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中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

(Stock Code: 1186)

(Listed Debt Securities Code: 5945, 5778, 5610 and 5338)

2017 ANNUAL RESULTS ANNOUNCEMENT

The Board of the Company is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2017. This announcement, containing the full text of the 2017 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. Printed version of the Company's 2017 Annual Report will be sent to H shareholders of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and of the Company at <http://www.crcc.cn> on or before 30 April 2018.

Important Notice

- I. The Board and the Supervisory Committee of the Company and the directors, supervisors and members of the senior management warrant the truthfulness, accuracy and completeness of the contents herein and confirm that there are no misrepresentations or misleading statements contained in, or material omissions from, this report, and accept several and joint legal responsibilities.

II. Absent Directors

Position of the absent director	Name of the absent director	Reason for the absence of the director	Name of the proxy
Executive director and deputy secretary of the communist party committee	XIA Guobin	Absent due to other business engagement	LIU Ruchen
Independent non-executive director	Patrick SUN	Absent due to other business engagement	WANG Huacheng

- III. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued a standard unqualified auditor's report for the Company.

- IV. MENG Fengchao, chairman of the Company, WANG Xiuming, CFO, and QIAO Guoying, Head of the Finance Department (person in charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.

- V. Profit distribution plan or reserves-to-equity transfer plan during the Reporting Period upon deliberation at the board meeting

According to the audited financial report of the Company for the year 2017, the undistributed profit of the parent company at the beginning of 2017 was RMB8,889,206,129.35. After adding the net profit realized by the parent company of RMB4,973,338,733.68 in 2017 and deducting the cash dividends for the year 2016 of RMB2,172,726,640.00 and the interest of RMB282,400,000.00 in 2017 in relation to the distribution of the 2016 renewable corporation bond (First tranche) due to the trigger of a mandatory interest payment event, at the end of this year, the distributable profit of the parent company was RMB11,407,418,223.03. According to the *Company Law* and the *Articles of Association of the Company*, the distributable profit of the parent company for the year 2017 shall be distributed in the order as follows: the withdraw of the statutory surplus reserve fund of RMB497,333,873.37 based on 10% of net profit realised by the parent company for the year 2017, after which the parent company's distributable profit for the shareholders in 2017 was RMB10,910,084,349.66; a cash dividend of RMB2,444,317,470.00 in total, i.e. RMB0.18 (tax inclusive) per share will be distributed, based on the total issued share capital of 13,579,541,500 shares as at 31 December 2017; Upon such distribution, the undistributed profit of the parent company amounting to RMB8,465,766,879.66 will be carried forward to the next year.

- VI. Disclaimer of forward-looking statements

☒ Applicable ☐ Not Applicable

Forward-looking statements, including future development strategy and annual business plan, contained in this report do not constitute substantive commitments to investors by the Company. Investors and relevant persons shall maintain a sufficient risk awareness hereto and understand the differences among plans, prediction and commitments. Investors are reminded of such investment risks.

- VII. Whether the controlling shareholder of the Company or its associates has misappropriated the Company's funds for purposes other than for business? No

- VIII. Whether the Company has provided external guarantees in violation of any prescribed decision-making procedures? No

- IX. Inform of important Risks

The main risks the Company may encounter are safety and quality risk, investment risk, international operation risk, project management risk and accounts receivable risk. Please refer to "(IV) Potential Risks" in "III Discussion and Analysis of the Company's Future Development" under "Section V Discussion and Analysis on Business Operations (Report of Directors)". Investors are reminded of such risks.

- X. Others

☒ Applicable ☐ Not Applicable

The 2017 financial report of the Company was prepared according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance and the relevant regulations (hereinafter referred to as "PRC GAAP Standards"). The reporting currency is RMB, unless otherwise specified.

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

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Section I Definitions

I. DEFINITIONS

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

Definition of frequently used terms

“Company” or “CRCC”	China Railway Construction Corporation Limited
“Group”	China Railway Construction Corporation Limited and its wholly-owned and controlled subsidiaries
“CRCCG” or “Controlling Shareholder”	China Railway Construction Co., Ltd., known as China Railway Construction Corporation before restructuring on 11 December 2017
“General Meeting”	a general meeting of China Railway Construction Corporation Limited
“Board”	the board of directors of China Railway Construction Corporation Limited
“Independent director”	a person who assumes no duties in the Company except the duty of director, and has no relation with the Company and its substantial shareholders which could hinder his independent and objective judgments
“Supervisory Committee”	the supervisory committee of China Railway Construction Corporation Limited
“Articles of Association”	the articles of association of China Railway Construction Corporation Limited
“PRC” or “Mainland China”	the People’s Republic of China, but excluding, for the purposes of this report, Hong Kong, Macau Special Administrative Region and Taiwan region
“the year” or “this year”	year 2017
“previous year” or “prior year”	year 2016

Section I Definitions (continued)

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“CSRC”	China Securities Regulatory Commission
“Reporting Period”	from January to December 2017
“end of the Reporting Period”	31 December 2017
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council

Section II Basic Corporate Information and Key Financial Indicators

As the successor of the Railway Corps of the People's Liberation Army, China Railway Construction Corporation Limited was established by China Railway Construction Corporation (known as China Railway Construction Co., Ltd. after restructuring in December 2017, the same below) as the sole promoter in Beijing on 5 November 2007 and is an ultra-large construction enterprise supervised by the SASAC. The Company successfully issued RMB denominated domestic shares (A shares) and overseas listed foreign shares (H shares), which were listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 10 March 2008 and 13 March 2008 respectively.

The Company is one of the strongest and largest scale integrated construction groups in China and in the world. It was included among the "Top 250 Global Contractors" consecutively by Engineering News-Record (ENR), an American magazine and ranked No. 3 in 2017. It was listed among the Fortune "Global 500 Companies" consecutively, ranking No. 58 in 2017. It was listed among the "Top 500 Chinese Enterprises" consecutively, ranking No. 14 in 2017.

The business of the Company comprises construction operation, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading, etc., which constitute a seamless industry chain covering scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, and other businesses. CRCC has established its industry leadership in fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. Since the 1980s, the Company has received 731 national-level awards in construction operation, survey, design and consultancy and other fields, including 72 National Prizes for Progress in Science and Technology, 141 National Prizes for "Four Excellences" in Survey and Design, 90 Zhan Tianyou Civil Engineering Awards, 306 National High-Quality Projects Awards and 122 Luban Prizes for China Construction. The Company holds 8,346 patents and 292 national-level engineering methods.

At present, the Company's operating businesses cover 32 provinces (including Taiwan), autonomous regions, municipalities and Hong Kong and Macau Special Administrative Regions in China, as well as 116 foreign countries in the world.

The Company boasts a professional team consisting of one member of Chinese Academy of Engineering, 8 National Survey and Design Masters, 11 national candidates of the "Bai Qian Wan Talents Project (百千萬人才工程)", and 237 experts who are recipients of special subsidies granted by the State Council.

I. CORPORATE INFORMATION

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



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

II. CONTACT PERSONS AND CONTACT METHODS

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

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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



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

V. BASIC INFORMATION OF THE COMPANY'S SHARES

Basic Information of the Company's Shares			
Type of share	Place of listing	Stock abbreviation	Stock Code
A share	Shanghai Stock Exchange	China Rail Cons	601186
H share	Hong Kong Stock Exchange	China Rail Cons	1186

VI. OTHER RELATED INFORMATION

Auditors appointed by the Company (Domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP ^{Note 1}
	Office address	8/F, Tower W2, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing
	Names of signing accountants	MA Yanmei, XIE Yanfeng
Sponsor institution responsible for continuous supervision during the Reporting Period	Name	China International Capital Corporation Limited
	Office address	27 & 28th Floors, China World Office 2, 1 Jianguomenwai Avenue, Beijing, P.R. China
	Name of sponsor representative authorized as signatory	GUO Yun, DU Yiqing
	Continuous supervision period	From 16 July 2015 to 31 December 2017 ^{Note 2}
Legal advisers appointed by the Company (As to Hong Kong law)	Name	Baker & McKenzie
	Office address	14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong
Legal advisers appointed by the Company (As to PRC law)	Name	Beijing Deheng Law Office
	Office address	12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing
Share registrar of A shares of the Company	Name	China Securities Depository and Clearing Corporation Limited (CSDC) Shanghai Branch
	Office address	36/F, China Insurance Building, No.166, Lujiazui East Road, Pudong New Area, Shanghai
Share registrar of H shares of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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

Note 2: China International Capital Corporation Limited was engaged by the Company as the sponsor in respect of the non-public issuance of shares of the Company in 2015. As of 31 December 2016, proceeds raised from the non-public issuance of shares has not been fully used. In accordance with the Guidelines for Continuous Supervision of Listed Companies on the Shanghai Stock Exchange and other relevant regulations, the continuous supervision period was extended to 31 December 2017.

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

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

(I) Major accounting data

Unit: '000 Currency: RMB

Major accounting data	2017	2016	Increase or decrease at this year over the previous year (%)	2015
Revenue	680,981,127	629,327,090	8.21	600,538,730
Net profit attributable to shareholders of listed company	16,057,235	13,999,610	14.70	12,645,478
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	14,770,950	12,928,512	14.25	11,584,459
Net cash flows generated from/(used in) operating activities	25,404,178	37,137,579	-31.59	50,375,107
	At the end of 2017	At the end of 2016	Increase or decrease at the end of the current period compared to that of the same period of last year (%)	At the end of 2015
Net assets attributable to shareholders of listed company	149,411,983	131,187,072	13.89	111,664,991
Total assets	821,887,459	759,345,034	8.24	696,096,330

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

(II) Major financial indicators

Major financial indicators	2017	2016	Increase or decrease at this year over the previous year (%)	2015
Basic earnings per share (yuan per share)	1.16	1.03	12.62	0.98
Diluted earnings per share (yuan per share)	1.09	1.01	7.92	0.98
Basic earnings per share after deduction of non-recurring profit or loss (yuan per share)	1.07	0.95	12.63 Increased by 0.61 percentage points	0.90
Weighted average return on net asset (%)	12.16	11.55	Increased by 0.51 percentage points	12.41
Weighted average return on net asset after deduction of non-recurring profit or loss (%)	11.17	10.66		11.37

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

☐ Applicable ☒ Not Applicable

VIII. ACCOUNTING DATA DIFFERENCES BETWEEN THE PRC GAAP STANDARDS AND FOREIGN ACCOUNTING STANDARDS

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

IX. KEY FINANCIAL INDICATORS OF 2017 BY QUARTER

Unit: '000 Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Revenue	123,065,019	165,895,890	171,423,626	220,596,592
Net profit attributable to shareholders of listed company	2,878,644	3,644,395	4,005,744	5,528,452
Net profit excluding non-recurring profit or loss attributable to shareholders of listed company	2,842,760	3,209,586	3,808,952	4,909,652
Net cash flows generated from operating activities	-19,572,435	-5,884,423	5,613,630	45,247,406

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

☐ Applicable ☒ Not Applicable

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

X. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

☒ Applicable ☐ Not Applicable

Unit: '000 Currency: RMB

Non-recurring profit or loss	Amount for 2017	Amount for 2016	Amount for 2015
Profit or loss from disposal of non-current assets	-150,500	134,456	3,234
Government grants recognised through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	622,176	553,610	388,104
Gains arising from the differences between the investment cost and the fair value of shares in subsidiaries, associates and joint ventures	235,240	—	—
Profit or loss from debt restructuring	2,804	73,606	12,095
Current net profit and loss of subsidiaries from the beginning of the period to the combination date due to business combination under common control	—	—	210,120
Gains from change in the fair value of the held-for-trading financial assets and held-for-trading financial liabilities held by the Company and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets other than the valid hedging services related to the normal operating activities of the Company	315,711	-214,589	86,351
Reversal of impairment of accounts receivable that had impairment test separately	766,248	728,718	616,720
Other non-operating income and expenses other than the above items	-180,912	102,789	94,820
Impact on minority interests	4,145	-8,167	-42,024
Impact on income tax	-328,627	-299,325	-308,401
Total	1,286,285	1,071,098	1,061,019

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

XI. ITEMS MEASURED AT FAIR VALUE

☒ Applicable ☐ Not Applicable

Unit: '000 Currency: RMB

Item	Balance at the beginning of the period	Balance at the end of the period	Change during the period	Effect on profit of current period
Financial assets at fair value through profit or loss	323,376	489,712	166,336	-65,076
Available-for-sale financial assets	2,046,056	2,881,076	835,020	62,857
Other non-current liabilities	1,212,856	712,677	-500,179	432,979
Total	3,582,288	4,083,465	501,177	430,760

XII. OTHERS

☐ Applicable ☒ Not Applicable

Section III Chairman's Statement

Dear Shareholders,

I'm hereby presenting the 2017 annual report of CRCC to the shareholders on behalf of the board of directors, and expressing the heartfelt thanks to the friends in all works of life who support and care for the development of the Company for a long time!

Progress forward with difficulties conquered, and remain true to the original aspirations. In 2017, faced with complex and ever-changing economic and political environment at home and abroad, CRCC proactively implemented the development strategies of "Construction oriented, relevant diversification, integrated operation and advance through transformation" on the basis of comprehensive and accurate grasping of the profound changes in connotation during the strategic opportunity period, and promoted the reform and development of the Company to a new level with strong sense of mission, sense of responsibility and sense of urgency, and with extraordinary measures, superior strength and ultra-fast pace, presenting a better-than-expected trend of moderate but stable and sound growth in overall.

The Company has reached a new level in production and operation. The vitality, momentum and potential of development has been further released, with major economic indicators hitting a record high: the Company achieved newly-signed contract of RMB1,508,312.4 million, representing a year-on-year increase of 23.72%; an operating income of RMB680,981.1 million, representing a year-on-year increase of 8.21%, which was the highest growth rate in recent years; gross profits of RMB21,255.8 million, representing a year-on-year increase of 12.05%; net profits attributable to shareholders of the Company of RMB16,057.2 million, representing a year-on-year increase of 14.70%; earnings per share of RMB1.16; total assets of RMB821,887.5 million, representing a year-on-year increase of RMB62,542.4 million; and the gearing ratio of 78.26%, representing a year-on-year decrease of 2.16 percentage points. Safe production was generally stable. The Company jumps to No. 58 among the "Fortune Global 500" enterprises, ranks No. 14 among the "Top 500 Enterprises in China", and ranks No. 3 among the "Global 250 largest contractors".

The Company has made new achievements in industrial construction. It successfully implemented the "Thirteenth Five-Year Plan", and successively introduced the special industry planning and its supporting policies and measures. The Company also made steady progress in the project contracting industry, with the five over RMB100-billion markets, namely railway, highway, urban rail transit, housing construction and municipal engineering, being strengthened. The amount of projects undertaken by seven companies within the Group exceeded RMB100 billion. There has been a steady increase in the survey and design segment, with the field of design being continuously expanded. The Company has made continuous breakthroughs in equipment manufacturing, with new models and new business forms, such as personalized customization, intelligent production, information-based collaboration, service-oriented manufacturing, etc., becoming increasingly diversified. The mileage of expressway operation has been increasing year by year, and the operation assets have begun to form on a considerable scale. The logistics and materials trading and the finance industry have experienced significant growth.

The Company has made new breakthroughs in reform and development. The Overall Plan for Comprehensively Deepening the Reform and the Guidelines on Developing Mixed-Ownership Economy were formulated and issued, which specified the direction, objectives and relevant policies and measures for the reform. The supply-side reform was further deepened, with fruitful results presented in the de-stocking of the real estate segment. Three system reforms were further advanced. The regional operation institutions were further established, and the layout of platform companies has basically been completed. The streamlining of the Company was solid and effective, with 139 business entities and 192 entities in aggregate dissolved in 2017. The reform bonus and enterprise vitality have been further released.



Section III Chairman's Statement (continued)

The Company has made new achievements in scientific and technological innovation. The decision on further strengthening scientific and technological innovation has been issued, and material systems of scientific and technological innovation, such as the Administrative Measures on Scientific and Technological Innovation Platform, have been introduced, which have improved the scientific and technological innovation management system, and provided strong system guarantee for scientific and technological innovations of CRCC. The Company was granted the First Class and Second Class of National Prize for Progress in Science and Technology for 2017 in relation to the Key Technology and Application of Seamless Rail of High-speed Railway under Complex Environment and other two projects, 84 items of Provincial Science and Technology Progress Award, 8 items of National Survey and Design Consultation Award, and 10 items of Zhan Tianyou Civil Engineering Award, and obtained 1,719 authorized patents, including 375 patents for invention.

Looking ahead to the future, international situation is undergoing complex and profound changes, economic globalization and multi-polarization of the world will be further developed, the exchange of international capital, technology, talents, etc. will be accelerated, the evolution of the system of international division of labor will be expedited, the manufacturing industry of developed countries will witness a reflux, and the global economy will recover slowly. Profound changes have taken place in China's economic development. The high-speed growth model which is formed at the expense of low-cost factors, large-scale investments and damage to the ecological environment will gradually change. The development of the construction industry is faced with new challenges. Meanwhile, global science and technology and industry development is in the ascendant, with new technologies, new industries and new models emerging one after another. The further advancement of the supply-side reform, constant adjustment of the industrial structure, consumption structure and energy structure, in-depth implementation of national strategies, such as innovation-driven, revitalization of rural areas, regional coordination, civil-military inosculation, etc., acceleration of urbanization, release of the driving force for reform and innovation, and bursting out of the vitality of the open economy, provide favorable conditions for the development of the Company.

We are summoned by dreams and urged by missions to embark on a journey. In 2018, CRCC will "adhere to one direction, promote four major reforms, and focus on five key tasks". Adhere to one direction: take the promotion of the gradual shift to quality development and value creation as the direction to integrate the idea of quality development and value creation into production and operation, investment, decision-making, management, cultural construction and other links, lay stress on the extensiveness, durability and universality of quality development and value creation to constantly explore new value sources and value growth points, and strive to create greater value and more profits. Promote four major reforms: firstly, promote strategic reform and take the road of development by following closely and integrating national strategies. Secondly, promote quality reform and take the road of development through transformation and upgrading. Thirdly, promote efficiency reform and take the road of development through in-depth synergy. Fourthly, promote momentum reform and take the road of development through innovation-driven. Focus on five key tasks: firstly, focus on the thorough implementation of the spirits of the 19th Session of National Congress of the Communist Party of China. Secondly, focus on in-depth and comprehensive reform. Thirdly, focus on overseas operation. Fourthly, focus on the construction of core capabilities. Fifthly, focus on basic management.

New era, new look and new accomplishment. Standing at a new starting point of history, we will continue to carry forward the spirit of railway corps, seize opportunities and deal with challenges, and proactively take practical actions, striving to compose a new chapter of reform and development of CRCC, so as to give back to society, to shareholders and to employees with better performance.

MENG Fengchao
Chairman of the Board
Beijing, the PRC
29 March 2018



Section IV Summary of the Company's Businesses

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

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

(I) Construction operations

Construction operations are the core and traditional business of the Group, which cover multiple fields, such as railways, highways, urban rail transits, water conservancy and hydropower, housing construction, municipal engineering, bridges, tunnels, airports and wharfs. The construction operations of the Group offers project contracting services in 31 provinces (excluding Taiwan), autonomous regions, municipalities of the PRC, Hong Kong and Macau Special Administrative Region, and participates in infrastructure construction in countries and regions of Africa, Asia, South Africa and Europe. Its construction operations mainly take the forms of construction contract and financing contract.

In light of the active implementation of "One Belt and One Road" initiative, Beijing-Tianjin-Hebei Synergetic Development, Yangtze River Economic Zone Development and Construction of Xiong'an New Area and Guangdong-Hong Kong-Macao Greater Bay Area, and the continuing in-depth advancement of new-type urbanization, revitalization strategy of rural areas and shantytowns transformation, as well as the strengthening of the improvement of transporting facility in mid-west China, the domestic markets where the Group operates in, including domestic railway, highway, housing construction, urban rail, municipal engineering and water conservancy and hydropower, airport, will maintain steady and rapid growth. The swift increase in the emerging markets of civil-military inosculation, countryside construction, utility tunnel, sponge city, environmental protection and pollution control is promising. The market has further changes in structure, but the infrastructure market is in the stable and quick development overall.

(II) Survey, design and consultancy operations

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

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

It was point out in the "Thirteenth Five-Year Plan" for the Development of the Engineering Survey and Design Industry issued by the Ministry of Housing and Urban-Rural Development of the PRC that the survey and design industry faces the situation where new requirements for the development of the industry have been put forward by the supply-side structural reform; the market-oriented reform puts the market adaptability of all parties to the test; new vitality has been injected by the mixed-ownership economy into enterprise transformation; new business forms are generated as a result of in-depth integration of informatization and "Internet+" with the industry; and opportunities and risks co-exist in both international and domestic markets.

(III) Manufacturing operations

The Group is a manufacture service provider with an integration of R&D, manufacturing, sales and services with a leading position in domestic market and advanced position worldwide. Manufacturing operations mainly cover such eight categories of core products as large railway track maintenance machinery, excavating machinery, rail equipment, special construction equipment, bridge construction equipment, railway electric construction equipment and materials, lifting equipment and steel structure. The Company has a domestic market share of above 80% in terms of its main products of railway track maintenance machinery and the largest domestic market share in the industry in terms of excavating machinery. It successively completed the research and development in full-face tunnel borer of earth pressure balance series, mud-water balance series, TBM series, and multiple techniques have broken the long-term monopoly of foreign factories on tunneling. It also possesses the domestic leading production technology for high-speed railway catenary wire and spare parts. The operation model of manufacturing operations is transformed from enterprises being isolated to the coordination of various units and synergy of the industrial chain. Proactively promote business synergy and industry synergy to build the mode of integrated operation of multiple industries, leverage the advantage of whole industry chain of the Group, and enhance the overall profitability of the Company, so as to strengthen the competitiveness of manufacturing operations and expand brand influence.

The Group further intensified manufacturing market development. The Group plans to build a new-type rail transit equipment industrial park in Changsha, Hunan, with main products including maglev train (including ultra-high, high, medium and low speed trains), maglev freight system, suspension monorail train, straddle monorail train, tram, etc., as well as rail system equipment of various traffic standards. The Group has also made breakthroughs in urban rail transit, magnetic levitation and other emerging markets, and expanding overseas markets. It has strengthened the production and R&D and increased hardware investment with respect of bridge steel structure, taken a new step in the field of bridge steel structure manufacturing and installation technology, and explored new economic growth point in the bridge steel structure industry. The construction of Xiangyang Industrial Park Phase II Project is about to commence.

