center of Chifeng, Inner Mongolia	BOT	2,330	1,995	3	Yes	Yes	25
21	Malong Connecting Line of Xuanwei-Qujing Highway in Yunnan	BOT	2,296	1,588	2	Yes	Yes	30
22	Municipal Infrastructure, New Urbanization, Port Channel, Water System Treatment Projects in Lianshui County, Jiangsu	PPP	2,210	2,175	2	No	Yes	6
23	Relocation Project of National Highway 107 Guandu Yellow River Bridge	BOT	1,843	2,748	3	Yes	No	30
24	Comprehensive Treatment PPP Project of Moshui River and Longquan River in Jimo, Shandong	Comprehensive urban development	1,730	1,121	2	No	Yes	9
25	Relocated Commercial Housing Project in Baishafang and Xinqiong, Haikou, Hainan	PPP	1,500	1,000	2	No	Yes	5
26	Tramway Demonstration Line Project in Sanya, Hainan	BOT	1,470	840	2	Yes	Yes	23
27	Cultural Center Project in Xiaogan, Hubei	PPP	1,429	1,052	3	No	Yes	15
28	Breakwater Channel Project of Guangli Harbor District of Dongying Port in Shandong	PPP	1,309	1,088	2	No	Yes	10

No.	Project Name	Project Type	Contract Value	Expected Construction Contract Value	Construction Period *(Year)*	Operating project or not	Consolidated or not	Operation/ Procurement Period *(Year)*
29	Bazhou District Infrastructure Project in Bazhong, Sichuan	PPP	1,301	2,360	2	No	No	10
30	Shangtang-Oubei Highway Project in Yongjia, Wenzhou, Zhejiang	PPP	1,266	1,050	2	No	Yes	7
31	Comprehensive Project of Central China Headquarters Base	Comprehensive urban development	1,166	699	5	No	Yes	–
32	Jiangbei Dam-Passing Highway in Three Gorges, Hubei	PPP	1,241	1,241	2	No	No	2
33	PPP Project for Comprehensive Development of Shahe Area in Yichang, Hubei	Comprehensive urban development	1,138	797	3	No	Yes	7
34	Comprehensive Underground Pipe Gallery Project in Siping, Liaoning	BOT	1,019	5,056	5	Yes	No	25
35	Comprehensive Underground Pipe Gallery Project in Sanya, Hainan	BOT	1,000	896	2	Yes	Yes	18
36	Longhai Infrastructure Project in Zhangzhou, Fujian	PPP	960	672	2	No	Yes	3
37	Shantytown Renovation Project of Gaojian Town, Xichang, Sichuan	PPP	929	2,662	3	No	No	12
38	Shensu Zhewan-Lianhang Highway Connecting Line project in Nanxun, Huzhou	PPP	863	590	3	No	Yes	9
39	Furong Avenue Double Track and Shanghai-Ruili Highway Connecting Line in Xiangtan, Hunan	PPP	850	600	3	No	Yes	7
40	Reconstruction and Connection Service Project of Jiuyuan Road in Baodi, Tianjin	PPP	711	1,015	2	No	No	14

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

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

(2) Concession Projects under Development

No.	Project Name	Contract Value Entered	Investment Amount in 2016	Accumulated Investment Value
1	New Songming-Kunming Highway, Xuanwei-Qujing Highway, and Mengzi-Wenshan-Yanshan Highway in Yunnan	33,027	12,949	25,896
2	Lianzhou-Fogang Highway in Guangdong	23,800	Construction not yet commenced	Construction not yet commenced
3	Guigang-Long'an Highway in Guangxi	19,800	899	2,100
4	G569 Beishan–Xianmisi First-class Highway Project in Gansu	18,700	–	Share participation

No.	Project Name	Contract Value Entered	Investment Amount in 2016	Accumulated Investment Value
5	Taihangshan Highway Project in Hebei	14,570	–	Share participation
6	Libo-Rongjiang Highway Project in Guizhou	10,560	–	Share participation
7	Hechang Section of Sanhuan Highway in Chongqing	10,077	1,075	1,075
8	Wanzhou-Hubei Lichuan Highway in Chongqing	8,128	–	Share participation
9	Yulin-Zhanjiang Highway (Guangxi Section) Project in Guangxi	6,300	112	112
10	G575 Highway Project in Xinjiang	5,752	640	640
11	Jiulongpo-Yongchuan Highway in Chongqing	5,353	2,204	3,083
12	Dunkou Yangtze River Bridge Project in Wuhan	5,225	1,436	3,014
13	Weng'an-Machangping Railway Project in Guizhou	4,993	–	Share participation
14	Quanzhou-Xiamen-Zhangzhou City Alliance Quanzhou Section Project in Fujian	4,708	Construction not yet commenced	Construction not yet commenced
15	Tongren-Huaihua Highway Project (Tongren Section) in Guizhou	4,022	–	Share participation
16	Wuhan-Shenzhen Highway Jiayu North Section Project in Hubei	3,802	13	13
17	Qingxi Bridge and Connecting Line in Guangdong	2,827	1,017	1,252
18	Comprehensive Pipe Gallery Project in Urban Center of Chifeng, Inner Mongolia	2,330	Construction not yet commenced	Construction not yet commenced
19	Malong Connecting Line of Xuanwei-Qujing Highway in Yunnan	2,296	Construction not yet commenced	Construction not yet commenced
20	Relocation Project of National Highway 107 Guandu Yellow River Bridge	1,843	–	Share participation
21	Tramway Demonstration Line Project in Sanya, Hainan	1,470	Construction not yet commenced	Construction not yet commenced
22	Fengdu-Zhongxian Highway in Chongqing	1,249	–	Share participation
23	Comprehensive Underground Pipe Gallery Project in Siping, Liaoning	1,019	Construction not yet commenced	Share participation
24	Comprehensive Underground Pipe Gallery Project in Sanya, Hainan	1,000	Construction not yet commenced	Construction not yet commenced
25	National Highway 108 Yumenkou Yellow River Bridge Project	850	Construction not yet commenced	Construction not yet commenced
	Total	**193,701**	**20,345**	**37,185**