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

In recent years, the excess capacity of traditional general project machine has been continuously compressing the traditional ordinary engineering machinery market, but the high-end equipment manufacturing industry will embrace golden growth. In the future five years, the further implementation of the "Made in China 2025" strategy, the powerful promotion of the "go-out" of high-speed rail and other equipment and the explosive increase in the advanced robot market demand, will provide extensive opportunities and platform for the high-end equipment manufacturing industry in China. The Group will pay close attention to the development trend of policy and market. The Group will promote industrial transformation and upgrading based on the current situation, push forward the transformation of manufacturing operations from factor-driven to innovation-driven, and the transformation of the Company from a traditional manufacturer to an intelligent manufacturing and comprehensive solution provider, and leverage the advantage of whole industry chain of the Company to enhance the overall profitability of the Company.

(IV) Real estate development operations

As one of 16 enterprises directly under the central government taking real estate development as principal business, the Group adopts the business model of "giving priority to residential development supplemented by supporting commercial facilities" for the current real estate business. The Group focuses on three core urban agglomeration including Yangtze River Delta, Pearl River Delta and Bohai Coastal Region, and steps up efforts to expand the new urban agglomeration and national new districts covering Shandong peninsula, Liaodong peninsula, Western Coast of the Straits, Changzhutan, Wuhan, Chengdu and Chongqing. The region layout sticks to putting first and second tiers as the main points, and some third and fourth tiers with good development potential as the supplementary.

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

In 2017, according to the work guidelines proposed at the beginning of the year featuring “reduce the existing housing, strengthen housing sale, control cost and secure superb land sections”, with focus on key work arrangements of the year, and combined with the actual development of the real estate segment, the Group carefully analyzed the national macro-economic control policy and adopted various targeted and effective measures to vigorously promote sustainable and healthy development of the real estate business and further improved development quality. In 2017, the sales of the real estate business of the Group achieved significant year-on-year increase. The sales amount derived from the real estate business in the whole year was RMB68.4 billion, representing a year-on-year increase of 38%. The sale area was 5.17 million sq.m., representing a year-on-year increase of 18%. During the Reporting Period, the Group improved the regional layout of real estate projects and intensified the business expansion in the first- and second-tier cities with great development prospects, including Beijing, Shanghai, Guangzhou, Chengdu, Nanjing and Chongqing. Meanwhile, the Group leveraged its regional operation advantage, integrated system-wide resources, proactively expanded the land acquisition channels, and made broad cooperation with the excellent enterprises in the industry to make full use of all parties and decrease the operating risks. The Group in the whole year gained 38 land parcels in 24 cities including Beijing, Shanghai, Guangzhou, Tianjin, Chongqing and Nanjing, with the planned total floor area of about 9.3508 million sq.m. As at the end of the Reporting Period, the Group has developed 191 projects in 57 domestic cities and other regions, with the total area of construction land of about 18.18 million sq.m. and the planned GFA of about 59.33 million sq.m. The Group has achieved the echelon arrangement which focuses on the first- and second-tier cities and replenishes by some third- and fourth-tier cities with great potentials. Regional layout of the real estate segment has become more reasonable and sounder.

(V) Logistics and materials trading and others

The Group possesses over 70 regional business outlets in important cities and logistics node cities, 1.33 million sq.m. of logistics sites, over 40,000 meters of special railway lines and 32,550 cubic meters of storage capacity of product oil. The Group provided integrated supply chain service through improvement of an efficient logistics-informatization, regional and market-oriented service system.

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

During the "Thirteenth Five-Year Plan" period, China Railway Materials Group Co., Ltd., the subsidiary of the Company, will centralize the resources, optimize the resource allocation and business structure, comprehensively promote the central purchasing agency service segment, continue to increase the market share of engineering logistics business, to realize the combination of material trading business and engineering logistics, vigorously cultivate the collaborative capacity of international business segment and processing & manufacturing segment, broaden the E-commerce application field, promote the industrial structure upgrading, consolidate the development foundation, improve the Company's competitiveness, implement the "three developments" strategic decision with "safe, benign and sharing" principle as the core, and urge the industry transformation and upgrading of the Group to realize the long-term sustainable development of the Company. The Company will adhere to the business choice of returning to the material trading core business, adhere to the business structure with central purchasing agency service as the core segment, adhere to the main direction of "CRCC internal market" expansion, adhere to the target market development strategy of driving the international market with domestic market, adhere to the preferred new field development selection of "Internet + Materials Trading" pattern and supply chain financial service, and adhere to the new field development principle of promoting "Internet + Materials Trading" and exploring supply chain financial service prudently.

The supply-side structural reform has been further implemented, and the excess capacity elimination has driven the restoration of rational development of the commodities industry with an upward trend, providing a good environment for the development of the material logistics industry. In recent years, breakthroughs have been made in the implementation of "One Belt and One Road" initiative, with increasing overseas infrastructure projects under the "One Belt and One Road" initiative and wide space for the promotion of "go-out" strategy on the logistics and materials trading business.

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

☐ Applicable ☒ Not Applicable

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

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

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

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

(II) Continuing enhancement of advantage in technology

The Company has been in a world leading position in the plateau, alpine region and high-speed railway design and construction technologies. Increasing number of products are designed with independent intellectual property rights. Underground engineering facilities including hard rock tunnel boring machine with major diameter and full face and hard rock tunnel boring machine with double shields fill the blank in China. Large railway track maintenance machinery including narrow-gauge tamping machines and narrow-gauge ballasting machines have also achieved the international leading level and have been exported. Technologies of underground and underwater engineering construction, magnetic suspension engineering construction and E&M system integration have achieved a leading level in the industry.

(III) Perfection of industrial structure and layout

The Company has completed the overall layout along the construction industry chain, with the business covering the construction operations, survey, design and consultancy operations, manufacturing, real estate development, logistics and materials trading, and others. The Company realized the transition from a construction enterprise to a one-stop solution provider with an integration of scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, etc., with the capability of expansion and synergy along the whole industry chain. The Company conducted patent layout with focus on synergy of three major business segments, namely survey and design, engineering construction and manufacturing operations. At present, it has established a preliminary patent protection network of the underwater tunnel design and construction and large-diameter shield equipment. Based on its research and analysis in the med-to-low speed maglev field, the Company has applied for more than 100 domestic and overseas patents in 15 technology branches, such as F-type guide rails, track beams, contact nets, etc., which has established a patent portfolio for the mid-to-low speed magnetic levitation technology and has enhanced the capability to protect independent intellectual property rights and the Company's core competitiveness.

(IV) Gradual optimization of organizational and management structure

The Company has combined the optimization of organization and management structure with work reduction, governance of the loss-making enterprises, disposal of zombie enterprises and quality and efficiency improvement to strictly control newly-established business entities, and vigorously reduced the number of subsidiaries with small scale, poor efficiency, limited prospects and weak synergy with the core business, so as to shorten the management chain. In accordance with the principle of being scientific, reasonable, capable and efficient, the Company also optimized the organizational structure by reducing the overlapping of departments and functions, and strictly controlled the rigid constraints of department and staff composition. The Company has further adjusted and optimized department composition in the headquarter company, and established a management system and operation mechanism with strong control, clear responsibility and smooth operation.

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

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

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

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

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

2017 was a crucial year for CRCC to make steady progress, reform and innovation, and form a connecting link between the preceding and the following. Faced with tremendous pressure and severe challenges at home and abroad, the Group concentrated its efforts to conquer difficulties and implement the development strategy of “construction as the basis, related diversification, synergetic integration, transformation and upgrading”. The Group successfully achieved the overall objectives and completed tasks of the year with each work accomplishing new achievements.

(I) Steady progress was made with respect of major indicators

In 2017, the Group achieved an operating income of RMB680,981.1 million, representing a year-on-year increase of 8.21%; net profits of RMB16,919.2 million, representing a year-on-year increase of 13.93%; earnings per share of RMB1.16; total assets of RMB821,887.5 million, representing a year-on-year increase of RMB62,542.4 million; the gearing ratio of 78.26%, representing a year-on-year decrease of 2.16 percentage points.

(II) Market operation achieved fruitful results by hitting new record high

In 2017, the Group further promoted the reform of its business mechanism and adjustment to its market layout. The scope of construction operations was further broadened, with major progress made in construction operations, capital operation and real estate and significant enhancement of the capabilities of manufacturing operations and mechanized construction. It achieved the annual newly-signed contract amount of RMB1,508.3124 billion, with an increase of 23.72% on a year-on-year basis. Such amount included RMB1,403.3236 billion of newly-signed contracts related to domestic operation, which accounted for 93.04% of total newly-signed contract and represented a year-on-year increase of 26.28%, and RMB104.9888 billion of newly-signed contracts related to overseas operations, which accounted for 6.96% of total newly-signed contract and represented a year-on-year decrease of 2.65%. As of the end of 2017, the value of outstanding contracts of the Group was RMB2,396.6302 billion, representing an increase of 21.18 % as compared to the corresponding period last year, of which the value of outstanding overseas contracts amounted to RMB461.1198 billion, accounting for 19.24% of the total value of outstanding contracts. The key indicators are as follows:

Unit: '00 million Currency: RMB

	Value of new contracts			Value of outstanding contracts		
	Reporting period	Corresponding period last year	Year-on-year growth	Reporting period	Corresponding period last year	Year-on-year growth
Construction operations	12,931.849	10,592.513	22.08%	21,472.892	18,129.887	18.44%
Survey, design and consultancy operations	170.778	125.119	36.49%	86.252	62.907	37.11%
Manufacturing operations	283.762	199.623	42.15%	246.915	123.167	100.47%
Logistics and materials trading	823.213	649.475	26.75%	1,444.237	1,049.938	37.55%
Real estate development	684.126	494.803	38.26%	661.441	380.447	73.86%
Other businesses	189.396	129.532	46.22%	54.565	31.332	74.15%
Total	15,083.124	12,191.065	23.72%	23,966.302	19,777.678	21.18%

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

In 2017, the value of new contracts for construction operations segment amounted to RMB1,293.1849 billion, accounting for 85.74% of the total value of new contracts and representing an increase of 22.08% as compared to the corresponding period last year; the value of new contracts for railway construction amounted to RMB215.2615 billion, accounting for 16.65% of the value of new contracts in the construction operations segment and representing a decrease of 18.80% as compared to the corresponding period last year; the value of new contracts for highway engineering amounted to RMB397.8887 billion, accounting for 30.77% of the value of new contracts in the construction operations segment and representing an increase of 51.95% as compared to the corresponding period last year; the value of new contracts for urban rail transit amounted to RMB204.7556 billion, accounting for 15.83% of the value of new contracts in the construction operations segment and representing an increase of 19.53% as compared to the corresponding period last year; the value of new contracts for housing construction amounted to RMB205.4129 billion, accounting for 15.88% of the value of new contracts in the construction operations segment and representing an increase of 34.62% as compared to the corresponding period last year; the value of new contracts for municipal engineering amounted to RMB197.1341 billion, accounting for 15.24% of the value of new contracts in the construction operations segment and representing an increase of 41.32% as compared to the corresponding period last year; the value of new contracts for hydroelectric engineering amounted to RMB24.2067 billion, accounting for 1.87% of the value of new contracts in the construction operations segment and representing an increase of 29.84% as compared to the corresponding period last year; the value of new contracts for airports and wharves amounted to RMB9.7617 billion, accounting for 0.75% of the value of the new contracts in the construction operations segment and representing a decrease of 6.09% as compared to the corresponding period last year. The reasons for the great increase of the newly signed contracts in respect of highways and municipal engineering are as follows: (1) the changes in the investment and financing mechanism of the infrastructure market became obvious driving forces especially for highway industry; (2) the investment growth in sponge cities and smart cities in China brought a large increase in municipal engineering contracts.

In 2017, the value of new contracts for non-engineering contracting segment of the Group amounted to RMB215.1275 billion, accounting for 14.26% of the total value of new contracts and representing an increase of 34.58% as compared to the corresponding period last year. In particular, the value of new contracts for survey, design, and consultancy amounted to RMB17.0778 billion, representing an increase of 36.49% as compared to the corresponding period last year; the value of new contracts for industrial manufacturing amounted to RMB28.3762 billion, representing an increase of 42.15% as compared to the corresponding period last year; the value of new contracts for logistics and materials trading amounted to RMB82.3213 billion, representing an increase of 26.75% as compared to the corresponding period last year; the value of new contracts for real estate amounted to RMB68.4126 billion yuan, representing an increase of 38.26% as compared to the corresponding period last year. The reason for the great increase of the newly signed contracts in respect of industrial manufacturing is that since the beginning of 2017, industrial manufacturing companies have been vigorously developing new types of rail transit equipment such as magnetic levitation and accelerating technological innovation on the basis of consolidating the advantages of existing equipment manufacturing.

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

(III) Construction production was carried out in an orderly and controllable way

In 2017, the Group maintained high levels in the completion of physical projects and the production of key products. It completed the highway of 3,186 kilometers with a year-on-year growth of 40.66%, the urban railway of 427 kilometers with a year-on-year growth of 21.65%, the tunnel of approximately 1,329 kilometers, the bridge of approximately 1,562 kilometers, the rail-laying track of 4,130 kilometers, the floor area of buildings under construction of 174 million sq.m. and the floor area of buildings of 22.81 million sq.m. as well as and the earthwork of 1.385 billion cubic meters; it produced 112 sets of shield equipment, 616 sets of special equipment and 57 sets of large maintenance mechanical equipment. A batch of key construction projects had started operation, including Baoji-Lanzhou, Wuhan-Jiujiang, Xi'an-Chengdu and Shijiazhuang-Jinan High-speed Railways, Lanzhou-Chongqing and Beitun-Altay Railways, Jianyang-Pujiang and Gonghe-Yushu Expressways, urban rails and subways in cities such as Qingdao, Fuzhou, Shijiazhuang and Xiamen, and the fully-automated container terminal at Qingdao port. Some key tunnels have been tunneled through including Gongbei Tunnel of Hong Kong-Zhuhai-Macao Bridge, the largest cross section highway tunnel in the world, Humaling Tunnel, rare in China and one of the difficulties in the world, and Boao Undersea Tunnel. The swivel cable-stayed bridge-Heze-Danyang Flyover with the maximum weight in the world had been officially open to traffic. The construction of the main structure of Malaysia Four Seasons Hotel had been completed smoothly and Gantas Tunnel, the longest tunnel in North Africa, had been tunneled through. In 2017, CRCC paid special attention to safety quality management and issued a series of rules and regulations to further improve its safety quality and project management system; it implemented self-examination, inspection and rectification on safety quality to greatly advance the potential quality accidents inspection and renovation of high-speed railways and further established and improved credit rating management mechanism for internal market and industry markets. The Group practically strengthened quality excellence and credit rating management and was granted 8 items of Luban Award and 35 items of National High-Quality Projects Award and 170 achievements of National Excellent Quality Management Group.

(IV) Combining strength to accelerate transformation and upgrading

CRCC vigorously promotes the transformation from contractor and builder to investor and operator. In 2017, the Group had 119 new investment and financing projects with the newly signed contract amounted to RMB377.4 billion, and the number of investment and financing projects in hand reached 342. Operation projects in fields including highways, urban transit, utility tunnel, local railways and parking lots have taken shape. Overseas operation service recorded significant breakthroughs, including Addisababa Djibouti Railway officially put into operation, the operation contracts on the phase I project of Nigeria Abuja urban subway and Israel Red Line Light Rail Project signed and the establishment of CRCC International Rail Transit Operation Co., Ltd. (中鐵建國際軌道交通運營有限公司), which creates a special platform for its overseas operation service. During the Reporting Period, the Group accelerated the structural adjustment and industry upgrading, with the percentages of newly-signed contract amount, revenue and total profit of non-engineering contracting business of 14.26%, 18.26% and 50.68% respectively, representing an increase of 34.58%, 16.32% and 10.09% percentage points as compared to those last year.

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

(V) Reform and innovation was strengthened and advanced in depth

In terms of reform, the Group issued the Overall Plan for Deepening Reform of CRCC and Guidance on Developing Mixed Ownership Economy to enhance the top-level design of its reform. The Group enhanced resource integration and restructuring. In response to market trends and government requirements and on basis of the current structure that is led by regional headquarters, the Group established CRCC Huanan Construction Co., Ltd. (中鐵建華南建設有限公司), China Railway North Bay Construction Investment Co., Ltd. (中鐵建北部灣建設投資有限公司), China Railway Urban Investment & Construction Co., Ltd. (中鐵建城市投資建設有限公司), China Railway Northwest Investment & Construction Co., Ltd. (中鐵建西北投資建設有限公司) and China Railway Xiong'an Investment & Development Co., Ltd. (中鐵建雄安投資發展有限公司), and restructured China Railway Strait Construction Group Co., Ltd. (中鐵海峽建設集團有限公司). The Group had reduced an accumulative number of 192 legal entities and well achieved the goal set by the SASAC. The Group had also completed restructuring work of relevant enterprises. It improved the performance review system, enhanced the strategic leadership assessment on person-in-charge of subsidiaries, and preliminarily realized the linkage between development indicators of business operation and the performance review of the person-in-charge of business management department at its headquarter according to the requirement of "business management must include operation management".

In terms of innovation, CRCC made greater input in technological innovation, convened the innovation conference, and set a series of systems to specify goals, develop more channels and standardize management, thus inspiring innovation. China Railway Siyuan Survey and Design Institute Group Co., Ltd. won the National Science and Technology Progress Award (first class) by "Key Technology and Application of High Speed Railway Seamless Line under Complicated Environment". China Railway Construction Bridge Engineering Bureau Group Co., Ltd. constructed the Qipanzhou Suspension Bridge with the main span of 1,038 meters, being the first construction project with single span over 1,000 meters of the Company. China Railway Construction Heavy Industry Co., Ltd. succeeded in the development of China's first atmospheric shift-type super-large diameter slurry balanced shield machine. In 2017, the Group was granted 3 items of National Science and Technology Progress Award, 84 items of Provincial Science and Technology Progress Award, 8 items of National Survey and Design Award, 4 items of FIDIC Award, 226 items of Provincial Survey and Design Award and 10 items of Zhan Tianyou Award. It obtained 1,719 authorized patents, including 375 patents for invention. It also won 4 items of China Patent Excellence Award. The Group strengthened the innovation in management synergy and business model, with related projects including Guangzhou Nansha Comprehensive Development Project, Chengdu Railway Bureau Project, Wuhan Caidian Project and Kunming Wujiaba Project smoothly fell to the ground. Its 21 PPP projects had been listed as the national demonstration projects. Guangdong Qingyuan Maglev Tourism Line officially started the construction. China Railway 14th Bureau Group Co., Ltd. was recognized by the Ministry of Housing and Construction as the first batch of assembly-type construction industry base. The Group established China Railway Commercial Factoring Co., Ltd. (中鐵建商業保理有限公司), CRCC Structure Adjustment Fund (Limited Partnership) (鐵建結構調整基金(有限合夥)) and CRCC-Ping'an Infrastructure Investment Fund (鐵建平安基礎設施投資基金), and launched "CRCC Bank Trust", through which the Group realized an integration of industry and finance to further promote the development of its production with financing activities.

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

II. MAJOR OPERATIONAL PARTICULARS DURING THE REPORTING PERIOD

In 2017, the Group recorded revenue of RMB680,981.1 million, representing an increase of 8.21% as compared to the corresponding period last year. The net profit amounted to RMB16,919.2 million, representing an increase of 13.93% as compared to the corresponding period of last year. The newly signed contracts for the year amounted to RMB1,508,312.4 million, representing a year-on-year increase of 23.72%. For more details, please see “I. Discussion and Analysis on Business Operations”.

(I) Analysis of main businesses

Analysis on Changes of Relevant Items in Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows

Unit: '000 Currency: RMB

Item	During the period	During the corresponding period last year	Change (%)
Revenue	680,981,127	629,327,090	8.21
Operating costs	618,059,386	571,377,532	8.17
Selling and distribution expenses	4,530,901	4,177,673	8.46
General and administrative expenses	26,057,966	24,089,617	8.17
Finance costs	2,875,908	2,731,705	5.28
Net cash flows generated from/(used in) operating activities	25,404,178	37,137,579	-31.59
Net cash flows generated from/(used in) investment activities	-36,687,650	-26,272,603	N/A
Net cash flows generated from/(used in) financing activities	23,775,316	-2,111,263	N/A
Research and development expenses	10,397,720	9,442,883	10.11
Operating profit	20,909,804	18,219,270	14.77
			Increased by 0.17 percentage points
Operating profit ratio	3.07%	2.90%	
Net profit	16,919,190	14,850,831	13.93

1. Analysis of the revenue and costs

☒ Applicable ☐ Not Applicable

In 2017, the Group recorded a revenue of RMB680,981.1 million, representing an increase of 8.21% as compared to the corresponding period last year. The main businesses of CRCC cover construction, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading and others. It operates its businesses in 32 provinces (including Taiwan), autonomous regions, municipalities directly under the central government in China, Hong Kong and Macao Special Administrative Regions, and 116 countries across the world.

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

(1) Performance of main businesses by segment and region

Unit: '000 Currency: RMB

Main Businesses by Segment

By segment	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue as compared to last year (%)	Increase/decrease in operating costs as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)
Construction operations	584,127,735	543,982,487	6.87	8.14	8.11	Increased by 0.02 percentage points
Survey, design and consultancy operations	14,538,635	9,754,781	32.90	18.61	13.89	Increased by 2.78 percentage points
Manufacturing operations	14,235,318	10,546,039	25.92	-0.73	-1.88	Increased by 0.87 percentage points
Real estate development operations	42,587,234	34,516,931	18.95	11.14	16.95	Decreased by 4.03 percentage points
Logistics and materials trading and other businesses	59,170,427	52,639,694	11.04	25.09	25.00	Increased by 0.07 percentage points
Inter-segment elimination	-33,678,222	-33,380,546				
Total	680,981,127	618,059,386	9.24	8.21	8.17	Increased by 0.03 percentage points

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

Main Businesses by Region

By region	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue as compared to last year (%)	Increase/decrease in operating costs as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)
Domestic	643,004,000	584,777,252	9.06	7.80	8.02	Decreased by 0.18 percentage points
Overseas	37,977,127	33,282,134	12.36	15.61	10.83	Increased by 3.78 percentage points
Total	680,981,127	618,059,386	9.24	8.21	8.17	Increased by 0.03 percentage points

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

Explanation on the main businesses by segments, products and regions

☒ Applicable ☐ Not Applicable

① Construction operations

Construction Operations (Before Elimination of Inter-segment Transactions)

Unit: thousand yuan Currency: RMB

Item	2017	2016	Growth (%)
Revenue	584,127,735	540,134,612	8.14
Operating costs	543,982,487	503,154,934	8.11
Gross profit	40,145,248	36,979,678	8.56
Gross profit margin	6.87%	6.85%	Increased by 0.02 percentage points
Selling and distribution expenses	1,658,670	1,418,832	16.90
General and administrative expenses	21,128,999	19,754,551	6.96
Total profit	10,601,319	9,386,216	12.95

During the Reporting Period, the selling and distribution expenses of the construction operations had a year-on-year growth of 16.90%, and the reason for such growth was that the Group stuck to its core business, enhanced contracting operations, and increased salaries and benefits of sales personnel.

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

② Survey, design and consultancy operations

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

Unit: thousand yuan Currency: RMB

Item	2017	2016	Growth (%)
Revenue	14,538,635	12,257,456	18.61
Operating costs	9,754,781	8,565,178	13.89
Gross profit	4,783,854	3,692,278	29.56
			Increase by 2.78 percentage points
Gross profit margin	32.90%	30.12%	
Selling and distribution expenses	1,036,393	923,561	12.22
General and administrative expenses	1,462,651	1,334,756	9.58
Total profit	2,249,683	1,408,265	59.75

During the Reporting Period, the gross profit and total profit of survey, design and consultancy business increased by 29.56% and 59.75% respectively compared to those in 2016, which was mainly due to the further expansion of survey, design and consultancy operations the increase of projects with higher gross profit margins and the stable growth of the gross profit margin.

③ Manufacturing operations

**Manufacturing Operations
(Before Elimination of Inter-segment Transactions)**

Unit: thousand yuan Currency: RMB

Item	2017	2016	Growth (%)
Revenue	14,235,318	14,340,507	-0.73
Operating costs	10,546,039	10,747,750	-1.88
Gross profit	3,689,279	3,592,757	2.69
			Increased by 0.87 percentage points
Gross profit margin	25.92%	25.05%	
Selling and distribution expenses	343,856	365,605	-5.95
General and administrative expenses	1,544,344	1,352,920	14.15
Total profit	1,648,371	1,751,510	-5.89

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

During the Reporting Period, the gross profit from the manufacturing operations decreased by 5.89% as compared to that of 2016, which was due to the increased research and development expenses in the manufacturing operations.

④ Real estate development operations

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

Unit: thousand yuan Currency: RMB

Item	2017	2016	Growth (%)
Revenue	42,587,234	38,319,888	11.14
Operating costs	34,516,931	29,513,674	16.95
Gross profit	8,070,303	8,806,214	-8.36
			Decreased by 4.03 percentage points
Gross profit margin	18.95%	22.98%	
Selling and distribution expenses	569,728	585,525	-2.70
General and administrative expenses	790,952	544,009	45.39
Total profit	3,427,212	4,885,357	-29.85

During the Reporting Period, the general and administrative expenses of the real estate development business increased by 45.39% as compared to that of 2016 and the total profit decreased by 29.85% as compared to that of 2016. It was mainly due to the increased remuneration of employees and the increased provisions for impairment loss on certain projects.

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

⑤ Logistics and materials trading and other businesses

**Logistics and Materials Trading and Other Businesses
(Before Elimination of Inter-segment Transactions)***Unit: thousand yuan Currency: RMB*

Item	2017	2016	Growth (%)
Revenue	59,170,427	47,301,680	25.09
Operating costs	52,639,694	42,110,820	25.00
Gross profit	6,530,733	5,190,860	25.81
			Increased by 0.07 percentage points
Gross profit margin	11.04%	10.97%	
Selling and distribution expenses	922,253	884,150	4.31
General and administrative expenses	1,189,162	1,103,381	7.77
Total profit	3,568,715	1,850,456	92.86

During the Reporting Period, the gross profit and total profit of the logistics and materials trading and other businesses increased by 25.81% and 92.86% respectively as compared to those of 2016, which was due to steady expansion of logistics and materials trading and other businesses, improved revenue generation capability and decreased losses from impairment of assets as compared to the same period of last year.

(2) Analysis of production and sales

☐ Applicable ☒ Not Applicable

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

(3) Cost analysis table

Unit: thousand yuan Currency: RMB

Particulars by segment							
By segment	Item relating to cost composition	Amount in the current period	Percentage to the total cost for the period (%)	Amount for the corresponding period last year	Percentage of the total cost for the corresponding period last year (%)	Percentage changes in the amount for the period as compared to that of the corresponding period last year (%)	Explanation
Construction operations	-	543,982,487	83.50	503,154,934	84.69	8.11	-
Survey, design and consultancy operations	-	9,754,781	1.50	8,565,178	1.44	13.89	-
Manufacturing operations	-	10,546,039	1.62	10,747,750	1.81	-1.88	-
Real estate development operations	-	34,516,931	5.30	29,513,674	4.97	16.95	-
Logistics and materials trading and other businesses	-	52,639,694	8.08	42,110,820	7.09	25.00	-
Total	-	651,439,932	100.00	594,092,356.00	100.00	9.65	-
Including:	Labor cost	199,674,963	30.65	167,891,819	28.26	18.93	-
	Materials expenses	267,676,668	41.09	250,853,269	42.22	6.71	-
	Machinery expense	69,638,929	10.69	64,548,518	10.87	7.89	-
	Other costs	114,449,372	17.57	110,798,750	18.65	3.29	-
Inter-segment elimination	-	-33,380,546	-	-22,714,824	-	-	-
Total	-	618,059,386	100.00	571,377,532	100	8.17	-

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

Description on other situations of cost analysis

☐ Applicable ☒ Not Applicable

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

(4) Major customers and suppliers

☒ Applicable ☐ Not Applicable

The revenue from the top five customers was RMB30.7452 billion, accounting for 4.51% of the annual total revenue, among which the revenue from the related parties was RMB0, accounting for 0% of the annual total revenue. The purchase amount from the top five suppliers was RMB7.3045 billion, accounting for 1.18 % of the annual total purchase amount, among which the purchase amount from the related parties was RMB0, accounting for 0% of the annual total purchase amount.

Other Explanation

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

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

2. Expenses

☒ Applicable ☐ Not Applicable

In 2017, the Group's selling and distribution expenses amounted to RMB4.5309 billion, representing an increase of 8.46% as compared to that of 2016. The growth in the selling and distribution expenses was mainly caused by the increase in the remuneration of sales personnel.

In 2017, the general and administrative expenses of the Group was RMB26.0580 billion, with an increase of 8.17% compared to that in 2016, mainly caused by the increase in the research and development expenses.

In 2017, the finance costs of the Group was RMB2.8759 billion, with an increase of 5.28% compared to that in 2016, mainly due to the increase in interest expenses, as the increase in the external investment brought a stronger financing demand.

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

In 2017, the Group's income tax expenses amounted to RMB4.3366 billion, representing an increase of 5.29% as compared to that of 2016, mainly due to the increase in total profit for the year. The details of income tax expenses are shown in the following table:

Unit: thousand yuan Currency: RMB

Item	2017	2016
Income tax expenses for the period	5,045,597	4,538,009
Deferred income tax expenses	-709,023	-419,265
Total income tax expenses	4,336,574	4,118,744

3. R&D investment

Table of R&D investment

☒ Applicable ☐ Not Applicable

Unit: thousand yuan Currency: RMB

Expense-type research and development expenses for the current period	10,397,720
Capitalised research and development expenses for the current period	—
Total R&D expenditures	10,397,720
Proportion of total research and development expenses to the revenue (%)	1.53
Number of R&D staff	38,049
Percentage of R&D staffs to the total staffs of the Company (%)	14.56
Percentage of capitalised R&D investment (%)	—

Explanation

☒ Applicable ☐ Not Applicable

In 2017, scientific and technological research and development was mainly in the technology development of maglev new industry, making up for the shortcomings of bridge technology and achievement transformation, the security monitoring of high-speed rail contact network with good industrialization prospect, key technologies research and demonstration research on new type of ballastless track system, development in 40-meters beam carrying and erecting device of high-speed rail and other aspects. As far, research projects have made smooth progress and have effectively improved the core competitiveness and increased market shares of the Group.

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

4. Capital expenditure

The Group's capital expenditures are mainly used for the purchase or construction and technical upgrading of equipment and facilities, as well as for the construction of PPP and BOT projects. In 2017, the Group's capital expenditures amounted to RMB33.1984 billion, representing an increase of RMB3.6738 billion as compared to that of 2016. The increase in capital expenditures over the last year was mainly attributable to the increase of investment in the Group's newly added engineering facility in 2017 as compared with that of the previous year.

Unit: thousand yuan Currency: RMB

Segment	2017	2016
Construction operations	17,672,984	15,428,400
Survey, design and consultancy operations	465,961	695,720
Manufacturing operations	1,415,887	1,250,080
Real estate development operations	167,527	96,202
Other businesses	13,475,995	12,054,152
Total	33,198,354	29,524,554

Note: Other businesses are mainly the investment in concession rights of intangible assets.

5. Cash flows

☒ Applicable ☐ Not Applicable

Analysis of changes in cash flows

Unit: thousand yuan Currency: RMB

Item	2017	2016	Growth (%)
Net cash flows generated from/ (used in) operating activities	25,404,178	37,137,579	-31.59
Net cash flows generated from/ (used in) investing activities	-36,687,650	-26,272,603	N/A
Net cash flows generated from/ (used in) financing activities	23,775,316	-2,111,263	N/A

In 2017, the net cash flows generated from the operating activities of the Group was RMB25.4042 billion, with a decrease of 31.59% compared to that of last year, mainly caused by the increase in cash paid for goods and services.

In 2017, the Group's net cash flows used in investing activities amounted to RMB36.6877 billion, representing an increase of RMB10.4150 billion net outflow as compared to the corresponding period last year, mainly due to the increase in equity investment expenditure and expenditure of BOT and PPP projects.

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

In 2017, the Group's net cash flows generated from financing activities amounted to RMB23.7753 billion, representing an increase of RMB25.8866 billion as compared to that of last year, which was mainly attributable to the increase in capital demand caused by the growth in external investment.

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

(1) *Issuance of medium-term notes by the Company*

The General Meetings held on 13 January 2009 and 31 May 2011 respectively by the Company considered and approved the Proposal in Relation to the Issuance of Medium-term Notes of the Company. The 2012 second extraordinary General Meeting held on 28 December 2012 considered and approved the Proposal in Relation to the Increase of Amounts for Registration and Issuance of Medium-term Notes and Short-term Financing Bonds of the Company, approving the Company to register and issue medium-term notes with an aggregate balance of principal amount of no more than 40% of the net assets as stated in the audited financial report of the Company for each reporting period with the National Association of Financial Market Institutional Investors. On 14 October 2011, the Company issued the first tranche of medium-term notes for the year of 2011 of RMB7.5 billion with a term of 7 years. On 20 June 2013, the Company issued the first tranche of medium-term notes for the year of 2013 of RMB10 billion with a term of 7 years.

(2) *Overseas bonds issued by the Company*

On 29 January 2016, the Company and The Hong Kong and Shanghai Banking Corporation Limited, the note custodian, entered into the Trust Deed in respect of the zero coupon convertible bonds due 2021 of an aggregate principal amount of US\$500 million that can be converted into the H shares of the Company. Such H share convertible bonds were listed on 1 February 2016 on the Hong Kong Stock Exchange. On 21 December 2016, the Company and The Hong Kong and Shanghai Banking Corporation Limited, the note custodian, entered into the Trust Deed in respect of the 1.5% coupon convertible bonds due 2021 of an aggregate principal amount of RMB3.450 billion settled in US\$ that can be converted into the H shares of the Company. Such H share convertible bonds were listed on 22 December 2016 on the Hong Kong Stock Exchange. For details, please see "XIX Convertible Bonds" in "Section VI Significant Events" of this report.

(3) *Renewable corporate bonds issued by the Company*

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

7. Bank facilities of the Company during the Reporting Period

The Group has already obtained the banking facilities from several PRC banks of up to RMB1,060,072,212,000 of which an amount of RMB395,768,291,000 has been utilized.

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

8. Foreign exchange risk and exchange loss

The main production and operating activities of the Group were carried out in China, settled by RMB. There was foreign exchange risk in the foreign currency assets and liabilities recognized by the Group and future transactions denominated in foreign currencies. See “62. Foreign currency monetary items” in Note V of the Financial Reports attached to the report for the monetary resources, accounts receivable, other receivables, short-term borrowings, payables, other payables, long-term borrowings and bonds payable (mainly USD, Euro, Algerian dinars, Malaysia Ringgit and Saudi riyal, etc.) held by the Group by 31 December 2017.

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

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

☐ Applicable ☒ Not Applicable

(III) Analysis of assets and liabilities

☒ Applicable ☐ Not Applicable

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

1. Assets-Liabilities analysis table

Unit: thousand yuan Currency: RMB

Name of item	Amount at the end of the period	Percentage of amount at the end of the period to the total assets (%)	Amount at the end of last year	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the period as compared to that of last year (%)	Explanation
Total assets	821,887,459	100.00	759,345,034	100.00	8.24	
Major asset items						
Cash and bank balances	141,206,185	17.18	128,701,994	16.95	9.72	
Accounts receivable and long-term receivables	187,165,978	22.77	163,040,724	21.47	14.80	
Advances to suppliers	18,784,004	2.29	19,955,611	2.63	-5.87	
Other receivables	55,039,159	6.70	45,626,287	6.01	20.63	Mainly due to the increase in loans for cooperative development project of real estate development projects of the Group
Inventories	266,604,158	32.44	265,780,672	35.00	0.31	
Fixed assets	45,981,850	5.59	42,151,559	5.55	9.09	
Intangible assets	40,155,864	4.89	45,679,534	6.02	-12.09	
Total liabilities	643,238,614	78.26	610,629,048	80.42	5.34	
Major liability items						
Short-term loans	29,499,098	3.59	30,428,522	4.01	-3.05	
Accounts payable and long-term payables ^{Note 1}	285,531,691	34.74	264,960,172	34.89	7.76	
Advances from customers	85,682,565	10.43	88,331,508	11.63	-3.00	
Other payables	48,556,677	5.91	48,871,784	6.44	-0.64	
Long-term loans ^{Note 2}	77,231,016	9.40	76,491,380	10.07	0.97	
Bonds payable ^{Note 3}	45,665,034	5.56	47,922,037	6.31	-4.71	
Employee benefits payable ^{Note 4}	11,084,863	1.35	10,480,374	1.38	5.77	

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

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

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

Note 3: “Bonds payable” include “the bonds payable as non-current liabilities due within one year”.

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

2. Restriction on assets as at the end of the Reporting Period

☐ Applicable ☒ Not Applicable

3. Other Explanation

☒ Applicable ☐ Not Applicable

(1) Financial assets as at the end of the Reporting Period

The Group classifies the financial assets mainly according to the characteristics of its own businesses, risk management requirements and the purpose of holding such financial assets.

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

As at 31 December 2017, the Group's financial assets were as follows:

Unit: thousand yuan Currency: RMB

Item	Financial assets at fair value through profit or loss	Held-to-maturity investment	Loans and accounts receivable	Available-for-sale financial assets	Total
Held-to-maturity investment	–	41	–	–	41
Available-for-sale financial assets	–	–	–	8,382,301	8,382,301
Bills receivable	–	–	7,024,926	–	7,024,926
Accounts receivable	–	–	146,503,891	–	146,503,891
Loans and advances to customers	–	–	1,683,000	–	1,683,000
Interest receivables	–	–	202,550	–	202,550
Dividends receivable	–	–	37,256	–	37,256
Other receivables (excluding petty cash)	–	–	54,845,886	–	54,845,886
Long-term receivables	–	–	40,662,087	–	40,662,087
Current portion of non-current assets	–	–	8,591,799	–	8,591,799
Financial assets at fair value through profit or loss	489,712	–	–	–	489,712
Cash and bank balances	–	–	141,206,185	–	141,206,185
Total	489,712	41	400,757,580	8,382,301	409,629,634

As at 31 December 2017, the Group's financial liabilities were as follows:

Unit: thousand yuan Currency: RMB

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	29,499,098	29,499,098
Due to customers	–	804,834	804,834
Bills payable	–	41,411,304	41,411,304
Accounts payable	–	282,080,205	282,080,205
Interest payables	–	1,082,309	1,082,309
Dividends payable	–	158,560	158,560
Other payables	–	48,556,677	48,556,677
Other current liabilities	–	67,200	67,200
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	29,880,184	29,880,184
Long-term loans	–	58,826,793	58,826,793
Bonds payable	–	35,677,923	35,677,923
Long-term payables	–	1,962,636	1,962,636
Other non-current liabilities	712,677	55,000	767,677
Total	712,677	530,062,723	530,775,400

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

(2) Working capital

① Contracted construction projects

Gross Amount Due from/to Contract Customers*Unit: thousand yuan Currency: RMB*

Item	2017	2016
Contract costs incurred to date	3,458,494,379	2,934,844,426
Net balance between accumulated recognized gross profit and recognized loss	318,866,010	295,186,533
Less: Provision for foreseeable contract losses	2,045,570	442,283
Less: Progress billings	3,658,324,656	3,120,715,098
Total	116,990,163	108,873,578

Contracted construction projects as at the end of the year*Unit: thousand yuan Currency: RMB*

Item	31 December 2017	31 December 2016
Gross amount due from contract customers	130,254,952	126,112,530
Less: Gross amount due to contract customers	13,264,789	17,238,952
Total	116,990,163	108,873,578

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

② Accounts receivable and accounts payable

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

Item	2017	2016
Turnover days of accounts receivable ^{note 1}	75	76
Turnover days of accounts payable ^{note 2}	160	156

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

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

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

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Within 1 year	127,639,261	119,281,249
1 to 2 years	13,353,735	10,306,759
2 to 3 years	5,750,429	4,382,882
Over 3 years	3,731,557	2,621,564
Sub-total	150,474,982	136,592,454
Less: provision for bad debts	3,971,091	3,164,845
Total	146,503,891	133,427,609

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

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

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

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Within 1 year	273,543,533	255,418,769
1 to 2 years	6,450,391	4,215,331
2 to 3 years	1,299,220	1,291,274
Over 3 years	787,061	540,611
Total	282,080,205	261,465,985

(3) *Advances to suppliers and other receivables*

As at 31 December 2017, the Advances to suppliers and other receivables of the Group were as follows:

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Advances to suppliers	18,784,004	19,955,611
Other receivables	55,039,159	45,626,287
Total	73,823,163	65,581,898

(4) *Defined benefit plan*

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

During this year, the Group's obligations in respect of the defined benefit plan for post leaving personnel were computed by an independent actuary, Beijing Branch of Towers Watson Management Consulting (Shenzhen) Co., Ltd. at 31 December 2017, using the projected cumulative unit credit method.

The plan has no defined benefit assets.

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

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

As at 31 December 2016 and 31 December 2017, the Group held the provisions of such obligations hereof amounting to RMB1.4110 billion and RMB0.9254 billion respectively. Details of the defined benefits plan of the Company are set out in the “34. Long-term employee benefits payable” in the Note V of the Financial Reports of this report.

(5) Liabilities

① Borrowing

The short-term loans of the Group as of 31 December 2017 and 31 December 2016 were as follows:

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Pledged loans	—	901,810
Mortgaged loans	—	5,000
Guaranteed loans	2,602,701	4,299,236
Credit loans	26,896,397	25,222,476
Total	29,499,098	30,428,522

Other current liabilities of the Group as of 31 December 2017 and 31 December 2016 were as follows:

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Other current liabilities	8,053,925	2,936,689

Note: For more details, please see. “30. Other current liabilities” in the Note V of the Financial Reports set out in this report.

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

The long-term loans of the Group due within one year as of 31 December 2017 and 31 December 2016 were as follows:

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Pledged loans	170,000	270,250
Mortgaged loans	2,787,940	1,836,000
Guaranteed loans	1,206,000	637,792
Credit loans	14,240,283	4,714,906
Total	18,404,223	7,458,948

The long-term loans of the Group as of 31 December 2017 and 31 December 2016 were as follows:

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Pledged loans	20,534,420	18,921,499
Mortgaged loans	3,330,040	4,147,928
Guaranteed loans	10,123,666	9,866,289
Credit loans	24,838,667	36,096,716
Total	58,826,793	69,032,432

The bonds payable of the Group as at 31 December 2017 and 31 December 2016 were as follows:

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Bonds payable	35,677,923	44,902,037

Gearing ratio analysis:

On 31 December 2016 and 31 December 2017, the gearing ratios were 72% and 69%, respectively. Gearing ratio is the ratio of the net liabilities and capital plus net liabilities. Net liabilities include the sum of all the borrowings, due to customers, other current liabilities, bills payable, accounts payable, interest payables, dividends payable, other payables, bonds payable, long-term payables and current portion of non-current liabilities (excluding current portion of long-term employee benefits payable) and other non-current liabilities after deducting the cash and bank balances.

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

② Commitments

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Contracted, but not provided for		
Capital commitments	364,024	860,324
Investment commitments	3,515,230	3,507,371
Other commitments	8,462,504	7,080,179
Total	12,341,758	11,447,874

③ Contingent liabilities

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

④ Mortgage and pledge of assets

Unit: thousand yuan Currency: RMB

Item	31 December 2017	31 December 2016
Intangible assets	28,101,597	29,812,658
Inventories	14,710,869	35,029,173
Cash and bank balances	9,899,905	8,574,340
Fixed assets	653,950	225,402
Accounts receivable	—	901,810
Long-term receivables	—	5,896,550
Total	53,366,321	80,439,933

Details please refer to “61. Assets with title restrictions” in the Note V of the Financial Reports in this report.