(3) Concession Projects in Operation Period

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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

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

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

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

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

Consolidated Results of Operations

Revenue

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

Cost of Sales and Gross Profit

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

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

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

Administrative expenses

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

Operating Profit

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

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

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

Finance Income

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

Finance Costs, net

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

Share of Profit of Joint Ventures

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

Share of Profit of Associates

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

Profit before Income Tax

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

Income Tax Expense

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

Profit Attributable to Non-Controlling Interests

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

Profit Attributable to Owners of the parent

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

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

Discussion of Segment Operations

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

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

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

Infrastructure Construction Business

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

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

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

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

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

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

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

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

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

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

Infrastructure Design Business

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

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

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

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

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

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

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

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

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

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

Dredging Business

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

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

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

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

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

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

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

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

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

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

Heavy Machinery Manufacturing Business

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

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

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

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

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

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

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

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

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

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

Other Businesses

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

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

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

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

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

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

Liquidity and Capital Resources

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

Cash Flow Data

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

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

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

Capital Expenditure

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

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

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

Working Capital

Trade and bills receivables and trade and bills payables

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

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

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

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

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

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

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

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

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

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

Retentions

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

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

Indebtedness

Borrowings

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

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

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

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

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

Contingent Liabilities

	As at 31 December	
	2016	2014
	(RMB million)	*(RMB million)*
Pending lawsuits(1)	**4,173**	3,091
Outstanding loan guarantees(2)	**1,282**	895
Total	**5,455**	3,986

(1) The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for above pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resource is not probable. The Group does not include any pending lawsuit in the contingent liabilities disclosed if the probability of loss is remote or the claim amount is insignificant to the Group.

Pending lawsuits included, inter alia, the below:

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

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

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

Market Risks

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

Marco-economy risk

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

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

Market risk

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

Interest rate risk

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

Foreign exchange risk

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

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

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

Price risk

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB million	2015 RMB million
Revenue	4	**429,972**	403,616
Cost of sales	5	**(372,073)**	(353,862)
Gross profit		**57,899**	49,754
Other income	4	**3,800**	3,000
Other gains, net	4	**1,906**	744
Selling and marketing expenses	5	**(846)**	(696)
Administrative expenses	5	**(30,760)**	(26,129)
Other expenses		**(875)**	(875)
Operating profit		**31,124**	25,798
Finance income	6	**3,093**	3,701
Finance costs, net	7	**(11,485)**	(10,212)
Share of profits and losses of:			
– Joint ventures		**26**	95
– Associates		**164**	289
Profit before tax	5	**22,922**	19,671
Income tax expense	8	**(5,233)**	(3,758)
Profit for the year		**17,689**	15,913
Attributable to:			
– Owners of the parent		**17,210**	15,828
– Non-controlling interests		**479**	85
		17,689	15,913
Earnings per share attributable to ordinary equity holders of the parent			
– Basic	10	**RMB1.00**	RMB0.96
– Diluted	10	**RMB1.00**	RMB0.96

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2016

	Notes	2016 RMB million	2015 RMB million
Non-current assets			
Property, plant and equipment		**66,775**	67,973
Investment properties		**2,346**	2,045
Prepaid land lease payments		**10,676**	10,036
Intangible assets		**143,380**	141,345
Investments in joint ventures		**6,201**	1,967
Investments in associates		**12,550**	10,622
Available-for-sale investments		**21,679**	22,322
Held-to-maturity investments		**131**	280
Trade and other receivables	*11*	**95,558**	77,816
Deferred tax assets		**4,640**	4,169
Total non-current assets		**363,936**	338,575
Current assets			
Inventories		**45,554**	51,904
Amounts due from contract customers		**85,973**	74,645
Trade and other receivables	*11*	**190,485**	167,914
Available-for-sale investments		**–**	46
Other financial assets at fair value through profit or loss		**116**	143
Derivative financial instruments		**381**	9
Restricted bank deposits and term deposits with an initial term of over three months		**5,917**	3,117
Cash and cash equivalents		**108,720**	94,960
Total current assets		**437,146**	392,738
Current liabilities			
Trade and other payables	*12*	**292,990**	257,379
Amounts due to contract customers		**27,198**	25,499
Tax payable		**3,942**	3,197
Derivative financial instruments		**16**	134
Interest-bearing bank and other borrowings		**99,484**	86,605
Retirement benefit obligations		**155**	113
Provisions		**169**	153
Total current liabilities		**423,954**	373,080
Net current assets		**13,192**	19,658
Total assets less current liabilities		**377,128**	358,233