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

(IV) Analysis for industrial operation information

☒ Applicable ☐ Not Applicable

The businesses of the Group cover construction operations, survey, design and consultancy, industrial manufacture, real estate development, logistics and materials trading, etc. According to Guidelines for the Industry Classification of Listed Companies (Revised in 2012) and the industry classification results of listed companies issued by CSRC, the Group belongs to construction industry. For details of the industry analysis of the business segments of the Group, please see relevant content of the “Section IV Summary of the Company’s Businesses” and “Section V Discussion and Analysis on Business Operations (Report of Directors)” to this Report. The analysis for industrial operation information of the Group was as follows:

Operation Information Analysis on Construction Industry

1. Economic situation and policy analysis on construction industry

For details, please see relevant content of the “Section IV Summary of the Company’s Businesses” and “Section V Discussion and Analysis on Business Operations (Report of Directors)” to this Report.

2. Projects completed and accepted during the Reporting Period

☒ Applicable ☐ Not Applicable

Unit: ten-thousand yuan Currency: RMB

Segment	Housing construction	Infrastructure projects	Professional engineering	Architectural decoration	Others	Total
Number of projects	274	683	–	–	35	992
Total amount	5,279,921	19,239,877	–	–	155,844	24,675,642

Note: Infrastructure projects mainly consist of railway construction, highway construction, urban rail transit projects, municipal engineering, hydroelectric engineering as well as airports and wharves projects.

☒ Applicable ☐ Not Applicable

Unit: ten-thousand yuan Currency: RMB

Project Region	Domestic	Overseas	Total
Number of projects	926	66	992
Total amount	21,840,390	2,835,252	24,675,642

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

Other Explanation

☐ Applicable ☒ Not Applicable

3. Projects under construction during the Reporting Period

☒ Applicable ☐ Not Applicable

Unit: ten-thousand yuan Currency: RMB

Segment	Housing construction	Infrastructure projects	Professional engineering	Architectural decoration	Others	Total
Number of projects	1,397	5,883	–	–	286	7,566
Total amount	38,476,147	292,073,290	–	–	3,400,747	333,950,184

Note: Infrastructure projects mainly consist of railway construction, highway construction, urban rail transit projects, municipal engineering, hydroelectric engineering as well as airports and wharves projects.

☒ Applicable ☐ Not Applicable

Unit: ten-thousand yuan Currency: RMB

Project Region	Domestic	Overseas	Total
Number of projects	7,038	528	7,566
Total amount	305,658,563	28,291,621	333,950,184

4. Major projects under construction

☐ Applicable ☒ Not Applicable

Other Explanation

☐ Applicable ☒ Not Applicable

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

5. Overseas projects during the Reporting Period

☒ Applicable ☐ Not Applicable

Unit: USD'00 million

Project region	Number of projects	Total amount
Asia	231	216.53
Europe	19	7.91
Africa	487	586.36
America	31	22.50
Oceania	23	3.10
Total	791	836.40

Other Explanation

☒ Applicable ☐ Not Applicable

China Civil Engineering Construction Corporation, a subsidiary of the Company, and the Federal Ministry of Transport of Nigeria entered into a Business Contract on the Nigeria Coastal Railway Project on 20 November 2014 with a contract amount of approximately USD11.175 billion. For details, please refer to the announcement of the Company dated 21 November 2014 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn). Currently, the Nigeria Coastal Railway Project is undergoing preliminary works and yet to commence construction.

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

6. Summary for gross amount due from contract customers in inventories

☒ Applicable ☐ Not Applicable

Unit: thousand yuan Currency: RMB

Item	Contract costs incurred to date	Accumulated recognized gross profit	Provision for foreseeable contract losses	Progress billings	Gross amount due from contract customers
Amount	3,458,494,379	318,866,010	2,045,570	3,658,324,656	116,990,163

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

7. Other Explanations

☒ Applicable ☐ Not Applicable

(1) Main projects in financing contract mode

Unit: ten thousand yuan Currency: RMB

No.	Project	Total Investment	Investment Share/ Shareholding Proportion	Investment of the Year	Accumulative investment in the projects	Project Schedule
1	The BOT Project of Jianyang-Pujiang Expressway in Sichuan	1,567,850	100%	235,479	1,346,652	The entire line was opened for trial operation on 28 December 2017
2	Deyang-Jianyang Segment BOT Project of Ring Expressway in Chengdu Economic Zone	1,362,000	100%	346,509	470,476	The working progress is normal.
3	Deyang-Duijiangyan Segment BOT Project of G0511 Line	1,595,400	100%	131,320	131,906	The working progress is normal.

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

No.	Project	Total Investment	Investment Share/ Shareholding Proportion	Investment of the Year	Accumulative investment in the projects	Project Schedule
4	The Investment, Financing and Construction BT Project of Phase I and II of Line 5 of Chengdu Subway	1,719,899	100%	422,598	719,300	The working progress is normal.
5	The Investment and Financing BT Project of Line 6 of Chengdu Subway	1,766,031	100%	269,789	269,789	The working progress is normal.

Note: The above projects were those in the scope of the consolidated statements whose total investment exceeds 10% of the unaudited net assets of the Group of the previous year.

(2) *Qualifications for the construction industry obtained during the Reporting Period*

In 2017, the Group had a remarkable achievement in the qualification, 26 extra-grade general contracting qualifications were newly obtained for the whole year, including 8 general contracting of architectural engineering construction, 9 general contracting of road project construction, 7 general contracting of municipal utilities project construction, 1 general contracting of water resources and hydropower engineering construction and 1 general contracting of port and waterway engineering construction. As of the end of the Reporting Period, the Group had 65 extra-grade general contracting qualifications and had 5 enterprises with “four extra-grade general contracting qualifications” each, topping the construction industry in both figures.

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

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

Unit: thousand yuan Currency: RMB

Item	2017		2016		2015	
	Operating income	Proportion of the Company's operating income	Operating income	Proportion of the Company's operating income	Operating income	Proportion of the Company's operating income
Construction operations	584,127,735	85.78%	540,134,612	85.83%	519,312,837	86.47%
Among which:						
Infrastructure construction	454,881,709	66.80%	419,142,874	66.60%	397,616,858	66.21%
Housing construction	85,909,132	12.62%	81,748,541	12.99%	76,886,536	12.80%
Total operating income	680,981,127	100.00%	629,327,090	100.00%	600,538,730	100.00%

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

Unit: thousand yuan Currency: RMB

Item	2017		2016		2015	
	Operating costs	Proportion of the Company's operating costs	Operating costs	Proportion of the Company's operating costs	Operating costs	Proportion of the Company's operating costs
Construction operations	543,982,487	88.01%	503,154,934	88.06%	469,475,123	88.29%
Among which:						
Infrastructure construction	425,770,197	68.89%	392,931,155	68.77%	361,230,926	67.93%
Housing construction	79,821,174	12.91%	76,423,127	13.38%	69,858,247	13.14%
Total operating cost	618,059,386	100.00%	571,377,532	100.00%	531,756,328	100.00%

There were no significant change in the main cost composition of the engineering projects of the Group for the past three years.

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

(5) *Financing arrangement*

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

(6) *Major suppliers and major customers*

Please refer to “(4) Major customers and suppliers” included in the “II. (I) 1. Income and cost analysis” of this section.

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

The Group attaches great importance to quality development and it seriously implements the spirit of the national quality development outline during the Reporting Period, strictly carries out relevant quality standards, promotes quality responsibility system on project-end, carries out investigation on the quality of high-speed rail projects and pushes forward engineering project excellence activities and the construction of safety quality standardization sites in order to ensure a stable quality management. In the year of 2017, the Group obtained 8 National Construction Luban Prizes, 35 National High-Quality Project Awards and 170 achievements of national excellent quality management group.

The Group has established its quality management and control system according to such national standards as GB/T19001 idt ISO9001:2008, GB/T50430-2007 etc. The control measure includes the establishment and improvement of the organization system and institution system of quality management. Firstly, the Group promotes quality product strategy and vigorously carries out a development strategy that drives the development and seizes the market with quality, and realizes a comprehensive development of project quality through the establishment of quality projects. Secondly, the Group vigorously carries out quality management group activities to advance the quality management work in an all-around way that covering all staff. Thirdly, the Group promotes quality terminal responsibility system and strengthens the quality management of the operation in construction sites in order to fill up the short board and improve quality fundamentally.

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

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

In 2017, CRCC seriously learnt and carried out the requirements of the “The 19th CPC National Congress”, set up the idea of safe development, carried forward the thought of life supreme and safety first and strictly implemented the CPC Central Committee and the State Council’s Opinion on the Reform and Development of Boosting Safety Production. Starting with the safety mechanism, the Company has practically consolidated its safety fundamentals. The Company put the safe production responsibility of all employees into practice and enhanced its safety risk control, and improved the inspection and management of accident potentials according to the requirement of “thinking of, finding out and removing hidden dangers in advance”. The safe production situation remained basically stable in the whole system, with no serious production safety accidents.

During the Reporting Period, the Group carried out its operation mainly based on four measures including risk assessment, inspection and management of potential accidents, the management and control over key tasks and emergency rescue, and five systems including the arrangement of full-time security personnel, security package to guarantee duties be performed well, pre-work education for working team, the establishment of linkage between salary and safety behaviors of frontline staff and security permission.

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

For more details, please refer to “III. Significant accounting policies and accounting estimates” in the financial statements attached to this report.

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

Not Applicable.

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

Analysis on Operational Information of Real Estate Industry

1. Analysis on economic trend and policies of real estate industry

For details, please refer to relevant contents of “Section IV Summary of the Company's Business” and “Section V Discussion and Analysis on Business Operations (Report of Directors)” in this report.

2. Reserve of real estate during the Reporting Period

☒ Applicable ☐ Not Applicable

During the Reporting Period, the Company obtained 38 land parcels with a planned total floor area of approximately 9.3508 million sq.m. in 24 cities including Beijing, Shanghai, Guangzhou, Tianjin, Chongqing and Nanjing. As of the end of 2017, the Group has undertaken the development of 191 real estate projects in 57 cities such as Beijing, Shanghai, Guangzhou, Hangzhou, Nanjing and Chongqing with a total area of land for construction of 18.18 million sq.m. and a planned total floor area of about 59.33 million sq.m..

Land Reserve by Region

No.	Region(s) with the land to be developed	Area of the land to be developed (sq.m.)	A-land consolidation area (sq.m.)	Planned floor area upon calculation of plot ratio (sq.m.)	Whether to be related with the joint development project	Area related with the joint development project (sq.m.)	Equity ratio of the joint development project (%)
1	Bohai Coastal Region	938,869	–	2,237,171	Yes	940,787	N/A
2	Southwest China	2,754,115	–	8,036,862	Yes	4,239,944	N/A
3	Yangtze River Delta	385,410	–	868,568	Yes	146,328	N/A
4	Pearl River Delta	677,571	–	1,629,222	Yes	738,462	N/A
5	Other areas	58,730	–	59,900	No	–	N/A

Notes:

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

☒ Applicable ☐ Not Applicable

The Group completed the real estate development investment of RMB40.0712 billion during the Reporting Period, among which, the investment of RMB13.3406 billion was completed in Bohai Coastal Region, and the investment of RMB13.4576 billion was completed in Southwest China, accounting for 33.29% and 33.58% over the investment, respectively.

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

Development and Investment in Real Estate by Region

No.	Region	Planned floor area upon calculation of		Floor area of projects under construction		Completed area	Gross investment	Actual investment during Reporting Period
		Land area	plot ratio	Gross floor area	construction			
		(10,000 sq.m.)	(10,000 sq.m.)	(10,000 sq.m.)	(10,000 sq.m.)	(10,000 sq.m.)	(RMB ten thousand)	(RMB ten thousand)
1	Bohai Coastal Region	552.47	1,262.78	1,644.96	364.26	924.52	17,206,848	1,334,056
2	Southwest China	603.61	1,728.50	2,273.04	364.79	827.52	16,348,721	1,345,755
3	Yangtze River Delta	370.20	855.99	1,121.47	375.52	516.19	10,799,147	790,408
4	Pearl River Delta	274.18	671.87	857.45	192.10	431.91	12,961,246	527,281
5	Other areas	17.09	30.54	36.25	13.23	17.02	242,500	9,620
Total		1,817.55	4,549.68	5,933.17	1,309.90	2,717.16	57,558,462	4,007,120

Among the 191 projects held by the Group, details of the development and investment of the top ten projects in estimated amount of total investment are as follow:

Unit: ten-thousand yuan Currency: RMB

No.	Region	Item	Address	Type of operation	Under construction/ Newly developed/ Completed projects	Interests attributable to the Company and subsidiaries	Planned floor area upon calculation of		Floor area of projects under construction		Completed area	Expected completion period	Gross investment	Actual Investment During Reporting Period
							Land area	of plot ratio	Gross floor area	construction				
							(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)			
1	Bohai Coastal Region	Tianjin International City, CRCC	Land No. 1, 3 and 5, Jinzhonghe Avenue, Tianjin	Residence/ commercial	Under construction	100%	252,300	866,100	1,228,000	299,700	552,800	Year 2020	1,350,343	95,922
2	Southwest China	Chongqing Xipai City, CRCC	Cuntan Street, Jiangbei District, Chongqing	Residence/ commercial	Under construction	100%	175,100	689,700	929,600	159,800	-	Year 2020	1,331,220	241,400
3	Southwest China	Guiyang International City, CRCC	Tai Ci Qiao Che Shui Road, Nanming District, Guiyang City	Residence	Under construction	100%	592,100	1,776,300	2,332,000	6,200	1,647,700	Year 2020	1,094,227	55,849

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

No.	Region	Item	Address	Type of operation	Under construction/ Newly developed/ Completed projects	Interests attributable to the Company and subsidiaries	Land area (sq.m.)	Planned floor area upon calculation of plot ratio (sq.m.)	Gross floor area (sq.m.)	Floor area of projects under construction (sq.m.)	Completed area (sq.m.)	Expected completion period	Gross investment	Actual Investment During Reporting Period
4	Bohai Coastal Region	Beijing International City, CRCC	Qingheying Village, Lai GuangYing Town, ChaoYang District, Beijing	Residence	Under construction	100%	195,600	612,300	855,800	190,000	654,700	Year 2019	1,026,961	31,473
5	Southwest China	Xi'an International City, CRCC	Qijiang New District, Xi'an	Residence	Under construction	100%	283,000	1,023,400	1,314,200	454,500	37,900	Year 2020	977,396	119,885
6	Southwest China	Chengdu Beihu International City, CRCC	Longtan Street, Chenghua District, Chengdu	Residence	Under construction	100%	190,500	698,700	975,100	345,200	292,000	Year 2019	893,660	82,652
7	Yangtze River Delta	Hefei International City, CRCC	The junction at North 2nd Ring and Taoyuan Road, Luyang District, Hefei City	Residence	Completed	100%	441,300	1,378,100	1,701,200	–	1,701,200	Year 2017	797,598	19,656
8	Yangtze River Delta	Nanjing Qingxiu City, CRCC	Wanshou Village, Maigaoqiao Street, Qixia District, Nanjing City	Residence	Under construction	100%	108,800	330,400	429,200	66,800	362,400	Year 2019	661,098	38,537
9	Bohai Coastal Region	The Project of Daxing Huangcun Xinghua Street Block	The project is located in the East Sector of Xincheng District, Daxing District	Self-owned leasing residence	Not commenced	51%	46,800	131,200	211,200	–	–	Year 2020	648,817	320,411
10	Southwest China	Chengdu Xipai Lan'an, CRCC	Guixi Street, Hightech Zone, Chengdu City	Residence	Under construction	100%	95,200	271,300	385,300	154,800	81,600	Year 2019	645,679	39,105

4. Sales of real estate during the Reporting Period

☒ Applicable ☐ Not Applicable

During the Reporting Period, the Group's real estate sector achieved the sales volume of RMB68.4126 billion, with a year-on-year growth of 38.26%, and the sales area of 5,173,100 sq.m. with a year-on-year growth of 18.12%.

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

Sales by Region in 2017

No.	Region	Saleable area (10,000 sq.m.)	Pre-sold area within the Reporting Period (10,000 sq.m.)	Sales volume within the Reporting Period (RMB10,000)	Average selling price (RMB/sq.m.)
1	Bohai Coastal Region	1,324.98	120.98	1,663,638	13,751
2	Southwest China	1,888.50	153.84	1,498,645	9,742
3	Yangtze River Delta	790.52	139.36	2,551,724	18,310
4	Pearl River Delta	723.98	97.74	1,070,235	10,950
5	Other areas	33.10	5.39	57,014	10,581
Total		4,761.09	517.31	6,841,256	13,225

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

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

No.	Region	Item	Address	Type of operation	Saleable area (sq.m.)	Pre-sold area (sq.m.)	Expected completion period	Interests attributable to the Company and subsidiaries
1	Southwest China	Chengdu Xipai City, CRCC	Tiefo Village, Cujin Street Office, Wuhou District, Chengdu	residence	278,600	163,347	Year 2020	100%
2	Yangtze River Delta	Hangzhou Jiangnan International City, CRCC	Beigan Street, Xiaoshan District, Hangzhou City	residence	263,800	81,239	Year 2017	100%
3	Bohai Coastal Region	Tianjin International City, CRCC	Land No. 1, 3 and 5, Jinzhonghe Avenue, Tianjin	residence/ commercial	866,100	72,762	Year 2020	100%
4	Bohai Coastal Region	Vanke • Taiyuan Zijun, CRCC	Jinci Road, Taiyuan, Shanxi Province	residence	212,300	123,100	Year 2018	70%
5	Southwest China	Xi'an Xipai International, CRCC	Southeast corner of Taihua Overpass, Bei'erhuan, Xi'an City	residence	388,600	106,872	Year 2019	100%
6	Yangtze River Delta	Hefei Qingxiu City, CRCC	Intersection of Qingyang Road and Qingxi Road, Shushan District, Hefei City	residence	477,600	90,670	Year 2018	100%

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

No.	Region	Item	Address	Type of operation	Saleable area (sq.m.)	Pre-sold area (sq.m.)	Expected completion period	Interests attributable to the Company and subsidiaries
7	Southwest China	Xi'an International City Phase II	Qujiang, Xi'an	residence	387,500	126,900	Year 2020	100%
8	Pearl River Delta	Foshan International City, CRCC	Guicheng Street, Nanhai District, Foshan	residence	208,600	62,001	Year 2017	100%
9	Southwest China	Chengdu Beihu International City, CRCC	Longtan Street, Chenghua District, Chengdu City	residence	357,000	110,415	Year 2018	100%
10	Southwest China	Chengdu Crown Lake Number One	Longquan Street, Longquanyi District, Chengdu City	residence	272,600	134,804	Year 2019	40%

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

5. Real estate during the Reporting Period

☐ Applicable ☒ Not Applicable

6. Financing of the Company during the Reporting Period

☒ Applicable ☐ Not Applicable

For details, please see "Liabilities" in "II. (III) Analysis of Assets and Liabilities" of this section.

7. Other Explanation

☐ Applicable ☒ Not Applicable

(V) Analysis of investment

1. Overall analysis of external investment in equities

☒ Applicable ☐ Not Applicable

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

As at 31 December 2017, the carrying balance (original book value) of the Group's long-term equity investment was RMB17.8695 billion, increasing by RMB9.9225 billion as compared to RMB7.9470 billion at the beginning of the year, representing an increase of 124.86%. In particular, the impairment provision for long-term equity investment was RMB0 billion, representing a decrease of RMB0.0106 billion as compared with the beginning of the year.