	Note	**2016**	2015
		RMB million	*RMB million*
Total assets less current liabilities		**377,128**	358,233
Non-current liabilities			
Trade and other payables	*12*	**9,454**	7,121
Interest-bearing bank and other borrowings		**173,996**	168,578
Deferred income		**1,317**	4,396
Deferred tax liabilities		**4,447**	7,543
Retirement benefit obligations		**1,344**	1,589
Total non-current liabilities		**190,558**	189,227
Net assets		**186,570**	169,006
Equity			
Equity attributable to owners of the parent			
Share capital		**16,175**	16,175
Share premium		**19,656**	19,656
Financial instruments classified as equity		**19,431**	19,431
Reserves		**104,061**	91,462
		159,323	146,724
Non-controlling interests		**27,247**	22,282
Total equity		**186,570**	169,006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	**2016** **RMB million**	2015 RMB million
Cash flows from operating activities			
Profit before tax		**22,922**	19,671
Adjustments for:			
– Depreciation of property, plant and equipment and investment properties		**8,455**	7,732
– Amortisation of intangible assets and prepaid land lease payments		**1,222**	783
– Gains on disposal of property, plant and equipment		**(1)**	(105)
– Fair value (gains)/losses on derivative financial instruments		**(184)**	97
– Fair value losses/(gains) on other financial assets at fair value through profit or loss		**22**	(7)
– Gains on disposal of subsidiaries		**(511)**	(407)
– Losses on disposal of prepaid land lease payments		**–**	3
– Gains on disposal of available-for-sale financial investments and derivative financial instruments		**(459)**	(927)
– Gains on disposal of joint ventures and associates		**(12)**	(199)
– Write-down of inventories		**845**	59
– Provision for impairment of trade and other receivables		**2,817**	3,163
– Provision for impairment of other intangible assets		**198**	–
– Provision for foreseeable losses on construction contracts		**586**	1,010
– Provision for impairment of goodwill		**–**	50
– Dividend income from available-for-sale financial investments		**(836)**	(768)
– Investment income from held-to-maturity financial assets		**(19)**	(22)
– Interest income	*6*	**(3,093)**	(3,701)
– Interest expenses	*7*	**9,628**	9,343
– Share of profit and losses of joint ventures and associates		**(190)**	(384)
– Net foreign exchange losses on borrowings	*7*	**1,000**	317
		42,390	35,708

	2016 *RMB million*	2015 *RMB million*
Increase in inventories	**(5,639)**	(4,600)
Increase in trade and other receivables	**(38,686)**	(19,440)
Increase in contract work-in-progress	**(9,629)**	(4,163)
(Increase)/decrease in restricted bank deposits	**(1,505)**	446
Decrease in retirement benefit obligations	**(177)**	(289)
Increase in trade and other payables	**47,705**	30,915
Increase/(decrease) in provisions	**16**	(233)
Decrease in deferred income	**(9)**	(1,806)
Cash generated from operations	**34,466**	36,538
Income tax paid	**(4,747)**	(4,625)
Net cash flows from operating activities	**29,719**	31,913
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(9,749)**	(13,342)
Additions to prepaid land lease payments	**(962)**	(674)
Purchases of intangible assets	**(26,442)**	(37,999)
Purchase of investment properties	**(95)**	–
Proceeds from disposal of items of property, plant and equipment	**70**	683
Proceeds from disposal of prepaid land lease payments	**319**	59
Proceeds from disposal of intangible assets	**5**	6
Purchases of available-for-sale investments	**(1,423)**	(4,346)
Purchases of senior perpetual securities	**(663)**	–
Purchases of other financial assets at fair value through profit or loss	**(47)**	(4)
Acquisition of subsidiaries	**(77)**	(3,735)
Additional investments in associates	**(1,788)**	(895)
Additional investments in joint ventures	**(3,045)**	(189)
Proceeds from disposal of available-for-sale investments	**673**	10,235
Advance receipt from non-controlling interests for transfer out shares in a subsidiary	**1,150**	–
Proceeds from disposal of associates	**17**	221
Proceeds from disposal of joint ventures	**21**	17
Disposal of subsidiaries	**1,962**	(150)
Interest received	**2,446**	1,014
Proceeds from disposal of other financial assets at fair value through profit or loss	**17**	39
Proceeds from withdrawal upon maturity of held-to-maturity investments	**159**	22
Changes in term deposits with an initial term of over three months	**(1,295)**	1,432
Receipt of government grants	**943**	1,181
Loans to joint ventures, associates and third parties	**(1,982)**	–
Dividends received	**1,081**	952
Net cash flows used in investing activities	**(38,705)**	(45,473)