(1) *Major equity investment*

☐ Applicable ☒ Not Applicable

(2) *Major non-equity investment*

☐ Applicable ☒ Not Applicable

(3) *Financial assets measurement at fair value*

☒ Applicable ☐ Not Applicable

Unit: thousand yuan Currency: RMB

Item	Opening amount	Closing amount	Changes in the period	Effect on profit of current period
Financial assets at fair value through profit or loss	323,376	489,712	166,336	-65,076
Available-for-sale financial assets	2,046,056	2,881,076	835,020	62,857
Total	2,369,432	3,370,788	1,001,356	-2,219

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

① Investment in securities

Unit: thousand yuan Currency: RMB

No.	Type of securities	Stock code	Abbreviated stock name	Amount of initial investment	Number of securities held (share)	Carrying value at the end of the period	Percentage over total securities investment at the end of the period (%)	Profit/loss during the Reporting Period
1	Stock	HK03969	CRSC	131,950	25,000,000	127,894	22.94	11,464
2	Stock	HK01258	CHINF Mining	64,863	36,363,000	66,264	11.89	23,709
3	Open-ended Fund	000652	Bosera-Yulong Hybrid	17,370	17,369,836	34,384	6.17	582
4	Stock	601618	MCC	59,265	10,600,000	20,379	3.66	-6,603
5	Open-ended Fund	519606	Guotai Jinxin	3,908	3,908,303	7,808	1.40	2,505
6	Stock	600028	SINOPEC	533	135,000	679	0.12	162
7	Open-ended Fund	002195	BOC Money Market Fund	300,000	300,000	300,000	53.82	-
Other security investment in securities held at the end of the period				/	/	/	/	/
Profits/loss from disposal of investment in securities during the Reporting Period				/	/	/	/	/
Total				577,889	/	557,408	100.00	31,819

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

② Shareholdings in other listed companies

Unit: thousand yuan Currency: RMB

Stock code	Abbreviated stock name	Amount of initial investment	Shareholding ratio at the beginning of the period (%)	Shareholding ratio at the end of the period (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
601328	Bank of Communications	49,892	0.07	0.07	250,421	14,757	20,059	Available-for-sale financial assets	Original issue stock
HK3898	CRRC Times Electric	9,800	0.90	0.90	270,760	4,410	46,545	Available-for-sale financial assets	Original issue stock
002159	Sante Cableway	3,000	0.99	0.99	22,484	–	-15,706	Available-for-sale financial assets	Original issue stock
600885	Hongfa	1,440	0.71	0.71	45,176	273	10,287	Available-for-sale financial assets	Original issue stock
600809	Shanxi Fenjiu	708	0.05	0.05	22,796	348	12,788	Available-for-sale financial assets	Original issue stock
000759	Zhongbai Group	1,058	0.14	0.14	9,257	76	364	Available-for-sale financial assets	Original issue stock
601169	Bank of Beijing	2	–	–	1,434	42	-197	Available-for-sale financial assets	Original issue stock
600322	Tianjin Real Estate Development	160	0.03	0.03	641	627	8	Available-for-sale financial assets	Original issue stock
601211	Guotai Jun'an	7,604	0.10	0.10	139,836	2,966	-532	Available-for-sale financial assets	Original issue stock
600061	SDIC Capital	268,452	1.66	1.66	810,215	4,302	-149,219	Available-for-sale financial assets	Original issue stock
834898	Zhuzhou Department Stores	360	0.31	0.31	1,459	–	-450	Available-for-sale financial assets	Original issue stock
HK00687	Hong Kong International Construction	208,027	5.03	5.03	99,106	4,764	-146,794	Available-for-sale financial assets	Subscription
000630	Tongling Nonferrous	500,000	–	1.71	527,076	–	27,076	Available-for-sale financial assets	Subscription
Total		1,050,503	/	/	2,200,661	32,565	-195,771	/	/

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

③ Trust products held and others

Unit: thousand yuan

Name of investees	Initial cost of investment	Percentage of shares held (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 7)	54,816	9.90	54,816	29,885	–	Available-for-sale financial assets	Subscription
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No. 9)	2,500	9.88	2,500	148	–	Available-for-sale financial assets	Subscription
Asset-backed securities of Phase-I receivables special project of China Railway Construction	67,200	6.40	67,200	–	–	Available-for-sale financial assets	Sponsorship
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No.11)	24,000	19.66	24,000	–	–	Available-for-sale financial assets	Subscription
CCB Trust – China Railway Construction Corporation Limited Assembled Funds Trust Plan (No.20)	47,900	20.00	47,900	–	–	Available-for-sale financial assets	Subscription
Asset-backed securities of (2017) Phase I accounts receivable of China Railway Construction Bridge Engineering Bureau Group	11,000	–	11,000	–	–	Available-for-sale financial assets	Sponsorship
CCB Capital – Asset-backed securities of (2017) Phase I accounts receivable of China Railway 18 th Bureau Group	88,000	–	88,000	–	–	Available-for-sale financial assets	Sponsorship

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

Name of investees	Initial cost of investment	Percentage of shares held (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in equity of owners during the Reporting Period	Accounting item	Source of shares
Ping An Securities – Asset-backed securities of Phase I accounts receivable of CRCC Assets Management Co., Ltd.	26,000	–	26,000	–	–	Available-for-sale financial assets	Sponsorship
BOC International – Asset-backed securities (2017) Phase I accounts receivable of CRCC Factoring	29,000	–	29,000	–	–	Available-for-sale financial assets	Sponsorship
2017 trench I non-public placed asset-backed notes of China Railway Construction (Beijing) Property Management Co., Ltd.	30,000	–	30,000	259	–	Available-for-sale financial assets	Sponsorship
Total	380,416	/	380,416	30,292	–	/	/

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

Unit: thousand yuan Currency: RMB

Stock code	Abbreviated stock name	Amount of initial investment	Shareholding ratio at the beginning of the period (%)	Shareholding ratio at the end of the period (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period
000630	Tongling Nonferrous	500,000	–	1.71	527,076	–

(VI) Disposal of significant assets and equity interest

☐ Applicable ☒ Not Applicable

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

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

☒ Applicable ☐ Not Applicable

1. Major Subsidiaries

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

Unit: thousand yuan Currency: RMB

Name of the Company	Registered capital	Major financial indicators for 2017			Principal operations	Industry
		Total assets	Net assets	Net profit		
China Civil Engineering Construction Corporation	3,000,000	24,516,164	6,316,461	1,105,848	Construction	Construction
China Railway 11 th Bureau Group Co., Ltd.	5,030,000	48,020,890	11,947,910	1,499,118	Construction	Construction
China Railway 12 th Bureau Group Co., Ltd.	5,060,677	44,427,119	8,989,016	1,479,577	Construction	Construction
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	3,000,000	40,055,611	6,171,345	362,692	Construction	Construction
China Railway 14 th Bureau Group Co., Ltd.	3,110,000	36,859,222	5,620,540	215,148	Construction	Construction
China Railway 15 th Bureau Group Co., Ltd.	3,000,000	27,545,432	2,778,678	53,678	Construction	Construction
China Railway 16 th Bureau Group Co., Ltd.	3,000,000	39,657,413	5,953,751	89,797	Construction	Construction
China Railway 17 th Bureau Group Co., Ltd.	3,003,724	34,787,888	5,253,559	362,518	Construction	Construction
China Railway 18 th Bureau Group Co., Ltd.	3,000,000	37,095,041	5,734,491	599,156	Construction	Construction
China Railway 19 th Bureau Group Co., Ltd.	5,080,000	33,766,031	5,811,432	51,785	Construction	Construction
China Railway 20 th Bureau Group Co., Ltd.	3,130,000	36,443,662	5,541,830	227,791	Construction	Construction
China Railway 21 st Bureau Group Co., Ltd.	1,880,000	23,353,166	2,652,058	194,033	Construction	Construction
China Railway 22 nd Bureau Group Co., Ltd.	1,057,000	25,507,444	5,107,564	182,139	Construction	Construction
China Railway 23 rd Bureau Group Co., Ltd.	2,000,000	21,014,409	2,105,457	52,718	Construction	Construction
China Railway 24 th Bureau Group Co., Ltd.	2,000,000	18,668,395	2,804,258	257,088	Construction	Construction
China Railway 25 th Bureau Group Co., Ltd.	2,000,000	16,027,398	2,426,246	92,085	Construction	Construction
China Railway Construction Group Ltd.	3,000,000	43,532,476	7,275,887	760,238	Construction	Construction
China Railway Electrification Bureau Group Co., Ltd.	710,000	24,764,230	6,690,750	1,609,326	Construction	Construction
China Railway Real Estate Group Co., Ltd.	7,000,000	115,046,252	21,277,941	1,923,977	Real estate development and operations	Real estate

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

Name of the Company	Registered capital	Major financial indicators for 2017			Principal operations	Industry
		Total assets	Net assets	Net profit		
China Railway Materials Co., Ltd.	3,000,000	19,530,534	2,403,114	426,957	Purchase and sales of goods and materials	Logistics
China Railway Construction Investment Group Co., Ltd.	10,000,000	65,669,086	17,708,818	763,212	Project investment	Investment
CRCC Finance Company Limited	9,000,000	101,718,921	11,044,949	725,901	Financial Agency	Finance
China Railway Urban Construction Group Co., Ltd.	2,000,000	15,014,763	2,255,466	103,684	Construction	Construction
CRCC High-Tech Equipment Corporation Limited	1,519,884	6,839,934	5,378,315	55,087	Industrial manufacturing	Industry
China Railway Construction Heavy Industry Co., Ltd.	3,850,000	15,077,329	8,118,596	1,308,376	Industrial manufacturing	Industry
CRCC Chongqing Investment Group Co., Ltd.	3,000,000	6,882,958	3,830,026	166,929	Project investment	Investment
CRCC Kunlun Investment Group Co., Ltd.	3,000,000	16,964,545	4,333,813	960,673	Project investment	Investment
CRCC Assets Management Co., Ltd.	3,000,000	26,837,086	4,515,611	31,929	Asset management	Finance

During the Reporting Period, China Railway Real Estate Group Co., Ltd., a subsidiary of the Company, accounted for larger proportion in the consolidated operating results of the Group. The revenue of China Railway Real Estate Group Co., Ltd. in 2017 was RMB33.6818 billion and operating profit amounted to RMB2.6434 billion. The net profit in 2017 amounted to RMB1.9240 billion, accounting for 11.37% of net profit of RMB16.9192 billion of the Group.

2. Major companies in which the Company invested

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

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

☐ Applicable ☒ Not Applicable

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

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

(I) Industry pattern and trends

☒ Applicable ☐ Not Applicable

In 2018, the overall market structure of the construction industry is stable, and the market space is still broad. From the perspective of the demand for national economic development and a series of important strategies implemented by the PRC, the country will continue to give great impetus in new urbanization and urban-rural integration progress, devote great efforts in three strategies such as "One Belt and One Road" initiative, "Synergetic Cooperation in Beijing-Tianjin-Hebei Region" and "the Yangtze River Economic Zone", and accelerate the improvement of railways, highways, water conservancy, waterways, civil aviation, pipelines and other infrastructure networks. Seen from the recent planning and forecasting data, the investments in railways, highways, housing construction, urban rail, municipal engineering and water conservancy, hydroelectric and airports will continue to maintain operation at a high level. Utility tunnels, sponge city, pollution governance and other markets are expected to grow rapidly. Although there will be further changes in the structure of the construction market, it will remain at a high level in terms of scale. In addition, with accelerating implementation of the "One Belt and One Road" initiative and the stabilization of the prices of international crude oil and other commodities, it is also expected to embrace new opportunities for development.

The general trend is to deepen the comprehensive reform on state-owned assets and state-owned enterprises. Various reforms also enter a substantive stage of accelerating implementation. The supply-side structural reform and the improvement of quality and efficiency of supply system become main directions for further steady growth. The determination of the central government on deepening overall reform is unshakable. The general trend of innovation and development is irreversible. It can be expected that 2018 is the opportunity period for the development of CRCC. The Company will actively promote structural adjustment, innovation and development and layout optimization in accordance with development ideas of innovation, coordination, green, opening up and sharing, and be bold and straight in making CRCC better, larger and stronger.

(II) Development strategies of the Company

☒ Applicable ☐ Not Applicable

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

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

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

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

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

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

Scientific and rational strategic planning is the only way for enterprises to strengthen their foundation, improve quality and boost efficiency, adjust structure and transform and upgrade, and is also the only way to ensure that enterprises are invincible in competition and realize a mid-and-long term sustainable development. In 2017, according to its strategic planning, CRCC formulated, implemented, assessed and examined closed-loop management system and put emphasis on the implementation of four systematic tasks: firstly, issuing its “Thirteenth Five-Year Plan” strategic plan and establishing an overall development strategy of “maintain construction oriented, relevant diversification, integrated operation and advance through transformation to develop into a most valuable and creative integrated construction industry group with globally advanced technological innovation, strong competitiveness and economic strength”; secondly, organizing and promoting its strategic planning through multiple channels. The Company conducted many lectures in the business training classes, department-level leading cadre training courses, overseas patent training classes and other occasions; thirdly, supervising the preparation of special planning. According to the working requirement of dividing the implementation of strategic planning, the Company supervised the preparation and issued special planning including the “Thirteenth Five-Year Plan” human resources planning, scientific innovation planning, survey, design and consultancy planning, special planning for domestic project contracting and operation, financial strategic planning, overseas business development strategic planning, overall information plan, and corporate culture construction planning; fourthly, completing the approval of the “Thirteenth Five-Year Plan” development strategies of over 30 secondary units of the Company.

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

(III) Operation plan

☒ Applicable ☐ Not Applicable

1. Explanation of operation plan during the Reporting Period

In 2017, the Group took active approaches to overcome hardships such as downward economy, intensified industry competition and sharply increased risks, made great efforts to improve quality and efficiency, accelerated the transformation and upgrading of structure adjustment, and smoothly achieved the annual main production and operation objectives.

2. Operation plan for 2018

The 2018 operation plan of the Group is: the value of new contract is RMB1,510.0 billion, revenue from operations amounted to RMB700.8 billion, costs and taxes amounted to RMB676.0 billion. In order to realize its operation objectives, the Group will adopt a business model combining the regional operation, brand operation, reputation operation, synergetic operation, etc. to make every effort to improve its regional operation capacity and enlarge market share. The Group will strengthen the cooperation between different inside groups and businesses to fully release group advantage, and to promote the rapid growth of the Company. The Company will take urban management as a new growth point for corporate operation and focus on participating in projects such as livable cities, smart cities, and featured cities. The Company will vigorously implement the strategy of “motivating development by innovation” and endeavor to cultivate new growth point in economy and competitive edges while promoting the transformation and upgrading, carrying out structural adjustment as well as strengthen and optimize non-construction operations.

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

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

In order to achieve the business goals for 2018 and satisfy the development needs of the Company's various businesses, the Company will ensure the satisfaction of capital requirement for its operations through internal resources, issuance of new shares, bank loans and bank acceptances, issues of bonds and other ways.

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

(IV) Potential risks

☒ Applicable ☐ Not Applicable

The Group has always attached great importance to the internal and external exposure to risks, consistently collecting and analyzing risk-related information, regulating the risk management process, strengthening major risk control measures, for the purpose of prudent and steady development. The Company identify the following categories of risks that are likely to confront the Group in 2018 through our annual systematic assessment of major and significant risks: safety and quality risks, investment risks, overseas risks, international operational risks, project management risks and risks related to accounts receivable.

1. Safety and quality risks: Contracted construction projects comprising of a large variety of building tasks account for a large share of the Company's business. The production safety and quality of projects of the Company are exposed to major risks due to the nature of the industry and impacts of the construction environment, as the Company's projects feature multiple sites, wide range and long construction periods, and are constantly faced with landslides, debris flows, floods, gas, gushing and other risks. The Company always place high priority on the safety and quality. In 2018, the Company will continue to conscientiously implement the requirements and plans of the CPC Central Committee, the State Council and relevant ministries, firmly establish the "red line awareness", and stringently implement the requirements of "one post for double responsibilities, the CPC Committee and the management sharing responsibilities and tracing responsibilities for dereliction of duty". Under the direction of "thought in advance, found in advance and eliminated the safety risks in advance", the Company will continue to focus on strengthening the foundation such as the safety management system to further improve the safety management platform, and carry out safety and quality standardization. Meanwhile, the Company will reinforce education and trainings on safety and quality, conduct regular inspections and supervision on safe production, strengthen control of accidents relating to production safety, give full play to the education, intimidation and warning functions of the interview system, and urge all concerned units to further carry out the main responsibility of safe production as to eradicate the possibility of various kinds of safety accidents. Also the Company places emphasis on emergency management and adheres to the principle of "taking emergency and life rescue as the core" to practically enhance emergency management on safe production.
2. Investment risks: The investment projects of the Company feature large scales, long construction periods, a wide range of sectors, high complexity, strict construction deadlines and high quality requirements, which expose the operation of such projects to major risks such as increase in payment risks associated with property owners, increased difficulty in financing, and the decreasing of expected investment returns under the external situations of increasing debt pressure of property owners, tightening of financial regulations, and intensified market competition. For investment, the Company will follow its "active, prudent, flexible and effective" approach, deepen feasibility studies, strictly adheres to the decision-making process to ensure expected benefits to be derived from the source. The Company will put an emphasis on

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

operational planning to promote operational efficiency, attach importance to resource allocation and enhance supervision over the process to ensure accomplishment of the expected economic objectives. The Company will establish full life-cycle risk management and strengthen the monitoring mechanisms on analysis of the process of dynamic risks. In particular, special inspection systems will be established for major investment projects to conduct periodic analysis and evaluation. Risk warning and risk analysis and conclusion after the completion of a controlled project should be carried out timely to improve the risk management system. In addition, post-investment evaluation should be made in a timely manner to normalize the risk assessment tasks.

3. International operation risks: With regard to overseas market development and operations, the Company is faced with various risk factors. In addition to the same inherent risks as the domestic market, overseas risks have their own features due to difference of overseas business models and environments. Political events or government actions in the country where the project is located and political relations with other countries may lead to political risks; local social behavior, culture, religious beliefs, local community organizations, and residents' demands and attitudes towards overseas engineering contractors may lead to social cultural and environmental risks; and changes in the local macroeconomic situation and various laws, regulations and policies may lead to economic, labor and legal risks. Since the active implementation of the "going-out" strategy and the improving of international business layouts, the Company attaches great importance to overseas risk management work. With the increase experience in the international market, the Company has identified indicators for national risk warning and has established risk event information feedback system and linkage systems for domestic and international risk control in specific countries. In the future, the Company will further coordinate project management relationships, implement risk management responsibilities on all levels, strictly enforce internal control systems and processes, and constantly improve its international operations and project management system. The Company will also further strengthen the process of identification, information collection and management and control of foreign risk, earnestly conduct market research and project inspections in the early stage, strictly review the contracts, carry out process management and control of projects and actively leverage measures such as purchasing insurance to avoid, transfer or reduce the related political, economic, legal, and labor risks in international operations. At the same time, it will strengthen the communication with and the reporting to Chinese Ministry of Foreign Affairs, the Ministry of Commerce, foreign embassies, economic affairs office, consulates, foreign contractors association, and other departments or institutions to obtain services and guidance on consular management and risk warning to comprehensively improve the management level of overseas projects and risk prevention capabilities, and to achieve the rolling development of overseas business.

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

4. Project management risks: Project management risks are inherent to the industry in which the Group operates. The main business activity of the Group is construction, which features complicated product structure, frequently changing of work sites, fast staff flows and wide range of sites. Many activities are conducted outdoor, at high elevations, in water bodies or underground, are subject to impacts of adverse work environment, climate and geological conditions and other natural environmental factors, and are faced with inherent risks of our business. The Company will continue to innovate management mechanisms, standardize on-site management, further clarify the position of each level in project management, continue to carry out business training and pre-post safety training for field operators, attach due importance to training and management of project managers and constantly strengthen the development of our project teams. The Company will firmly implement relevant laws and regulations of the national and local governments through the adherence to the standards, strict inspections, identifying problems, resolving problems with right solution, and comprehensive management, and other specific prevention and control measures. The Company will implement advanced project management measures, promote replicable engineering process modules, and gradually realize institutionalized, standardized and standardized project management. The Company identifies the problems in project management, safety and quality, construction progress, energy conservation and environmental protection of difficult projects, and solve the problems in time through organizing of comprehensive inspections of project management and safety production inspections to ensure the construction progress, quality, safety of the project, and the smooth and orderly progress of the project.
5. Risks related to accounts receivable: Risks related to accounts receivable increase in proportion to the scale of accounts receivable, the higher the sales volume realised by using commercial credit, the higher the risk of accounts receivable. The Group will comprehensively strengthen the management of accounts receivable to safeguard the quality and use efficiency of assets and protect the status of our capital. Firstly, the Group will strictly control the bidding and signing of contracts, control the scale of accounts receivable from the source, and improve the risk classification ability of new business based on the effective pressure control of existing accounts receivable. The Group attaches great importance to the quality and efficiency of operating contracts, and insists on the principle of "Six not undertake". At the same time, the Group strengthens the review of the fund distribution terms, strengthens the communication with the property owners for projects that received over-proportioned cash deposits, and carefully selects projects whose payment ratios were too low. Secondly, the Group will strengthen daily control to effectively control the risk of accounts receivable. Currently, the Company has initially established an accounts receivable risk management and control mechanism. On the basis of consolidating the existing mechanisms, the next step of the Company is to improve the system by establishing early-warning mechanisms, strengthening inspection and supervision, and improving assessments, so as to continuously improve the overall level of clearing and debt collection management and achieve effective management and control of the risks associated with accounts receivable.

(V) Others

☐ Applicable ☒ Not Applicable

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

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

☐ Applicable ☒ Not Applicable

V. OTHER DISCLOSURE (DISCLOSURE PURSUANT TO THE REQUIREMENTS OF THE HONG KONG LISTING RULES)

(I) Principal business

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

(II) Business review

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

(III) Taxation on dividend

The Board proposed to distribute a final cash dividend for the year 2017 of RMB0.18 per share (including tax) with a total amount of RMB2,444,317,470.00 in aggregate based on the total share capital of 13,579,541,500 shares of the Company as at 31 December 2017. The above profit distribution plan is subject to consideration and approval at the 2017 annual General Meeting of the Company. After being considered and approved, the cash dividend will be paid on or before 31 August 2018 as expected by the Company. The Company will make separate announcements after convening of the General Meeting in relation to further details of the closure of register of H shareholders for distribution of cash dividend and the expected payment date.

Details of profit distribution of the Company in 2017 are set out in Section VI "Significant Events" of this report.

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

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

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

According to the provisions of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (財稅[2014]81號), for dividends received by domestic individual investors or domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong-Kong Stock Connect, H share companies shall submit an application to the China Securities Depository and Clearing Corporation Limited (hereinafter "CSDCC") for the CSDCC to provide the register of members of domestic individual investors to the H-share companies, and the H-share companies shall withhold individual income tax at the tax rate of 20%. Such H-share companies will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax by themselves. According to the provisions of the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No.127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (財稅[2016]127號), for dividends received by domestic individual investors or domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong-Kong Stock Connect, H share companies shall submit an application to the CSDCC for the CSDCC to provide the register of members of domestic individual investors to the H-share companies, and the H-share companies shall withhold individual income tax at the tax rate of 20%. Such H-share companies will not withhold and pay the income tax of dividends for domestic enterprise investors, and those domestic enterprise investors shall report and pay the relevant tax by themselves. For dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shanghai Stock Exchange, and prior to Hong Kong Securities Clearing Company Ltd. (hereinafter "HKSCC") is able to furnish the identity, holding period and other detailed data of investors in the Hong Kong market to CSDCC, the differentiated tax treatment based on the holding period of shares will temporarily not be implemented. Listed companies shall withhold income tax at a tax rate of 10% and make withholding filings with their competent tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and their residence countries, investors may by themselves or ask the withholding agent to act on their behalves to apply to the competent tax authorities of the listed company for the application of preferential treatment under the treaties. With the approval of the competent tax authorities, the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

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

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

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

(IV) Share capital

Details of the share capital of the Company are set out in "38. Share capital" in the Note V to the Financial Reports of this report.

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

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

(V) Capital reserves, surplus reserves and special reserves

Changes to capital reserves, special reserves and surplus reserves of the Group and the Company in the year are set out in the Consolidated Statement of Changes in Equity in the audited financial reports and "40 Capital Reserve", "42 Special Reserve" and "43 Surplus Reserve" in the Note V to the Financial Reports of this report.

(VI) Fixed assets

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

(VII) Distributable reserves

The distributable reserve of the Company as at 31 December 2017 was approximately RMB10.9101 billion.

(VIII) Designated deposits and overdue term deposits

As at 31 December 2017, the Group had no designated deposits placed with any financial institutions in China, nor any term deposits which could not be recovered upon maturity.

(IX) Pre-emptive rights

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

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

(X) Permitted indemnity provisions

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

(XI) Management contracts

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

(XII) Donation

During the Reporting Period, the aggregation of the charitable donations and other donations of the Group amounted to RMB10.067 million.

(XIII) Relationship with employees, customers and suppliers

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

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

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

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

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

(XV) Details of future plans for significant investments or purchasing capital assets of the Group and their expected source of funding in the coming year

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

Section VI Significant Events

I. ORDINARY SHARE STOCK PROFIT DISTRIBUTION PLAN OR RESERVE-TO-EQUITY

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

☒ Applicable ☐ Not Applicable

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

It was resolved at the 19th meeting of the third session of the Board convened by the Company on 29 and 30 March 2017 that a cash dividend of RMB2,172,726,640.00 in total for 2016, i.e. RMB0.16 (tax inclusive) per share based on the total share capital of 13,579,541,500 shares as at 31 December 2016 was declared. The profit distribution plan had been considered and passed at the 2016 annual General Meeting convened on 15 June 2017. As at 3 August 2017, the distribution of the above cash dividend was completed.