	2016	2015
	RMB million	*RMB million*
Cash flows from financing activities		
Proceeds from borrowings	**155,326**	190,529
Proceeds from financial instruments classified as equity	**1,500**	21,151
Repayments of borrowings	**(121,473)**	(163,667)
Interest paid	**(12,763)**	(14,462)
Changes in restricted bank deposits	**–**	1,222
Dividends paid to equity holders of the parent	**(3,079)**	(2,778)
Dividend paid to non-controlling interests of subsidiaries	**(212)**	(417)
Distributions paid to holders of financial instruments classified as equity	**(1,273)**	(300)
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries	**–**	(66)
Capital contribution from non-controlling interests	**4,076**	2,241
Cash contribution from the government	**–**	2,971
Net cash flows from financing activities	**22,102**	36,424
Net increase in cash and cash equivalents	**13,116**	22,864
Cash and cash equivalents at beginning of year	**94,960**	71,823
Effect of foreign exchange rate changes, net	**644**	273
Cash and cash equivalents at end of year	**108,720**	94,960

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

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

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital (in million)	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Unlisted –						
CCCC Water Transportation Consultants Co., Ltd.	the PRC	Limited liability company	RMB818	100%	–	Infrastructure design
CCCC Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB730	100%	–	Infrastructure design
CCCC First Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB723	100%	–	Infrastructure design
CCCC Second Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB428	100%	–	Infrastructure design
CCCC Third Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB731	100%	–	Infrastructure design
CCCC Fourth Harbour Consultants Co., Ltd.	the PRC	Limited liability company	RMB630	100%	–	Infrastructure design
CCCC First Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB856	100%	–	Infrastructure design
CCCC Second Highway Consultants Co., Ltd.	the PRC	Limited liability company	RMB872	100%	–	Infrastructure design
China Highway Engineering Consultants Co., Ltd	the PRC	Limited liability company	RMB750	100%	–	Infrastructure design
CCCC Highway & Bridge Technology Consultants Co., Ltd.	the PRC	Limited liability company	RMB123	100%	–	Infrastructure design
CCCC Xi'an Road Construction Machinery Co., Ltd.	the PRC	Limited liability company	RMB433	54.31%	45.69%	Manufacture of road construction machinery
China Highway Vehicle &Machinery Co., Ltd.	the PRC	Limited liability company	RMB168	100%	–	Trading of motor vehicle spare parts
Chuwa Bussan Co., Ltd.	Japan	Limited liability company	JPY12,021	75%	–	Trading of machinery
CCCC Shanghai Equipment Engineering Co., Ltd.	the PRC	Limited liability company	RMB10	55%	–	Maintenance and repair of port machinery
CCCC Mechanical & Electrical Engineering Co., Ltd.	the PRC	Limited liability company	RMB833	60%	40%	Trading of machinery
China Communications Materials & Equipment Co., Ltd.	the PRC	Limited liability company	RMB234	100%	–	Trading of construction materials and equipment
CCCC Finance Company Limited	the PRC	Limited liability company	RMB3,500	95%	–	Financial service
CCCC International Holding Limited	Hong Kong	Limited liability company	HKD2,372	100%	–	Investment holding
CCCC Financial Leasing Co., Ltd	the PRC	Limited liability company	RMB5,000	45%	55%	Financial service
CCCC Fund Management Co., Ltd	the PRC	Limited liability company	RMB100	70%	–	Fund management
CCCC Asset Management Co., Ltd	the PRC	Limited liability company	RMB13,431	7.46%	92.54%	Asset management
CCCC Urban Investment Co., Ltd.	the PRC	Limited liability partnership	RMB3,150	100%	–	Investment holding

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the President Office that are used to allocate resources to the operating segments and assess their performance.

The President Office considers the business from the service and product perspectives. Management assesses the performance of the following five operating segments:

(a) infrastructure construction of ports, roads, bridges and railways (the "Construction Segment");

(b) infrastructure design of ports, roads and bridges (the "Design Segment");

(c) dredging (the "Dredging Segment");

(d) manufacture of heavy machinery (the "Heavy Machinery Segment"); and

(e) others (the "Others Segment").

The President Office assesses the performance of the operating segments based on operating profit excluding unallocated income or costs. Other information provided to the President Office is measured in a manner consistent with that in the consolidated financial statements.

Sales between operating segments are carried out on terms with reference to the selling prices used for sales made to third parties. The revenue from external parties reported to the President Office is measured in a manner consistent with that in the consolidated statement of profit or loss.

Operating expenses of a functional unit are allocated to the relevant operating segment which is the predominant user of the services provided by the unit. Operating expenses of shared services which cannot be allocated to a specific operating segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, prepaid land lease payments, investment properties, intangible assets, inventories, receivables, amounts due from contract customers, and cash and cash equivalents. They exclude deferred taxation, investments in joint ventures and associates, available-for-sale investments, held-to-maturity investments, other financial assets at fair value through profit or loss and derivative financial instruments.

Segment liabilities comprise primarily payables and amounts due to contract customers. They exclude taxation, borrowings and derivative financial instruments.

The segment results for the year ended 31 December 2016 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2016						
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Heavy Machinery** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Total gross segment revenue	357,158	26,328	30,282	26,006	5,897	(15,699)	429,972
Inter-segment revenue	(8,108)	(4,414)	(1,486)	(708)	(983)	15,699	–
Revenue	349,050	21,914	28,796	25,298	4,914	–	429,972
Segment results	23,604	3,203	2,740	1,773	485	(729)	31,076
Unallocated income							48
Operating profit							31,124
Finance income							3,093
Finance costs, net							(11,485)
Share of profits and losses of joint ventures and associates							190
Profit before tax							22,922
Income tax expense							(5,233)
Profit for the year							17,689
Other segment information							
Depreciation	5,992	182	969	1,233	79	–	8,455
Amortisation	1,014	34	38	113	23	–	1,222
Write-down of inventories	44	–	–	801	–	–	845
Provision for foreseeable losses on construction contracts	383	–	–	203	–	–	586
Provision for impairment of trade and other receivables	1,360	240	605	208	404	–	2,817
Provision for impairment of concession assets	198	–	–	–	–	–	198
Capital expenditure*	41,636	440	1,674	1,352	157	–	45,259

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets.

The segment results for the year ended 31 December 2015 and other segment information included in the consolidated financial statements are as follows:

	Year ended 31 December 2015						
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Heavy Machinery *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Total gross segment revenue	345,475	24,483	33,515	24,104	4,323	(28,284)	403,616
Inter-segment revenue	(6,351)	(1,876)	(18,807)	(965)	(285)	28,284	–
Revenue	339,124	22,607	14,708	23,139	4,038	–	403,616
Segment results	18,259	2,923	3,752	1,491	(69)	(447)	25,909
Unallocated expenses							(111)
Operating profit							25,798
Finance income							3,701
Finance costs, net							(10,212)
Share of profits and losses of joint ventures and associates							384
Profit before tax							19,671
Income tax expense							(3,758)
Profit for the year							15,913
Other segment information							
Depreciation	5,359	186	888	1,260	39	–	7,732
Amortisation	582	31	26	110	34	–	783
Write-down of inventories	4	–	–	55	–	–	59
Provision for foreseeable losses on construction contracts	616	–	–	305	89	–	1,010
Provision for impairment of trade and other receivables	911	242	1,234	294	482	–	3,163
Capital expenditure	56,913	441	2,306	2,565	45	–	62,270

The amounts provided to the President Office with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are presented based on the operating segments they are associated with.

The segment assets and liabilities at 31 December 2016 are as follows:

	As at 31 December 2016						
	Construction *RMB million*	**Design** *RMB million*	**Dredging** *RMB million*	**Heavy Machinery** *RMB million*	**Others** *RMB million*	**Eliminations** *RMB million*	**Total** *RMB million*
Segment assets	533,411	25,606	65,878	58,884	33,327	(32,673)	684,433
Investments in joint ventures							6,201
Investments in associates							12,550
Unallocated assets							97,898
Total assets							801,082
Segment liabilities	291,024	18,284	28,919	15,049	1,303	(31,964)	322,615
Unallocated liabilities							291,897
Total liabilities							614,512

Segment assets and liabilities at 31 December 2016 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	**Liabilities** *RMB million*
Segment assets/liabilities	**684,433**	**322,615**
Investments in joint ventures	**6,201**	**–**
Investments in associates	**12,550**	**–**
Unallocated:		
Deferred tax assets/liabilities	**4,640**	**4,447**
Tax payable	**–**	**3,942**
Current borrowings	**–**	**99,484**
Non-current borrowings	**–**	**173,996**
Available-for-sale investments	**21,679**	**–**
Held-to-maturity investments	**131**	**–**
Other financial assets at fair value through profit or loss	**116**	**–**
Derivative financial instruments	**381**	**–**
Cash and other corporate assets/corporate liabilities	**70,951**	**10,028**
Total	**801,082**	**614,512**

The segment assets and liabilities at 31 December 2015 are as follows:

	As at 31 December 2015						
	Construction *RMB million*	Design *RMB million*	Dredging *RMB million*	Heavy Machinery *RMB million*	Others *RMB million*	Eliminations *RMB million*	Total *RMB million*
Segment assets	502,171	22,931	61,320	58,323	20,747	(24,419)	641,073
Investments in joint ventures							1,967
Investments in associates							10,622
Unallocated assets							77,651
Total assets							731,313
Segment liabilities	255,770	15,219	24,061	14,826	1,338	(23,969)	287,245
Unallocated liabilities							275,062
Total liabilities							562,307

Segment assets and liabilities at 31 December 2015 are reconciled to entity assets and liabilities as follows:

	Assets *RMB million*	Liabilities *RMB million*
Segment assets/liabilities	641,073	287,245
Investments in joint ventures	1,967	–
Investments in associates	10,622	–
Unallocated:		
Deferred tax assets/liabilities	4,169	7,543
Tax payable	–	3,197
Current borrowings	–	86,605
Non-current borrowings	–	168,578
Available-for-sale investments	22,368	–
Other financial assets at fair value through profit or loss	143	–
Derivative financial instruments	9	134
Cash and other corporate assets/corporate liabilities	50,962	9,005
Total	731,313	562,307

Geographical information

(a) Revenue from external customers

	2016	2015
	RMB million	*RMB million*
Mainland China	**343,209**	328,655
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**86,763**	74,961
	429,972	403,616

The revenue information above is based on the locations of the customers.

Revenue from the individual countries or regions other than Mainland China was not material during 2016 and 2015.

(b) Non-current assets

	2016	2015
	RMB million	*RMB million*
Mainland China	**206,746**	207,392
Other regions (primarily including Australia and countries in Africa, Middle East and South East Asia)	**16,431**	14,007
	223,177	221,399

The non-current asset information above is based on the locations of the assets and excludes financial instruments, investments in joint ventures and associates and deferred tax assets.