2. Formulation, execution or adjustment of cash dividend policy

While maintaining the sustainable and stable development, the Company highly valued reasonable investment return to its shareholders. According to relevant regulations by the CSRC, the Articles of Association made clear the approval procedure for the cash dividend distribution policy and profit distribution policy. The Company's profit distribution policy is consistent with the Articles of Association and review process requirements. The standard and proportion of dividend are clear and relevant decision-making procedures and mechanisms are complete. The independent directors of the Company fulfilled their responsibilities with due diligence, carefully audited the cash dividend policy and issued independent advice. The Company has adopted a number of ways for the small and medium-sized shareholders to fully express their views and demands, fully safeguard the legitimate rights and interests of minority shareholders.

During the Reporting Period, in order to facilitate investors to have more comprehensive and further understanding of cash dividend distribution for 2016, the Company held an online illustration meeting on 10 May 2017, with the investors' corresponding issues hereof under common concern answered; on 15 June 2017, through the combination of on-site open and online voting, the Company considered and adopted the Proposal Regarding 2016 Annual Profit Distribution Plan at the 2016 annual General Meeting.

Section VI Significant Events (continued)

3. Explanation on profit distribution plan for 2017

(1) *The 2017 profit distribution plan approved by the Board*

According to the audited financial report of the Company for 2017, at the beginning of 2017, the undistributed profit of the parent company was RMB8,889,206,129.35. After adding the net profit realized by the parent company in 2017 of RMB4,973,338,733.68, deducting the cash dividends for 2016 of RMB2,172,726,640.00, paying the interests of the 2016 renewable corporation bond (First tranche) of RMB282,400,000.00 due to the trigger of a mandatory interest payment event, the distributable profit of the parent company at the end of the year was RMB11,407,418,223.03.

According to the *Company Law* and the *Articles of Association*, the distributable profit of the parent company shall be distributed in the order as follows in 2017: the withdraw of the statutory surplus reserve fund of RMB497,333,873.37 based on 10% of net profit realized by the parent company for the year 2017, after which the parent company's distributable profit for the shareholders in 2017 was RMB10,910,084,349.66; a cash dividend of RMB2,444,317,470.00 in total, i.e. RMB0.18 (tax inclusive) per share will be distributed, based on the total issued share capital of 13,579,541,500 shares as at 31 December 2017; Upon such distribution, the undistributed profit of the parent company amounting to RMB8,465,766,879.66 will be carried forward to the next year. This profit distribution plan is subject to consideration and approval at the 2017 annual General Meeting of the Company.

(2) *The time arrangement of the profit distribution plan for 2017*

The profit distribution plan for 2017 of the Company is subject to consideration and approval at the 2017 annual General Meeting. The above proposed dividend is expected to be paid to the shareholders of the Company on or before 31 August 2018 after such profit distribution plan is considered and approved at the 2017 annual General Meeting (the date of which has not been determined but will be announced by the Company in due course). If there is any change in the expected payment date, the Company will make further announcement(s) in respect of such change in due course.

Section VI Significant Events (continued)

(3) *Statement of the Board on the profit distribution plan for 2017*

- ① From the perspective of national strategies and economic development requirements, investment into infrastructure construction will remain stable, the promotion of new urbanization, coordinated development for the Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area and Xiong'an New Area will become an important engine for future development of the construction industry and bring great and valuable opportunities. Investment into railway, road, housing construction, urban transit, municipal engineering and water resources, water and electricity supply, airport will remain stable. Fields including utility tunnel, sponge city and pollution prevention and treatment are expected to experience rapid development. As the "Belt and Road Initiative" is advanced, overseas markets will embrace new development opportunities. To seize opportunities arising from national deployment, the Company has a great capital demand for realizing its strategic plans.
- ② From the perspective of the development, the Group now sees a rapid development and is in a crucial stage for strategic transformation. In 2017, the newly-signed contracts, revenue and total profit of the Group amounted to RMB1,508,312.4 million, RMB680,981.1 million and RMB21,255.8 million respectively, all recording significant growth as compared with the same period of last year and setting a new record in the history of the Group. While the business is expanding with steady and rapid growth, the Company records year-on-year increase in investment in manufacturing and real estate development in the course of deepening reform and promoting innovation-driven development. When pressing ahead with restructuring and transformation and pursuing the development strategy of "construction-oriented, relevant diversification, integrated operation and advance through transformation", the Company has to settle any potential capital pressure.
- ③ From the perspective of retained earnings, one portion of net income earned will be distributed to investors, and the other portion will be reserved. Accumulative retained earnings are attributable to owners of the Company, but will not distributed for the time being. A balance between distribution and accumulation to keep some of net income for satisfying future requirements and controlling fluctuations of income allocation will be conducive to a sustained and stable dividend distribution policy. Dividend declaration of CRCC has been staying above 15% in recent years, indicating a stable level of dividend distribution.

Section VI Significant Events (continued)

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

Unit : RMB'000 Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax inclusive)	Number of shares transferred for every 10 shares (share)	Amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of the Company in the consolidated financial statement during the year of dividend distribution	Percentage in net profit attributable to shareholders of the Company in the consolidated financial statement (%)
2017	0	1.80	0	2,444,317	16,057,235	15.22
2016	0	1.60	0	2,172,727	13,999,610	15.52
2015	0	1.50	0	2,036,931	12,645,478	16.11

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

II. PERFORMANCE OF UNDERTAKINGS

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

☒ Applicable ☐ Not Applicable

Commitment background	Commitment Category	Commitment by	Commitment Contents	Time and term of commitments	Is there a term for fulfillment	Is there timely and strict fulfillment	If the commitment fails to be fulfilled in due time, please explain the specific reasons for the failure	If the commitment fails to be fulfilled in due time, please state the plan in the next step
Commitments associated with the share reform								
Commitments in acquisition report or report on changes in equity								
Commitments associated with major asset reorganization								
Commitments associated with IPO								
Commitments associated with refinancing	Others	CRCCG	If CRCC violates the laws and regulations such as failure in disclosing idle land, which causes loss to CRCC and its investors, China Railway Construction Corporation shall bear the civil liability of compensation for CRCC and its investors pursuant to the laws.	Long-term	No	Yes		
	Others	Directors and senior management	If CRCC violates laws and regulations such as failure in disclosing idle land, which causes loss to CRCC and its investors, the directors and senior management shall bear the civil liability of compensation for CRCC and its investors pursuant to laws.	Long-term	No	Yes		
Commitments associated with share incentive								
Other commitments made to minority shareholders of the Company								
Other commitments	Resolving ownership defects of lands and other properties	CRCCG	Acquiring land certificates and property ownership certificates, covering the costs of acquiring the aforesaid certificates and losses caused thereby.	Long-term	No	Yes		

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

(II) Where the Company has profit forecasts on assets or projects, and the Reporting Period was within the term of profit forecasts, the Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor

☐ Achieved ☐ Not achieved ☒ Not Applicable

Section VI Significant Events (continued)

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

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

☒ Applicable ☐ Not Applicable

On 28 April 2017, the Ministry of Finance issued the *Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations*, which shall be implemented in all enterprises that adopted the Accounting Standards for Business Enterprises since 28 May 2017. The new standard has specified stipulations on classification and measurement of non-current assets held-for-sale and disposal groups, requiring separate presentation of profit or loss for continuous operation and profit or loss for discontinued operation in the statement of profit or loss and other comprehensive income and detailed disclosure of information relevant to held-for-sale non-current assets, disposal groups and discontinued operations in the notes. The Group has adopted the standard according to the requirements of the Ministry of Finance. This standard requires retrospective approach for accounting treatment, which has no influence on this financial statements.

On 10 May 2017, the Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 16 – Government Grant (Revised)*, which shall be implemented since 12 June 2017. The *Accounting Standards for Business Enterprises No. 16 – Government Grant (Revised)* further clarified its application scope and clarified the principle for distinguishing government grant from revenue. As for government grants related to assets are charged against carrying amount in related assets when related assets become ready for their intended use. As for government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense. Meanwhile, the revised standard added accounting treatment of government loans at below-market interest rates, and specified new requirements on presentation thereof. The Group has adopted the standard according to the requirements of the Ministry of Finance. This standard requires retrospective approach for accounting treatment, which has no influence on this financial statements.

Section VI Significant Events (continued)

On 25 December 2017, the Ministry of Finance issued the *Cai Kuai No. 30 Document*, which revised the general format of enterprise financial statements. Such revision is applicable to the financial statements for 2017 and subsequent periods. The Group has adopted the requirement of such notice, to change the gains and losses from disposal of non-current assets under “non-operating income” and the “non-operating expense” as “gains/losses from disposal of assets”. The Group has accounted for the above change by using retrospective application, and adjusted comparative figures of the prior year.

For details of changes in accounting policies, please refer to Note III. 35 – Changes in Significant Accounting Policies in the Financial Statements set out in this report.

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

☐ Applicable ☒ Not Applicable

(III) Communication with the previous accounting firm

☐ Applicable ☒ Not Applicable

(IV) Other Explanation

☐ Applicable ☒ Not Applicable

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

(I) Information in relation to the review on the financial statements by the Audit and Risk Management Committee

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

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

Section VI Significant Events (continued)

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

The Audit and Risk Management Committee of the 4th session of Board heard the report of Deloitte Touche Tohmatsu CPA LLP on the progress of the audit on 2017 annual report of the Company, reviewed the "key audit matters" in the auditor's Report, and agreed with the judgment of Deloitte Touche Tohmatsu CPA LLP on the "key audit matters" and the audit procedures implemented.

VII. APPOINTMENT AND REMOVAL OF AUDITORS

Unit: ten-thousand yuan Currency: RMB

	Original Auditors	Existing Auditors
Name of domestic auditors	Ernst & Young Hua Ming LLP	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	0	2,538
Term of the domestic auditors for audit services	10 years	1 year

	Name	Compensation
The auditors for internal control audit	Deloitte Touche Tohmatsu CPA LLP	216
Financial advisor	Somerley Capital Limited	HKD250,000
Sponsor	China International Capital Corporation Limited	–

Explanation on appointment and removal of auditors

☒ Applicable ☐ Not Applicable

- Pursuant to the amendments to the Hong Kong Listing Rules by the Hong Kong Stock Exchange and relevant requirements of the Ministry of Finance and the CSRC, a company incorporated in Mainland China and listed on the Hong Kong Stock Exchange is permitted to adopt the PRC GAAP to prepare its financial statements and to engage a domestic accounting firm recognized by the Ministry of Finance and the CSRC to provide relevant services according to the PRC auditing standards since 15 December 2010. Therefore, the Company appointed only one accounting firm each year as its external auditor starting from the fiscal year of 2011 (no division of domestic and overseas).
- China International Capital Corporation Limited was engaged by the Company as the sponsor in respect of the non-public issuance of shares of the Company in 2015. As of 31 December 2016, all funds raised from non-public offering of shares have not been used up. According to the "Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies (上海證券交易所上市公司持續督導工作指引)" and other related regulations, the duration of continuous supervision was extended to 31 December 2017.

Section VI Significant Events (continued)

3. During the Reporting Period, the Company engaged Somerley Capital Limited as the Company's independent financial advisor in accordance with the provisions of the Hong Kong Listing Rules in light of the proposed public issuance of A share convertible corporate bonds.

Explanation on the change of accounting firms during the audit period

☒ Applicable ☐ Not Applicable

Ernst & Young Hua Ming LLP has provided auditing services for the Company for 10 years since 2007. In order to ensure the objectivity and independence of the external auditors, the Company changed its auditors in 2017. On 15 June 2017, after consideration and approval by the 2016 annual General Meeting, the Company engaged Deloitte Touche Tohmatsu CPA LLP as the external auditors of the Company for 2017 to carry out the audit work for the financial statements of the Company for 2017 and the reviewing for the Company's 2017 interim financial statements. Fees for audit of 2017 Annual Report and related services paid by the Company was RMB25.38 million. Deloitte Touche Tohmatsu CPA LLP was, at the same time, be engaged as the internal control auditors of the Company for 2017. Fees for audit of internal control and related services paid by the Company for 2017 was RMB2.16 million. For details, please refer to the announcements dated 18 January 2017 and 16 June 2017 published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Company (www.crcc.cn), and the announcements dated 18 January 2017 and 15 June 2017 published on the websites of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.crcc.cn).

VIII. RISK OF SUSPENSION OF LISTING

(I) Causes of Suspension of Listing

☐ Applicable ☒ Not Applicable

(II) Measures to be taken by the Company

☐ Applicable ☒ Not Applicable

IX. SITUATION AND CAUSES FOR TERMINATION OF LISTING

☐ Applicable ☒ Not Applicable

X. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

☐ Applicable ☒ Not Applicable

XI. MATERIAL LITIGATION AND ARBITRATION

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

Section VI Significant Events (continued)

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

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

☐ Applicable ☒ Not Applicable

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

Information on share incentive

☐ Applicable ☒ Not Applicable

Other explanation

☐ Applicable ☒ Not Applicable

Information on employee stock ownership plan

☐ Applicable ☒ Not Applicable

Other incentive measures

☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

XV. CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

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

(I) Non-exempt continuing connected transactions (disclosure pursuant to the requirements of the Hong Kong Listing Rules)

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

The Controlling Shareholder and its associates, retained certain ancillary operations in the process of the restructuring and listing of the Company. Following the listing of the H shares of the Company on the Hong Kong Stock Exchange, these ancillary operations continued to provide ancillary construction survey and design services to the Company and/or its subsidiaries.

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

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

Section VI Significant Events (continued)

Set out below are the approved annual cap and actual amount of transaction in relation to non-exempt continuing connected transactions under the aforementioned Services Provision Framework Agreement by the Group and the Controlling Shareholder and/or its associates for the year ended 31 December 2017:

Unit: thousand yuan Currency: RMB

Nature of transaction	Annual cap of 2017	Consolidated amount of transaction of the Group in 2017
Expenditure Expenditure payable by the Group in respect of the services provided by the Controlling Shareholder and/or its associates under the Services Provision Framework Agreement	600,000	583,098

- Continuing connected transaction under the Property Leasing Framework Agreement and its supplementary agreement between the Company and the Controlling Shareholder

The Company entered into the Property Leasing Framework Agreement (as supplemented by supplemental agreement dated 28 December 2012) with the Controlling Shareholder on 5 November 2007, for a term of 10 years from 5 November 2007. The principal term of the Property Leasing Framework Agreement is that the Controlling Shareholder and/or its related parties/associates have agreed to lease certain of their lawfully owned properties (hereinafter as "Leased Properties") to the Company and/or its subsidiaries on the terms and conditions set out in the Property Leasing Framework Agreement, and the Company and/or its subsidiaries have agreed to pay consideration for the lease of the Leased Properties as provided for under the Property Leasing Framework Agreement.

Section VI Significant Events (continued)

The above Property Leasing Framework Agreement (as supplemented by a supplemental agreement dated 28 December 2012) expired on 4 November 2017. In order to regulate the continuing connected transactions of the ongoing property leasing by the Group from the Controlling Shareholder and/or its related parties and/or its associates, the Company renew the framework agreement with the Controlling Shareholder on 30 October 2017 for a term from 5 November 2017 to 31 December 2019. The parties also set the annual caps for the continuing connected transactions thereunder for the two years ending 31 December 2019.

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

Set out below are the approved annual cap and actual amount of transaction of the non-exempt continuing connected transactions under the Property Leasing Framework Agreement and the Land Use Rights Leasing Framework Agreement for the year ended 31 December 2017:

Unit: thousand yuan Currency: RMB

Nature of transaction	Annual cap of 2017	Consolidated amount of transaction of the Group in 2017
Expenditure Expenditures payable by the Group for leasing properties and land use rights from the controlling Shareholder and/or its associates under the Property Leasing Framework Agreement (as supplemented by a supplementary agreement dated 28 December 2012) and the Land Use Rights Leasing Framework Agreement	300,000	102,476

Section VI Significant Events (continued)

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

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

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

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

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

Section VI Significant Events (continued)

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

Set out below are approved annual caps and actual amount of transaction of the non-exempt continuing connected transactions under the Financial Services Agreement for the year ended 31 December 2017:

Unit: thousand yuan Currency: RMB

Nature of transaction	Annual cap of 2017	Consolidated amount of transaction of the Group in 2017
Loan services	3,000,000 ^{Note}	1,758,116 ^{Note}
Clearing services	100,000	7
Other financial services	100,000	50

Note: During the valid period of the Financial Services Agreement, the daily loan balance (including accrued interest thereon) obtained from Finance Company by the controlling shareholder and its subsidiaries shall not exceed RMB3 billion in total. During the Reporting Period, the maximum daily loan balance (including accrued interest thereon) obtained from Finance Company by the controlling shareholder and its subsidiaries was RMB1,758.116 million.

The proposed annual caps of the continuing connected transactions mentioned in paragraphs 1, 2 and 3 above were determined based on the estimated amount of transactions involved with reference to the historical transaction volumes. For details of the abovementioned continuing connected transactions, please refer to the announcements of continuing connected transactions dated 29 December 2015, 26 January 2016 and 30 October 2017 as published by the Company.

Section VI Significant Events (continued)

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

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

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

- (i) Nothing had come to the auditors' attention that had caused them to believe that the continuing connected transactions as disclosed had not been approved by the Board;
- (ii) In respect of the continuing connected transactions relating to the provision of goods and services by the Group, nothing had come to the auditors' attention that caused them to believe that such transactions had not been conducted in accordance with the pricing policy of the Company in all material aspects;
- (iii) Nothing had come to the auditors' attention that caused them to believe that such transactions had not complied with the terms of the relevant transactions in all material aspects; and
- (iv) Nothing had come to the auditors' attention that caused them to believe that the continuing connected transactions as disclosed had exceeded the 2017 annual caps set out in the continuing connected transactions announcements dated 29 December 2015, 26 January 2016 and 30 October 2017.

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2017 are set out in Note X to the financial statements of this report. Except for the related party transactions between the Company and joint ventures and associates set out in Note X, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Section VI Significant Events (continued)

(II) Related party transactions in relation to the ordinary operations (disclosure pursuant to the requirements of the SSE Listing Rules)

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

☒ Applicable ☐ Not Applicable

Summary of the event

Document for inspection

The 49th meeting of the third session of the Board of the Company was held on 30 October 2017. At the meeting, the Renewal of the Property Leasing Framework Agreement and the Proposal in Relation to the Determination of the Caps of Continuing Connected Transactions for 2018–2019 were considered and approved; the Company was approved to renew the Property Leasing Framework Agreement with the Controlling Shareholder and to determine the related transaction caps. According to the Property Leasing Framework Agreement entered into between the Company and the controlling shareholder, the annual transaction caps of expenditures in respect of leasing of all properties and lands by the controlling shareholder shall not exceed RMB300 million. Before submission to the Board for review, the proposal has been approved by independent non-executive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.

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

Section VI Significant Events (continued)

Summary of the event	Document for inspection
<p>The 21st meeting of the third session of the Board of the Company was held on 28 December 2015. At the meeting, the Proposal in Relation to the Determination of the Caps of Continuing Connected Transactions for 2016–2018 and the Renewal of the Services Provision Framework Agreement was approved; the Company and the controlling shareholder were approved to renew the Services Provision Framework Agreement and to determine the related transaction caps. According to the Services Provision Framework Agreement entered into between the Company and the controlling shareholder, the annual transaction caps for 2016–2018 were determined to be no more than RMB600 million. Before submission to the Board for review, the proposal has been approved by independent non-executive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.</p>	<p>For details, please refer to the announcement of the Company dated 29 December 2015 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).</p>

Section VI Significant Events (continued)

Summary of the event

Document for inspection

The Company and CRCC Financial Leasing Co., Ltd. ("CRFL") signed the Services Mutual Provision Framework Agreement in 2016, which standardized the financial assistance, equipment procurement and leasing services provided by CRFL to the Company and its subsidiaries and set up caps. The Company issued an announcement in relation to the Services Mutual Provision Framework Agreement. The 39th meeting of the third session of the Board of the Company was held on 29 to 30 March 2017. At the meeting, the Resolution on Renewal of the Services Mutual Provision Framework Agreement entered into between the Company and CRFL were considered and approved. The Company adjusted the details for the business transactions with CRFL and reset the annual caps based on its own planning on business development. The Company re-entered into the Services Mutual Provision Framework Agreement with CRFL for a term from 1 January 2017 to 31 December 2019. Before submission to the Board for review, the proposal has been approved by independent non-executive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.

For details, please refer to the announcement of the Company dated 31 December 2016 and 31 March 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

Section VI Significant Events (continued)

Summary of the event

Document for inspection

The 22nd meeting of the third session of the Board of the Company was held on 25 January 2016. At the meeting, the Resolution on Renewal of the Financial Services Agreement entered into between CRFL and the controlling shareholder was considered and approved; CRFL, being a subsidiary controlled by the Company, was approved to renew the Financial Services Agreement with the controlling shareholder, and provide deposit, loan, clearing and other financial services to the controlling shareholder and its subsidiaries (excluding the Company) based on the agreement. Before submission to the Board for review, the proposal has been approved by independent non-executive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.