Non-current assets in the individual countries or regions other than Mainland China are not material as at 31 December 2016 and 2015.

Information about a major customer

No revenue was derived from services or sales to a single customer accounted for 10% or more of the Group's revenue, including services or sales to a group of entities which are known to be under common control with that customer during 2016 and 2015.

4. REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts; the value of services rendered; the net invoiced value of goods sold, after allowances for returns and trade discounts and excludes intra-group transactions.

An analysis of revenue, other income and other gains, net, is as follows:

	2016	2015
	RMB million	*RMB million*
Revenue		
Construction	**357,158**	345,475
Design	**26,328**	24,483
Dredging	**30,282**	33,515
Heavy Machinery	**26,006**	24,104
Others	**5,897**	4,323
Inter-segment eliminations	**(15,699)**	(28,284)
	429,972	403,616
Other income		
Rental income	**790**	426
Dividend income on available-for-sale investments		
– Listed equity securities	**683**	686
– Unlisted equity investments	**153**	82
Government grants	**458**	520
Income from the sale of waste and materials	**19**	36
Others (mainly consist of consultation service income, property management service income and transportation income)	**1,697**	1,250
	3,800	3,000
Other gains, net		
Gains on disposal of available-for-sale investments and derivative financial instruments	**459**	927
Gains on disposal of items of property, plant and equipment	**1**	105
Losses on disposal of prepaid land lease payments	**–**	(3)
Gains on disposal of subsidiaries	**511**	407
Gains on disposal of joint ventures and associates	**12**	199
Fair value (losses)/gains from other financial assets at fair value through profit or loss	**(22)**	7
Gains/(losses) on derivative financial instruments:		
– Foreign exchange forward contracts	**184**	(65)
Foreign exchange difference, net	**761**	(833)
	1,906	744

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2016	2015
	RMB million	*RMB million*
Raw materials and consumables used	**115,587**	117,259
Cost of goods sold	**11,059**	9,000
Subcontracting costs	**144,108**	121,025
Employee benefit expenses:		
– Salaries, wages and bonuses	**23,287**	25,916
– Pension costs – defined contribution plans	**3,117**	2,954
– Pension costs/(gains) – defined benefit plans	**30**	(91)
– Housing benefits	**1,561**	1,490
– Welfare, medical and other expenses	**11,289**	8,091
	39,284	38,360
Minimum lease payments under operating leases	**13,814**	16,815
Business tax and other transaction tax	**4,564**	10,168
Fuel	**3,771**	5,978
Depreciation of property, plant and equipment and investment properties	**8,455**	7,732
Amortisation of intangible assets	**983**	561
Amortisation of land lease payments	**239**	222
Research and development costs	**7,898**	7,265
Repair and maintenance expenses	**2,000**	3,886
Transportation costs	**369**	1,029
Utilities	**1,329**	1,328
Insurance	**1,149**	1,055
Auditors' remuneration	**26**	40
Impairment of trade and other receivables	**2,817**	3,163
Provision for foreseeable losses on construction contracts	**586**	1,010
Write-down of inventories	**845**	59
Other expenses	**44,796**	34,732

6. FINANCE INCOME

	2016	2015
	RMB million	*RMB million*
Interest income		
– Bank deposits	**626**	694
– Unwinding of discount of long-term receivables	**1,862**	2,765
Others	**605**	242
	3,093	3,701

7. FINANCE COSTS, NET

An analysis of finance costs is as follows:

	2016	2015
	RMB million	*RMB million*
Interest expense incurred	**12,545**	14,063
Less: Interest capitalised	**(2,917)**	(4,720)
Net interest expense	**9,628**	9,343
Representing:		
– Bank borrowings	**7,374**	6,737
– Other borrowings	**130**	171
– Corporate bonds	**1,091**	991
– Medium-term notes	**123**	223
– Debentures	**251**	364
– Non-public debt instruments	**541**	724
– Finance lease liabilities	**118**	133
	9,628	9,343
Foreign exchange difference, net	**1,000**	317
Others	**857**	552
	11,485	10,212

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB2,917 million (2015: RMB4,720 million) were capitalised in 2016, of which approximately RMB971 million (2015: RMB1,030 million) was charged to contract work-in-progress, approximately RMB317 million (2015: RMB765 million) was included in cost of properties under development, approximately RMB1,560 million (2015: RMB2,745 million) was included in cost of concession assets, approximately RMB69 million (2015: RMB180 million) was included in cost of construction-in-progress. A weighted average capitalisation rate of 4.15% (2015: 4.75%) per annum was used, representing the costs of the borrowings used to finance the qualifying assets.

8. INCOME TAX

Most of the companies of the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 25% (2015: 25%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries of the Company, which were exempted from tax or taxed at a preferential rate of 15% (2015: 15%).