For details, please refer to the announcement of the Company dated 26 January 2016 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

During the Reporting Period, the abovementioned related party transactions in relation to ordinary operations have been conducted in accordance with provisions of the agreements, with no change has been made. During the Reporting Period, actual execution of the above mentioned related party transactions is as follows:

- (1) *Related party transactions with the controlling shareholder in relation to ordinary operations of the Group*

Unit: thousand yuan Currency: RMB

Related party	Related party transactions type	Related party transactions content	Pricing principle of related party transactions	Related party transactions price	Related party transactions amount	Proportion in similar transactions (%)	Settlement method of related party transactions	Market price	Reason for the difference between transaction price and market price
11 units including Shaanxi Railway Engineering Investigation Co., Ltd.	Expenditure for labor service	Survey, design and consultation operations	Agreement pricing	-	583,098	0.09	Cash	-	-
Controlling shareholder	Property leasing expense	Property leasing	Agreement pricing	-	102,476	0.02	Cash	-	-

Section VI Significant Events (continued)

(2) Continuing connected transactions between the Company and CRFL

Unit: thousand yuan Currency: RMB

Nature of transaction	Project	Annual cap of 2017	Consolidated amount of transaction during the Reporting Period
Revenue	<p>With the comparable market price which is no less than that of the third party, CRFL will purchase tunnel boring machines and other mechanical equipment from the Company and its related subsidiaries, but the cumulative amount per year shall not exceed RMB9 billion.</p> <p>Under the pre-condition of complying with the relevant laws and regulations of the state, according to its scope of operation, CRFL may take term deposits of 3 months or more (both days inclusive) from China Railway Construction Heavy Industry Group Co., Ltd. ("Railway Construction Heavy Industry") and Beijing CRCC Tianrui Machinery Equipment Co., Ltd. ("CRCC Tianrui"), both of which are subsidiaries of the Company, and pay interest based on the agreed interest rate. The interest rate paid by CRFL shall be no less than the applicable loan rate that domestic major commercial banks provide for similar loan services within the same period. Within the validity term of the agreement, the deposit balance (including accrued interest) that CRFL obtains from Railway Construction Heavy Industry and CRCC Tianrui shall not exceed RMB500 million.</p>	<p>9,000,000</p> <p>500,000</p>	<p>1,546,705</p> <p>—</p>
Expense	<p>CRFL provides financial leasing services and operating leasing services for the Company or its related subsidiaries. Within the validity term of the agreement, CRFL shall charge the fees in relation the leasing services provided by CRFL for the Company based on the charging standard which is not higher than that of the similar service items provided by the similar financial institutions in China. The total amount of annual charge for leasing services shall not exceed RMB31.5 billion.</p>	31,500,000	485,559

Section VI Significant Events (continued)

- (3) Continuing connected transaction between CRCC Finance Company Limited, a subsidiary controlled by the Company, and the controlling shareholder

See "Claims and liabilities between related parties" in X. (V) of this section.

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

☐ Applicable ☒ Not Applicable

3. Events not disclosed in the temporary announcements

☐ Applicable ☒ Not Applicable

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

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

3. Events not disclosed in temporary announcements

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

3. Events not disclosed in temporary announcements

☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

(V) Claims and liabilities between related parties

According to the requirements of No. 2 Guidelines for the Content and Format of Information Disclosure by Companies with Public Issue of Securities – Content and Format of Annual Report (as revised in 2017) by the CSRC, the SSE Listing Rules and the Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange, the related parties involved in related party transactions of the Company are the controlling shareholder and subsidiaries controlled by it.

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

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable

Unit: thousand yuan Currency: RMB

Related party	Related party relationship	Provision of funds to related party by the listed company			Provision of funds to the listed company by related party		
		Balance at the beginning of the period	Accrual	Ending balance	Beginning balance	Accrual	Ending balance
China Railway Construction Co., Ltd. ^{Note 1}	Controlling shareholder	1,400,000	300,000	1,700,000	1,103,573	-317,829	785,744
China Railway Construction Co., Ltd. ^{Note 2}	Controlling shareholder	-	-	-	250,978	-80,429	170,549
China Railway Jinli Assets Management Co., Ltd. ^{Note 2}	Wholly-owned subsidiary of the controlling shareholder	-	-	-	274,628	71,238	345,866
Beijing Tongda Jingcheng Highway Co., Ltd. ^{Note 2}	Non-wholly owned subsidiary of the controlling shareholder	-	-	-	110,601	131,884	242,485
Beijing Railway Construction Technology Magazine Co., Ltd. ^{Note 2}	Non-wholly owned subsidiary of the controlling shareholder	-	-	-	1,064	2,072	3,136
Total		1,400,000	300,000	1,700,000	1,740,844	-193,064	1,547,780

Section VI Significant Events (continued)

During the Reporting Period, the amount of funds provided to the controlling shareholder and its subsidiaries by the Company (in RMB'000)	300,000
Cause to claims and liabilities between related parties	Claims and liabilities resulted from the Company's operations with the related parties.
Settlement of claims and liabilities between related parties	Settlement by normal progress.
Commitments related to claims and liabilities between related parties	None.
Impact of such claims and liabilities between related parties on the Company's operating result and financial position	No significant impact.

Note 1: The capital provided by the Company to the related party is the principal of the loan provided from CRCC Finance Company Limited to the controlling shareholders. The capital provided by the related parties to the Company was mainly the amount granted by the Ministry of Finance to the controlling shareholder. The controlling shareholder lent out such amount to the Company by way of entrusted loans. The interest rate of such entrusted loans was determined by RMB loan benchmark rate of the financial institutions for the same period.

Note 2: The amount includes deposits of the controlling shareholder and its subsidiaries stored in CRCC Finance Company Limited, a subsidiary of the Group.

3. Events not disclosed in temporary announcements

☐ Applicable ☒ Not Applicable

(VI) Others

☐ Applicable ☒ Not Applicable

XVI. MAJOR CONTRACTS AND PERFORMANCE

(I) Trusteeship, contracting and leasing matters

- Information on trusteeship
☐ Applicable ☒ Not Applicable
- Information on contracting
☐ Applicable ☒ Not Applicable
- Information on leasing
☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

(II) Related guarantee

☒ Applicable ☐ Not Applicable

Unit: thousand Currency: RMB

Guarantor	Relationship with the listed company	Party guaranteed	Guarantees (Other than guarantees for subsidiaries)				Guarantee type	Performance Completed or not	Overdue or not	Overdue amount	Counter guaranteed or not	Guarantee by related party	Connected Relationship
			Guarantee amount	Date of Guarantee Occurrence (date of signing the agreement)	Guarantee Starting date	Guarantee Due date							
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	67,200	28 December 2006	28 December 2006	28 December 2026	General guarantee	No	No		No	No	
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	50,400	16 April 2008	16 April 2008	16 April 2028	General guarantee	No	No		No	No	
The Company	Within the Company	CROC-Tongguan Investment Co., Ltd.	980,130	17 March 2014	17 March 2014	30 December 2023	General guarantee	No	No		No	Yes	Associate
The Company	Within the Company	CROC-Tongguan Investment Co., Ltd.	282,277	20 May 2015	20 May 2015	20 November 2023	General guarantee	No	No		No	Yes	Associate
China Railway Construction Investment Group Co., Ltd.	Wholly-owned subsidiary	CROC-Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	8 December 2016	7 December 2025	General guarantee	No	No		No	Yes	Associate

Total amount of guarantees for the Reporting Period (exclusive of the guarantees for subsidiaries)	117,179
Ending balance of guarantees for the Reporting Period (A) (exclusive of the guarantees for subsidiaries)	1,575,007

Guarantees for subsidiaries by the Company together with its subsidiaries

Total amount of guarantees for subsidiaries for the Reporting Period	-4,751,697
Ending balance of guarantees for subsidiaries for the Reporting Period (B)	19,754,232

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

Total guarantees (A+B)	21,329,239
The proportion of total guarantees in net assets of the Company (%)	11.94
Among which:	
The amount of guarantees for the Company's shareholders, actual controllers and their related parties (C)	—
Debt guarantees directly or indirectly to guaranteed objects with the gearing ratio higher than 70% (D)	21,329,239
Of total guarantees, the portion in excess of 50% net assets of the Company (E)	—
Total of the above three categories of guarantees (C+D+E)	21,329,239
Explanation on the potential joint liability arising from the immature guarantees	N/A

Section VI Significant Events (continued)

Explanation on the guarantees

(1) Company's Guarantees for Wholly-Owned Subsidiaries:

It was considered and approved at the 39th meeting of the third session of the Board held from 29 to 30 March 2017 and the 2016 annual General Meeting of the Company held on 15 June 2017 that the total cap for internal guarantees of the Company in 2017 was determined to be RMB80 billion. During the Reporting Period, guarantees granted to wholly-owned subsidiaries by the Company was in strict compliance with the guarantee cap and did not exceed the approved cap of guarantee.

(2) Company's External Guarantees

① In 2006, China Railway Construction Co., Ltd. (formerly known as "China Railway Construction Corporation") had provided RMB67.2 million of guarantee for Sichuan Naxu Railway Co., Ltd's RMB400 million of loans pursuant to its 16.8% of capital contribution. Due to the reform in December 2007, it entered into a tripartite agreement with the Company and the Luzhou Branch of China Construction Bank to revise the subject of the contract to the Company. The resolutions in relation to provision of guarantee to the Sichuan Naxu Railway Co., Ltd. for loans were considered and approved at the 10th meeting of the first session of the Board in October 2008. In proportion to the capital contribution of 16.8%, a guarantee of RMB50.4 million was agreed to be provided to Sichuan Naxu Railway Co., Ltd. for its loans of RMB300 million in 2014, Sichuan Naxu Railway Co., Ltd. was renamed as "Chuantie (Luzhou) Tielu Co., Ltd.", with the amount guaranteed unchanged. As at 31 December 2017, the actual effective balance of such guarantee amount was RMB0.1176 billion.

Section VI Significant Events (continued)

② The resolution in relation to the investment in the development and construction of Mirador Copper Mine Project in Ecuador was considered and approved at the 14th meeting of the second session of the Board in August 2012, pursuant to which the Company agreed to provide guarantee of USD387 million, according to the shareholding proportion, for the loan applied by CRCC-Tongguan Investment Co., Ltd. As at 31 December 2017, the actual effective balance of such guarantee amount was RMB980.1 million. The resolution in relation to the provision of guarantee for the loan advanced to CRCC-Tongguan Investment Co., Ltd. by the Export-Import Bank was considered and approved in the 32nd meeting of the second session of the Board of the Company on 29 April 2014, pursuant to which it was agreed that in proportion to its shareholding of 30%, a guarantee of USD0.0432 billion would be provided to CRCC-Tongguan Investment Co., Ltd. As at 31 December 2017, the actual effective balance of such guarantee amount provided by the Company was RMB282.3 million in equivalence.

③ CRCC Shangdong Beijing-Shanghai Expressway Jile Company Limited was originally a subsidiary of the Company. In 2017, the Company lost control of such company due to the disposal of its equity interests, which was no longer included in the scope of consolidation. As the Company can still exert a significant influence over such company, the Company accounts it as an associate. The original guarantee of RMB195 million for such company remained with effect after consideration of the Company, hence it was changed to a guarantee for an associate.

The total of the three guarantees amounts above was RMB1.575 billion, increased by RMB0.1172 billion as compared with the beginning of the period, which was mainly due to (1) the loss of control resulting from the disposal of equity interests, so that the guarantee for a subsidiary was changed to the guarantee for an associate, as well as (2) the impact of the RMB exchange rate against the US dollar.

Section VI Significant Events (continued)

(III) Entrusted others to manage cash assets

1. Entrusted wealth management

(1) Overall entrusted wealth management

☒ Applicable ☐ Not Applicable

Unit: thousand yuan Currency: RMB

Type	Source of funding	Amount	Outstanding balance	Amount overdue but uncollected
Trust wealth management products	Fund on hand	170,216	170,216	–
Securities wealth management products	Fund on hand	210,200	210,200	–
Public offering fund products	Fund on hand	342,192	342,192	–
Total	Fund on hand	722,608	722,608	–

Others

☐ Applicable ☒ Not Applicable

(2) Individual entrusted wealth management

☒ Applicable ☐ Not Applicable

Unit: '000 Currency: RMB

Entrustee	Type	Amount	Start date	Expiry date	Source of fund	Investment	Determination of returns	Annualized yield	Expected return (if any)	Actual gains or losses	Collection	Whether approved by due process	Any future plan for entrusted wealth management	Provision for impairment loss (if any)
Bank of China Investment Management Co., Ltd.	Mutual funds product	300,000	28 December 2017	24 January 2018	Fund on hand	Monetary market	By yield announced	5.34%	N/A	–	Collected on 24 January 2018	Yes	Yes	–

Note: The above table states the individual entrusted wealth management with an amount exceeding 0.1 billion held by the Group as at the end of the Reporting Period.

Others

☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

(3) *Provisions for impairment of entrusted wealth management*

☐ Applicable ☒ Not Applicable

2. Entrusted loans

(1) *Overall entrusted loans*

☐ Applicable ☒ Not Applicable

Others

☐ Applicable ☒ Not Applicable

(2) *Individual entrusted loans*

☐ Applicable ☒ Not Applicable

Others

☐ Applicable ☒ Not Applicable

(3) *Provisions for Impairment of entrusted wealth management*

☐ Applicable ☒ Not Applicable

3. Others

☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

(IV) Other Major Contracts

☒ Applicable ☐ Not Applicable

1. Domestic business contract

Unit: one hundred million yuan Currency: RMB

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
1	11 January 2017	Shijiazhuang Urban Rail Transit No.1 and 3 Phase II Land Construction and Relevant Construction Investment and Construction Project	65	China Railway Construction Corporation Limited	A construction period of 4 years (No.1 Phase II Construction Period is tentatively to be 36 months; No. 3 Phase II Construction Period is tentatively to be 47 months.)
2	25 January 2017	the PPP Project of Urban Rail Transit Line 2 (Phase I) in Hohhot	166.82	China Railway Construction Corporation Limited	A construction period of 5 years and an operating period of 25 years
3	16 February 2017	The PPP Project of the Huangshan-Qiandao Lake Section of G4012 Liyang-Ningde Expressway and the Wuwei-Yuexi Section of G42S Shanghai-Wuhan Expressway	228.93	China Railway Construction Corporation Limited	A construction period of 3 years and a toll collection period of 30 years
4	27 February 2017	the Chengdu Airport southern line project	36.76	China Railway 24 th Bureau Group Co., Ltd.	A construction period of 24 months
5	28 February 2017	The PPP project of Comprehensive Transportation hub Development and Construction at Guangzhou North Railway Station	59.74	China Railway 22 th Bureau Group Co., Ltd., China Railway Siyuan Survey and Design Institute Group Co., Ltd.	A construction period of 2.5 years and an operating period of 10 years
6	2 March 2017	The bidding section JSJUSD-1 of E&M system integration, disaster prevention and safety monitoring, information and related constructions for Beijing-Hebei Section of the newly-built Beijing-Shenyang Railway Passenger Dedicated Line	33.9257	A consortium comprising China Railway Electrification Bureau Group Co., Ltd. and China Railway 21 st Bureau Group Co., Ltd.	A construction period of 33.7 months
7	7 March 2017	The PPP Project for Comprehensive Improvement of River Courses and Flood Control Facilities in Qiaobei Area in Nanjing	52.41	China Railway 12 th Bureau Group Co., Ltd.	A construction period of 3 years and an operating period of 10 years
8	20 April 2017	The Investor Bidding Project of Gaotang-Dong'e Highway	63	China Railway Construction Investment Group Co., Ltd., China Railway Siyuan Survey and Design Institute Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd, China Railway 14 th Bureau Group Co., Ltd.	A construction period of 3 years and a toll collection period of 24 years and 9 months
9	1 June 2017	The PPP Projects of Heyang-Tongchuan and Wuqi-Huachi Highway in Shaanxi Province	198.71	CRCC, China Railway Construction Investment Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway 15 th Bureau Group Co., Ltd., China Railway 20 th Bureau Group Co., Ltd.	A construction period of 3 years and 4 months and an operating period of 29 years

Section VI Significant Events (continued)

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
10	9 June 2017	The Public Private Partnership (PPP) Project of highway construction of G7 Beijing-Urumqi Expressway from Wutongdaquan to Mulei	178.72	China Railway Construction Investment Group Co., Ltd., China Railway First Survey and Design Institute Group Co., Ltd., China Railway 12 th Bureau Group Co., Ltd., China Railway 15 th Bureau Group Co., Ltd., China Railway 19 th Bureau Group Co., Ltd., China Railway 21 st Bureau Group Co., Ltd.	A construction period of 3 years and a toll collection period of 30 years
11	30 June 2017	Construction project of a complex land lot comprising entertainment and commerce in the Forise International Resort in Jinan	33.16	China Railway 19 th Bureau Group Co., Ltd.	A construction period of 3 years
12	11 July 2017	PPP Project of Mojiang-Lincang (Yunnan province) Highway	313.04	CRCC	A construction period of 4 years and an operation period of 30 years
13	12 July 2017	The PPP Project of Featured Township of Jade Articles in Wantou, Yangzhou	57.73	China Railway Construction Investment Group Co., Ltd., China Railway Fifth Survey and Design Institute Group Co., Ltd.	A construction period of 3 years and an operation period of 30 years
14	28 July 2017	The PPP Project of Phase I of Ningbo Section of G92N Parallel Lines (alternative Line of Hangzhou-Ningbo Highway) in Hangzhou Bay area	180.96	China Railway Construction Investment Group Co., Ltd., China Railway 15 th Bureau Group Co., Ltd., China Railway 16 th Bureau Group Co., Ltd., China Railway 19 th Bureau Group Co., Ltd.	A construction period of 4 years and an operation period of 25 years
15	11 September 2017	The PPP Project of Jinya-Hekou Section (in Zhangjiatai, Hebei province) Highway Restruction Engineering of G309 Line	214	China Railway Construction Investment Group Co., Ltd., China Railway 21 st Bureau Group Co., Ltd.	A construction period of 5 years and an operation period of 30 years
16	19 September 2017	The Third Bidding Section (Construction) of the General Contracting for Phase I Construction of Fuzhou Rail Transit Line 5	42.2694	CRCC	A construction term of 1,553 calendar days
17	19 September 2017	The Construction Contract D7-TA03 Section of Nanjing Metro Line 7	62.8326	CRCC	A construction term of 1,398 days
18	9 October 2017	The EPC Project of the Special Poverty Alleviation Town (Poverty Alleviation and Employment Resettlement Community) in China-Malaysia Qinzhou Industrial Park	34.5761	A consortium comprising China Railway Construction Group Ltd. (initiator) and China Railway Fifth Survey and Design Institute Group Co., Ltd.	A construction term of 1,270 days
19	11 October 2017	The Construction Project for Xuchang Section of Zhengzhou Airport-Xuchang Railway (General Contracting)	100	CRCC, China Railway 16 th Bureau Group Co., Ltd. and Yongxing Investment Management (Tianjin) Co., Ltd. of China Railway 16 th Bureau Group	A construction term of 38 months
20	17 October 2017	The BOT Project of Huanglong-Pucheng Highway (in Shaanxi province) of the National Highway Yulin-Lantian Expressway (G65E)	75.36	China Railway 20 th Bureau Group Co., Ltd.	A construction period of 3 years and an operating period of 30 years
21	24 October 2017	HMZCB Bidding Section of the General Contracting for Highway Construction of Hailar-Manzhouli Section of Shuifenhe-Manzhouli National Highway	42.1848	China Railway 19 th Bureau Group Co., Ltd.	A construction term of 36 months

Section VI Significant Events (continued)

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
22	27 October 2017	The General Contract Project for the Synchronous Design and Construction of the Station Complex of Guangzhou Rail Transit Line 18 and Line 22	436.3095	A consortium comprising CRCC (initiator), CRCC Huanan Construction Co., Ltd., Guangdong No.2 Hydropower Engineering Company, Ltd. and China Tunnel Construction Group Co., Ltd. Guangdong	A construction term of 2,441 days
23	30 October 2017	The Comprehensive Development Project of the Processing and manufacturing Block at Wangqingsha Bonded Port of Nansha District Free Trade Zone in Guangzhou	87.32	CRCC, China Railway Siyuan Survey and Design Institute Group Co., Ltd.	A construction period of 3 years and an operation maintenance period of 10 years
24	14 November 2017	The PPP Project of Luanchuan Expressway (in Luoyang province)	85.97	CRCC, China Railway 11 th Bureau Group Co., Ltd., China Railway 12 th Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., The 2 nd Engineering Co., Ltd. Of China Railway 14 th Bureau Group Co., Ltd., China Railway 24 th Bureau Group Co., Ltd.	A construction period of 4 years and an operating period of 40 years
25	15 November 2017	The PPP Project of the Expressway (Beijing Section) of New Airport North Line	110.007	CRCC, China Railway 16 th Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Construction period: To be completed before 30 June 2019; operating period: 25 years
26	21 December 2017	The Public-Private-Partnership (PPP) project for the highway project of Zhangye-Wenchuan National Expressway (G0611) (Zhangye-Biandukou Section)	58.726	China Railway Construction Investment Group Co., Ltd., China Railway First Survey and Design Institute Group Co., Ltd., China Railway 20 th Bureau Group Co., Ltd., China Railway 21 st Bureau Group Co., Ltd.	Construction period of about 3 years and operating period of 30 years

Section VI Significant Events (continued)

2. Overseas operation contracts

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
1	11 February 2017	Construction of Light Rail in Kano Metropolitan (Lots 1, 2, 3 & 4) in Nigeria	USD1.851 billion	A consortium comprising China Railway 18 th Bureau Group Co., Ltd. and China Railway Construction Electrification Bureau Group Co., Ltd.	A construction period of 2 years.
2	23 May 2017	The Abuja Rail Mass Transit Phase II Construction	USD1.473 billion	China Civil Engineering Construction Corporation	A construction term of 54 months
3	23 May 2017	Abuja Rail Mass Transit Agreement for Supply of Rolling Stocks and Depot Equipment for Phase I and Abuja Rail Mass Transit Agreement for Services for Operation of Phase I	USD0.194 billion and USD0.126 billion, respectively	China Civil Engineering Construction Corporation	The services for operation and management include a preparation period of five months and a formal operation period of 36 months.
4	20 December 2017	Construction of Double Line between Joydebpur-Ishurdi Section of Bangladesh Railway	RMB8.524 billion	China Civil Engineering Construction Corporation	A construction term of 48 months
5	27 December 2017	Renovation Project of Transformation from Meter Gauge to Dual Gauge between Akhaura-Sylhet Section of Bangladesh Railway	USD1.545 billion	China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	A construction term of 54 months

XVII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

☐ Applicable ☒ Not Applicable

XVIII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

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

☒ Applicable ☐ Not Applicable

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

Basic principle: Conscientiously implementing the decision of the CPC Central Committee and the State Council on strengthening targeted poverty alleviation work, and the instructions of the General Secretary Xi about the spirit of “targeted poverty reduction and elimination”, following the working policy of “sincerely making great efforts on poverty alleviation, taking targeted measures to help people lift themselves out of poverty, achieving win-win results on poverty alleviation, making innovations on poverty alleviation and fighting against corruption during the poverty alleviation process”, combining with the characteristics of the enterprise itself, adhering to the combination of government predominance and enterprise help, adhering to the combination of mutual benefit and poverty alleviation, adhering to the principle of combining whole advancement with key breakthroughs, promoting the work of taking targeted measures to help people lift themselves out of poverty, and resolutely winning the fight against poverty.