Certain of the companies of the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	RMB million	*RMB million*
Current		
– PRC enterprise income tax	**4,591**	3,936
– Others	**865**	391
	5,456	4,327
Deferred	**(223)**	(569)
Total tax charge for the year	**5,233**	3,758

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2016		2015	
	RMB million	***%***	*RMB million*	*%*
Profit before tax	**22,922**		19,671	
Tax at PRC statutory tax rate of 25% (2015: 25%)	**5,730**	**25.0**	4,918	25.0
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	**(1,207)**	**(5.3)**	(1,700)	(8.6)
Effect of higher tax rate for the appreciation of land in the PRC	**240**	**1.1**	111	0.5
Profits and losses attributable to joint ventures and associates	**(48)**	**(0.2)**	(96)	(0.5)
Income not subject to tax	**(295)**	**(1.3)**	(400)	(2.0)
Additional tax concession on research and development costs	**(359)**	**(1.6)**	(295)	(1.5)
Expenses not deductible for tax	**345**	**1.5**	171	0.9
Tax losses utilised from previous periods	**(249)**	**(1.1)**	(68)	(0.4)
Tax losses not recognised	**1,076**	**4.7**	1,117	5.7
Tax charge at the Group's effective rate	**5,233**	**22.8**	3,758	19.1

9. DIVIDENDS

	2016	2015
	RMB million	*RMB million*
Proposed final dividend of RMB0.19444 per ordinary share (2015: RMB0.19037)	**3,145**	3,079

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 16,174,735,425 (2015: 16,174,735,425) in issue during the year.

The calculation of basic earnings per share is based on:

	2016	2015
Profit attributable to ordinary equity holders of the parent (RMB million)	**17,210**	15,828
Less: Interest on perpetual medium-term notes (RMB million)(i)	**(300)**	(300)
Dividend relating to preference shares (RMB million)(ii)	**(718)**	–
Profit used in the basic earnings per share calculation (RMB million)	**16,192**	15,528
Weighted average number of ordinary shares in issue (million)	**16,175**	16,175
Basic earnings per share (RMB per share)	**1.00**	0.96

(i) The medium-term notes (the "MTN") issued by the Company on 18 December 2014 were classified as equity instruments with deferrable accumulative interest distribution and payment. Interest of RMB300 million on the MTN which has been generated during the year was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2016.

(ii) The preference shares issued by the Company in September 2015 and October 2015 were classified as equity instruments with deferrable and non-cumulative dividend distribution and payment. As the conditions of mandatory distribution were triggered, a dividend amounting to RMB718 million on the preference shares was deducted from earnings when calculating the earnings per share amount for the year ended 31 December 2016.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

11. TRADE AND OTHER RECEIVABLES

	2016 *RMB million*	2015 *RMB million*
Trade and bills receivables *(note a)*	**93,071**	70,446
Impairment	**(9,882)**	(7,156)
Trade and bills receivables – net	**83,189**	63,290
Retentions	**55,762**	53,955
Long-term receivables	**80,043**	57,304
Prepayments	**19,103**	20,530
Deposits	**22,046**	20,810
Other receivables	**25,900**	29,841
	286,043	245,730
Less: non-current portion		
Retentions	**(27,437)**	(28,576)
Long-term receivables	**(65,732)**	(46,179)
Prepayments for equipment	**(1,191)**	(1,122)
Deposits	**(1,198)**	(1,939)
	(95,558)	(77,816)
Current portion	**190,485**	167,914

(a) The majority of the Group's revenues are generated through construction, design, dredging and heavy machinery contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An aged analysis of trade and bills receivables as at the end of the reporting period, net of provisions, is as follows:

	2016 *RMB million*	2015 *RMB million*
Within 6 months	**64,139**	45,508
6 months to 1 year	**5,864**	6,053
1 year to 2 years	**7,977**	7,579
2 years to 3 years	**2,942**	2,659
Over 3 years	**2,267**	1,491
	83,189	63,290

12. TRADE AND OTHER PAYABLES

	2016 *RMB million*	2015 *RMB million*
Trade and bills payables *(note a)*	**187,794**	156,279
Advances from customers	**56,522**	57,752
Deposits from suppliers	**14,671**	13,250
Retentions	**13,841**	9,706
Deposits from CCCG and fellow subsidiaries	**8,132**	7,237
Other taxes	**6,886**	7,090
Social security	**975**	1,268
Accrued payroll	**1,477**	752
Accrued expenses	**290**	242
Others	**11,856**	10,924
	302,444	264,500
Less: non-current portion		
– Retentions	**(9,339)**	(7,121)
– Other taxes	**(115)**	–
	(9,454)	(7,121)
Current portion	**292,990**	257,379

(a) An aged analysis of trade and bills payables as at the end of the reporting period is as follows:

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rule**"). The Company has made specific inquiry with all of its Directors and Supervisors. Each of the Directors and Supervisors has confirmed his compliance with the requirements set out in the Model Code for the year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

DISTRIBUTIONS AND DIVIDENDS

For the year of 2016, net distributable profit to owners of the Company was approximately RMB15,726 million which is determined based on the financial statements prepared in accordance with China Accounting Standards for Business Enterprises and IFRS, whichever is lower. The Board has proposed a final dividend of RMB0.19444 (including tax) per share (totaling approximately RMB3,145 million which represents approximately 20% of the above-mentioned distributable net profit attributable to owners of the Company), which is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**"). The proposed dividend distribution will be expected to distribute to all Shareholders before the end of August 2017, subject to the provisions of the Articles of Association of the Company, on the basis of total issued share capital of the Company of 16,174,735,425 shares.

Further details in relation to the date of the AGM the qualification for the right to attend the AGM, the qualification for the proposed final dividends and the closure of register of member for H Shares will be disclosed by the Company after the arrangement of AGM is finalised.

The proposed final dividends are subject to applicable tax. The proposed final dividends will be denominated and declared in Renminbi and will be paid to holders of A Shares in Renminbi and to holders of H Shares in Hong Kong dollars. Further information regarding the exchange rate and the applicable tax will be disclosed by the Company in a separate announcement in due course.

ESTIMATED TOTAL AMOUNT OF DAY TO DAY RELATED PARTY TRANSACTIONS UNDER THE SHANGHAI STOCK EXCHANGE LISTING RULES

According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the "**Shanghai Listing Rules**"), the listed issuer may, prior to disclosure of its annual report for the previous year, estimate reasonably the total amount of day-to-day related party transaction (as defined under the Shanghai Listing Rules) under each category for the current full year and submit the estimated total amount to the board of directors or shareholders' general meeting for consideration and approval. Upon approval, day-to-day related party transactions conducted by the issuer will be exempted from certain review and disclosure requirements under the Shanghai Listing Rules.

As a Shanghai Stock Exchange listed issuer, the Company, in accordance with the Shanghai Listing Rules, estimates reasonably that the total amount of day-to-day related party transactions for the year of 2017 will not exceed RMB3,654 million. The Company will closely monitor the respective related party transactions. If any related party transaction constitutes a connected transaction (as defined under the Hong Kong Listing Rules), and is subject to reporting, announcement or independent Shareholders' approval requirements (as applicable), the Company will, as soon as possible after the terms of the respective connected transaction have been agreed, take immediate steps to ensure compliance with the Hong Kong Listing Rules.

Pursuant to Rule 10.2.5 of the Shanghai Listing Rules, any related party transaction conducted by a listed issuer with the transaction amount exceeding RMB30 million as well as accounting for more than 5% of the absolute value of a listed issuer's latest audited net assets, shall be approved by its shareholders. As the estimated total amount of day-to-day related party transactions, after aggregation with other transaction amounts of related party transactions pursuant to the Shanghai Listing Rules, exceed RMB30 million but is lower than 5% of the absolute value of the Company's latest audited net assets, the estimated total amount of day-to-day related party transactions is exempted from the requirements of Shareholders' approval by way of ordinary resolution at the AGM.

ESTIMATED CAP FOR THE INTERNAL GUARANTEES OF THE GROUP IN 2017

According to the Shanghai Listing Rules, "a listed company, with the amount of guarantees aggregated over a period of twelve consecutive months exceeding 50 percent of its latest audited net assets and with the absolute amount exceeding RMB50 million, or when providing guarantees to enterprises with asset-to-liability ratio exceeding 70%, shall submit the transaction of granting guarantees to the shareholders' general meeting for consideration and approval, as well as make a timely disclosure."

The Company estimated that the cap for the internal guarantees of the Company in 2017 will amount to RMB61,360 million, among which, RMB55,600 million will be provided by the Company to its wholly-owned subsidiaries, RMB5,500 million will be provided by the Company to its non wholly-owned subsidiaries, RMB170 million will be provided by the Company's wholly-owned subsidiaries to their respective subsidiaries and the remaining RMB89.56 million will be provided by the wholly-owned subsidiaries of the Company to their respective jointly controlled entities. The resolution in relation to the estimated cap for the internal guarantees of the Group in 2017 will be valid from the date of passing the resolution at the AGM until the conclusion date of the next annual general meeting of the Company. To the best knowledge and belief of the Company, none of those companies receiving guarantees is a connected person of the Company. The guarantees to be provided by the wholly-owned subsidiaries of the Company to their jointly controlled entities with a total amount of RMB89.56 million, after aggregation, do not constitute discloseable transactions under Chapter 14 of the Hong Kong Listing Rules.

The aforementioned resolution, which has been resolved at the thirty-second meeting of the third session of the Board held on 28 March 2017, is subject to approval by the Shareholders by way of an ordinary resolution at the AGM. The Board also proposed to the Shareholders to authorise the management of the Company to carry out relevant formalities when providing internal guarantees within the approved amount.

AUDIT COMMITTEE

The audit committee of the Company is comprised of Mr. LIU Zhangmin, Mr. LEUNG Chong Shun and Mr. HUANG Long, and is chaired by Mr. LIU Zhangmin. The audit committee of the Company has reviewed the annual results of the Company.

AUDITORS

Ernst & Young and Ernst & Young Hua Ming LLP were appointed as the international and domestic auditors of the Company for the year ended 31 December 2016, respectively. The financial figures in this announcement in respect of the consolidated results for the year ended 31 December 2016 have been agreed by the Company's international auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.ccccltd.cn).

The annual report of the Company for the year ended 31 December 2016 which contains all the information required by the Hong Kong Listing Rules including audited financial statements will be despatched to Shareholders on or before Sunday, 30 April 2017 and will be published on the HKEx website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and on the website of the Company (www.ccccltd.cn).

By Order of the Board
China Communications Construction Company Limited
LIU Wensheng
Company Secretary

Beijing, the PRC
28 March 2017

As at the date of this announcement, the Directors are LIU Qitao, CHEN Fenjian, FU Junyuan, LIU Maoxun, LIU Zhangmin#, LEUNG Chong Shun# and HUANG Long#.

Independent non-executive Directors