Section VI Significant Events (continued)

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

Main tasks: Providing poverty alleviation aid to Wanquan District and Shangyi County in Zhangjiakou, Hebei Province; Gande County and Sanqu County in Qinghai Province; Caidian district in Wuhan, Hubei Province; Youzhuping Village in Baoguo Township, Enshi, Hubei Province; Shahukou Village in Youyu County, Shanxi Province; Liangshan Village in Liangzhuang Township, Jinghai District, Tianjin; Nanlilou Village in Zhangluji Township, Yuncheng County, Shandong Province; Qingxiang Village and Yangmushan Village in Fenxi Township, Shanxi Province; Liugouli Village, Guojiazhuang Village and Hanjiacha Village in Dagou Township, Huining County, Gansu Province; Teke Village in Xinshiba Township, Ganluo County, Sichuan Province; Dalu Village in Dubu Town, Yangshan County, Qingyuan, Guangdong Province; Dianjun District in Yichang, and Yinmenghu Village in Langhe Town, Danjiangkou, Hubei Province; Beiguan Village in Longxian County, Baoji City, Shaanxi Province; Maye Village in Qinxu Township, Laba Village and Balang Village in Lujing Township, Minxian County, Dingxi, Gansu Province; Qianshan Kazakh Nationality Township, Yiwu County, Hami Region, Xinjiang Uygur Autonomous Region; Xiadang School, Shouning County, Ningde, Fujian Province; Meibai Village in Yunyang County, Chongqing.

Safeguard measures: Firstly, improve mechanism and strengthen the leadership. The leading teams are in charge of planning and decision-making, the guarantee teams are in charge of linking up and operating, the relevant departments are in charge of supporting and coordinating and the titular cadres are responsible for undertaking tasks. All these linkages form a working mechanism of “unified management and graded responsibility”, making the targeted poverty alleviation work promoted from top level to primary level of the Company, coordinated well from the front to back and rooted in the Company. Secondly, select excellent cadres and strengthen assessment, so as to stimulate the enthusiasm of the work of poverty alleviation cadres. Thirdly, strictly carry out disciplines and enhance supervision, ensuring projects and funds are operated in transparency.

2. Summary of annual targeted poverty alleviation

In 2017, the Company sent a total of 21 cadres for fixed-point poverty alleviation, and paid the funds of RMB17.33 million directly. The materials donated by the Company were equivalent to RMB16.78 million. The Company carried out 80 poverty alleviation projects and helped the introduction of 16 projects, with a total fund of RMB12.47 million. The Company's precision-poverty alleviation work was advanced to a new step. CRCC was awarded the certificate of “Annual Excellent Cases for Targeted Poverty Alleviation among the Chinese Listing Companies in 2017” and was awarded the title of “Annual Advanced Enterprises in Fighting against Poverty in 2016”. China Railway First Survey and Design Institute Group Co., Ltd. was honored as the “Excellent Poverty Alleviation Enterprises in Shaanxi Province”. China Railway 21st Bureau Group Co., Ltd. won the “Popular Support” issued by the leading team for poverty alleviation coordination of the Gansu Provincial Party Committee. Many of the cadres on the poverty alleviation mission were recognized with honors.

Section VI Significant Events (continued)

- (1) Strengthened organizational leadership and provided with strong support. Meng Fengchao, the secretary of the communist party committee and the chairman of the Company, led the team to make a field survey on the development of poverty alleviation in Wanquan district and Shangyi county in Zhangjiakou, Hebei province, which are the fixed-point poverty alleviation areas of the Company. He also assigned two new first secretaries in the village and well put them into place. He remarked that poverty alleviation cadres must successfully accomplish their missions, be brave enough to bear responsibilities and do more practical things to make contributions to help most people in poverty-stricken areas out of poverty. Party Standing Committee and vice president Liu Ruchen and his team went to Gande County, Guoluo state, Qinghai Province, to perform the work of research and poverty alleviation development, and to deliver new first secretaries in the village. Li Chunde, a member of the standing committee and secretary of committee for discipline inspection of the Company, surveyed and supervised the effectiveness of poverty alleviation work and the performance of duties of poverty alleviation cadres in Wanquan district and Shangyi county in Zhangjiakou, Hebei Province. The China Railway 11th Bureau Group Co., Ltd., China Railway 12nd Bureau Group Co., Ltd., China Railway 14th Bureau Group Co., Ltd., China Railway 20th Bureau Group Co., Ltd., China Railway Fifth Survey and Design Institute Group Co., Ltd., China Railway Construction Business Management Co., Ltd. and other units, which are responsible for the task of poverty alleviation, have set up leading groups of targeted poverty alleviation comprising Party Secretary and Chairman and General Manager as Head of team, the members of the leadership as Deputy Head, relevant departments as members. The responsibilities and the specific working bodies and contact institutions of the leading group of poverty alleviation work were clarified to ensure that the work of poverty alleviation has responsible agencies, was implemented by personnel, and that the poverty alleviation work could be carried out smoothly.
- (2) Insisted on market orientation and boosted industrial poverty alleviation. Based on local resources, the Company paid attention to the connection with market and highlighted industrial poverty alleviation to activate the "hematopoietic function" in poverty-stricken areas. Firstly, breaking through a passage to Beijing for products. The Company registered and set up "Zhangjiakou Wantie Trading Company", through which pollution-free vegetables, coarse cereals, free range eggs, mutton and other products produced by local low-income families were continuously sold to mechanism courtyards of CRCC and its surrounding areas. So far, 17 batches of products have been sold, with the volume of 37.5 tons and the amount of over RMB200,000. It made these people in financial difficulties get jobs in the local poverty alleviation enterprise, increased their income and helped them out of poverty. Secondly, setting up e-commerce sales platform for poverty alleviation. The Company opened Wechat stores and online stores in Nanchaonian village, Shangyi County to lead villages in financial difficulties to achieve online sales of lamb meat. The sales volume and the amount reached 147 packages and nearly RMB90,000 respectively in less than a month, making up 34% of the total sales of the village in the whole year. The e-commerce platform had opened a broad market for high-quality products. Xinhua News, Hebei Daily and others all reported on the "Internet plus Poverty Alleviation" model of Nanchaonian village. Thirdly, establishing a mechanism for poverty alleviation backed by enterprises. The Company selected qualified and potential enterprises in the local and purchased their products through biddings and bid-negotiation or shored up local enterprises through shares buying or other ways. These measures gave jobs to local people with financial difficulties and increased the local

Section VI Significant Events (continued)

tax revenue at the same time. The Company signed a purchase contract with Shangyilunbi clothing company for the first batch of 20,000 sets of working uniforms with a total amount of RMB2.1 million, creating more than 50 jobs for poor people. The Company purchased equipment from Hebei Wankuang Machinery Plant and alkaline mineral water from Yuebei Shenshui Company in Wanquan district, Hebei province to help local products to enter the national market, expand the economic and brand benefits and also raised poverty alleviation fund of RMB360,000 for the local. Besides, it bought shares of Shunde Group, the leader in the local agricultural industry in Wanquan district, with an unpaid poverty donation of RMB1 million, then Shunde Group was assigned to pay dividends to poverty-stricken households every year with no less than the interest rate of bank loans, which increased a stable income for poverty-stricken households. Fourthly, establishing special planting bases. Focusing on the characteristics of resource and environment in poverty-stricken areas and facing market demand, the Company proactively promoted agricultural structure adjustment. It invested RMB500,000 in building forage base in Gande County, making 15 people in 6 households in Longji village, Jiangqian countryside and 57 people in 12 households in Yeheqing village get out of poverty, creating 7 jobs and increasing a net income of RMB127,000 for poor people.

- (3) Performing CRCC's strengths and carried out poverty alleviation with labor service. The Company, as one of the largest general construction contractors in the world, fully made use of its strength in the labor service to carry out labor service export to increase employment and realize the goal of "getting a household out of poverty upon providing job for a member". Firstly, setting up labor dispatching organization. The Company invested a total of RMB2 million to register and establish Shangnong Labor Service Co., Ltd., which cooperated with local employment bureau to provide policy consultancy service for people who have intention in labor service export, in a hope of trying its best to receive as long as the people are really willing to come out. Currently, 58 contract labors from Shangyi County have already worked in 14 construction projects of CRCC. The Company has provided long-term and stable positions for migrant workers to increase their income. Secondly, carrying out labor service subcontracting. The Company signed labor service subcontracts with Wanquan-based labor service company to arrange labor service teams to undertake labor service construction projects in project department of the Company. The Company exported successively three labor services teams composed of more than 100 people for Wuhan-Shiyan passenger rail line, Yinchuan-Xi'an passenger rail line. By now, the Company has completed the construction output value of more than RMB20 million, and achieved labor income of more than 3 million. Thirdly, enhancing the training in labor service. The Company invested RMB300,000 and designated Wanquan Vocational Education Center to conduct skills training on contract workers, covering 300 people by several batches in architectural scaffold, electric welding, housekeeping and maternity matron. Fourthly, recruiting graduates to obtain employment. Based on job requirements, graduates, who have had their registered archive information related to poverty, would be employed by the Company in priority. Currently, the first batch of 19 graduates have worked at their posts.

Section VI Significant Events (continued)

- (4) Attached great importance to cultural poverty alleviation. During poverty alleviation process, willingness shall be given first priority and knowledge must be included. CRCC made great efforts to carry out poverty alleviation projects in culture and education, aiming to improve the cultural education level in poverty-stricken areas and strengthen the internal momentum of self-striving and self-development of poor people. Firstly, the Company promoted joint schools. China Railway 14th Bureau Group Co., Ltd. together with Shangyi Vocational Education Center and Zhangjiakou Vocational College cooperated to establish a school and set up the major of Railway Construction and Maintenance, and provided assistance in such aspects as teachers communication, post practice and training equipment. The major has been approved and recruited 15 students. Secondly, introduced internet-related education. The Company introduced a smart cloud education platform worthy of more than RMB7 million from Cloud School (Beijing) Technology Co., Ltd., which are free to provide teaching service to elementary and secondary schools and kindergartens in Shangyi County, Wanquan district, benefiting more than thousands of students. The "Internet plus Education" cooperation model makes basic education more perfect, systematic and standard and boosts a balanced development of education in poverty-stricken areas. Thirdly, provided funds to children in poverty-stricken areas to go to school. China Railway 14th Bureau Group Co., Ltd. has provided funds of RMB3,000 per year to 20 extraordinarily poor students in Shangyi Third Middle School until they finish their education, with an accumulative amount of RMB90,000 funded so far. The Company raised a total of RMB200,000 to lay floor tiles on passageways of teaching buildings of Shangyi Third Middle School. It also raised RMB120,000 to buy 20 computers and order 17 units of summer and winter school uniforms and gym shoes for Xiamajuan Elementary School, and donated winter clothing for 12 left-behind students in Nanchaonian village and gave each student a subsidy of RMB2,000. Meanwhile, titular cadre Sun Jie also gave funds to 2 poverty students in the Vocational Education Center, with RMB3,000 for each until they finish their education. While providing material support, the Company also paid attention to culture guidance by organizing young employees to take part in voluntary education support activities and irregularly launching knowledge and culture support activities, in order to broaden children's vision and knowledge and encourage to be self-confident and self-improved. Fourthly, supported the local culture and education development. The Company established the "CRCC Love Book House" and installed multimedia video call equipment to provide a learning exchange platform and place for villagers. It compiled the Records of Nanchaonian Village, which gives a comprehensive record and demonstration on local custom, culture and historical inheritance. The Company also developed the mobile App of "Wisdom • Shangyi", which integrates six functions consisting of "News and Information", "Introduction of Shangyi", "Tourism Characteristics", "Local Specialties", "Convenience Services" and "Administration" to establish an internet-based culture brand of Shangyi County. Besides, it organized Wanquan Jinju Troupe to give on-site concert tours at many construction sites including Beijing-Shenyang passenger railway line, enhancing culture exchange and improving the working and living conditions of the Jinju Troupe, so as to carry forward the national intangible cultural heritage.

Section VI Significant Events (continued)

- (5) Paid attention to guaranteeing people's livelihood and promoted social poverty alleviation. Always insisting on the fundamental position of people's livelihood, CRCC put emphasis of improve people's livelihood on people in straitened circumstances and social disadvantaged groups to help improve their living conditions. Firstly, the Company enhanced rural infrastructure construction by bringing country roads, drinking water projects and environment improvement into poverty alleviation construction plan and repairing the houses of village committee, building culture walls, hardening roads, planting trees and installing road lamps. All these measures improved rural environment. Secondly, the Company helped villages solve problem of difficult and expensive medical treatment. The Company contacted with Zhangjiakou Yijian Dental Hospital to provide free medical services and medicines to left-behind villagers and installed emergency call equipment for 9 paralyzed old people in poverty-stricken villages. Thirdly, the Company rescued the endangered and succored the poor by raising RMB450,000 to repair Xiaosuangou Geracomium, Shangyi County including the transformation of heating pipelines and the hardening of the yard, launching poverty alleviation donation activities with a total amount of RMB1.1 million, which was provided to people in financial difficulties and establishing the "Poverty Alleviation Fund for Emergency and Difficulty" with providing RMB300,000 salvage money to poor families caused by diseases.

3. Achievements of Targeted Poverty Alleviation

Unit: ten-thousand yuan Currency: RMB

Indicator	Quantity and implementation
I. Overall situation	
Including:	
1. Funds	1,733.76
2. Amount of money converted from materials	1,678.31
3. Number of the people lifted out of poverty, who were on the records	3,114
II. Itemized investments	
1. Lifting the poor out of poverty through industrial development	
Including:	
1.1 Types of industrial poverty alleviation projects	<div data-bbox="1046 1514 1102 1559"><input checked="" type="checkbox"/></div> Poverty alleviation in agriculture and forestry industry <div data-bbox="1046 1603 1102 1648"><input type="checkbox"/></div> Poverty alleviation in tourism <div data-bbox="1046 1671 1102 1715"><input checked="" type="checkbox"/></div> Poverty alleviation in e-commerce <div data-bbox="1046 1738 1102 1783"><input type="checkbox"/></div> Poverty alleviation in assets profit <div data-bbox="1046 1805 1102 1850"><input checked="" type="checkbox"/></div> Poverty alleviation in science and technology <div data-bbox="1046 1872 1102 1917"><input checked="" type="checkbox"/></div> Others
1.2 Number of industrial poverty alleviation projects	36
1.3 Amount invested in industrial poverty alleviation projects	1,772.27
1.4 Number of the people lifted out of poverty, who were on the records	2,670

Section VI Significant Events (continued)

Indicator		Quantity and implementation
2.	Lifting the poor out of poverty through finding jobs elsewhere	
Including:	2.1 Amount invested in vocational skills training	59.75
	2.2 Number of the poor who have received vocational skills training	1,185
	2.3 Number of the poor on the records who are helped to get employed	551
3.	Lifting the poor out of poverty through relocation:	
Including:	3.1 Number of the poor out of poverty through relocation who are helped to get employed (person)	227
4.	Lifting the poor out of poverty through education	
Including:	4.1 Amount invested for helping the poor students	68.38
	4.2 Number of the poor students who are funded	546
	4.3 Amount invested for improving educational resources in poor areas	128.92
5.	Lifting the poor out of poverty through better health care	
Including:	5.1 Investment amount of medical and health resources in poverty – stricken areas	11.00
6.	Poverty alleviation through ecological protection	
Including:	6.1 Project title	<input type="checkbox"/> Ecological protection and construction <input type="checkbox"/> Establishing Compensation Mode of Ecological Protection <input type="checkbox"/> Establish ecological public welfare post <input checked="" type="checkbox"/> Others
	6.2 Amount invested	80
7.	Guaranteed basic living standard for people unable to work	
Including:	7.1 Investment in left-behind children, women and senior people	176.02
	7.2 Number of left-behind children, women and senior people assisted	332
	7.3 Investment in assisting poor people with physical disabilities	182.00
	7.4 Number of poor people with disabilities assisted	176
8.	Social poverty alleviation	
Including:	8.1 Investment in coordinated poverty alleviation in East and West China	–
	8.2 Investment in targeted poverty alleviation programs	113.00
	8.3 Charity funds for poverty alleviation	–

Section VI Significant Events (continued)

Indicator	Quantity and implementation
9. Other projects	
Including:	
9.1 Number of projects	28
9.2 Amount invested	820.72
9.3 Number of registered poor people lifted out of poverty	193
9.4 Explanation for other projects	10 Party activity rooms, sponsorship to basketball matches, 200 tons of cement, purchase in lieu of donation, roads connecting each household, "visiting people and sending support", new roads for Yinhai immigration settlements
III. Honors (contents and levels)	
CRCC was honoured "Model Listed Company in Targeted Poverty Alleviation 2017 (2017年度中國上市公司精準扶貧優秀案例)"	
CRCC was honoured "Poverty Alleviation Model Company of Qinghai Province 2016 (青海省2016年度脫貧攻堅先進單位)" (Provincial level)	
China Railway First Investigation and Design Institute Group Co., Ltd. was honoured "Poverty Alleviation Model Company of Shaanxi Province (陝西省優秀扶貧單位)" (Provincial level)	
China Railway 21th Bureau Group Co., Ltd. was honoured "Minxin Award" by Leading Group for Poverty Alleviation Program Coordination of Gansu Provincial Party Committee (甘肅省委脫貧攻堅協調領導小組)	
Sun Jie was recognised as Poverty Alleviation Model of Zhangjiakou City (張家口市脫貧攻堅先進典型人物), and was nominated as candidate of Contribution Award for National Poverty Alleviation Program (全國脫貧攻堅貢獻獎) (Provincial level)	
Comrade Wang Bangchang was rated as advanced individual of poverty alleviation of Qinghai province, and a poverty alleviation model of Excellent First Secretary in the village by the party committee of Gande county (Provincial level)	
Comrade Chen Feng was rated as Excellent First Secretary by Hebei Organization Department, National Award for Excellent Poverty Alleviation Cadre of Hebei Province, Excellent First Secretary in the village of Zhangjiakou city, Nomination Award of 1st Top Ten "Admirable Veterans" (張家口市第一屆十佳「最美退役軍人」提名獎) (Provincial level)	
Comrade Kong Hao was rated as Excellent First Secretary by Hebei Organization Department (Provincial level)	
Yang Youguo was honoured as Poverty Alleviation Model of Shaanxi Province (陝西省優秀扶貧個人) (Provincial level)	

Section VI Significant Events (continued)

4. Subsequent targeted poverty alleviation plan

The year of 2018 will be a crucial year for poverty alleviation, during which, CRCC will launch the campaign of “remaining true to our original aspiration and keeping our mission firmly in mind” and assume our social responsibilities as a central enterprise to help people win the battle against poverty with stronger sense of responsibility and greater initiative.

- (1) Lead people to a right ideological direction, and let them play the key role in poverty alleviation. People are the key role in the battle against poverty, and the role of CRCC is to help people abandon the idea that “they can rely entirely on external assistance in poverty elimination, and there will always someone there to support them”, and become independent and take the initiative to shift the passive poverty elimination model to an active one. CRCC will put greater efforts in policy promotion and plans to launch two or three policy promotion campaigns for local families, communicating supporting policies which local government authorities have specially set for impoverished people and helping these people take the policies to get rid of poverty and become better off.
- (2) Promote industrial development, and help poverty-stricken areas to strengthen their self-reliance abilities. CRCC will offer targeted support to Hebei Wanquan Mine Machinery Factory, Xinyangtun Mineral Water Plant and Shangyi Jinlunbi Fashion Company, helping these companies to grow stronger and therefore boosting local employment. Work related to purchase of special grains and farm produce of Shangyi County will be prioritized. CRCC will initiate centralized construction project in villages of Wanquan District and offer support to one or two villages for development of agriculture-related industries and infrastructure construction, so as to eliminate poverty stably and sustainably and to nurture new model and benchmark for others to follow. The Company will facilitate the investment attraction of Wanquan District. It will procure social capitals to invest into construction projects of characteristic towns and rural complex, thereby promoting the tourism industry of the district. Assistance will be offered to the improvement of Wanquan section of National Highway No. 110, and the Company will introduce BT or PPP mode into the improvement project. Based on the geographical advantage of Guoleizhuang Town, CRCC will offer support to the construction of regional road railway logistic base and cold chain base. It will assist Jiangqian Town of Gande County in building business cooperative and developing accommodation, repair and maintenance, and retailing services, thus expanding income channels for people. CRCC will advance the construction of Gande Health Center and offer bathing services to over 11,000 local residents, which will be conducive to effective prevention of diseases including hydatidosis, tuberculosis and hepatitis B and will generate ticket sales to be utilized to support poverty elimination or to be distributed directly to residents as bonus.

Section VI Significant Events (continued)

- (3) Strengthen efforts in skill training and employment promotion, and help impoverished families get rid of poverty gradually. CRCC will have a closer cooperation with Shangyi Vocational Center to realize greater enrollment and smooth progress in delivering courses to second intake in 2018. When offering skill trainings, CRCC will focus on talent cultivation in fields of design, construction, budget, cost and supervision related to infrastructure construction, which will be based on the professional advantages of each units and the support of vocational schools. In the course of recruitment, the Company will give preference to college graduates from poverty-stricken areas who major in related disciplines on the voluntary basis. It will enhance the disclosure of recruitment requirements, and absorb more workers based on the level of 2017, especially those from registered impoverished families, to replenish workforces on construction sites, thereby helping families through offering job opportunities to one of the members.
- (4) Offer more financial aids, and guarantee the basic livelihood. In response to the initiative of “sending policies, warmth and services”, CRCC will launch one-to-one support campaign, and leaders will be tied to impoverished families. It will offer one-to-one support to disadvantaged groups, including financial aids to the maintenance of Xiaosungou Nursing Home and to impoverished students of Shangyi No. 3 Middle School. The initiative of “emergent financial assistance” will also be launched, to help people out of emergency and difficulties. Devoted to local public welfare, CRCC will set up “CRCC Education Fund” to aid outstanding students every year, with grant of RMB500–800 to each. It will pick up ten students who are admitted by universities and colleges and grant each of them RMB1,000–3,000 of financial aids. In addition, CRCC will offer financial assistance to the construction of facilities in the relocation settlement of Gande County and the construction of Gande Youth Activity Centre.
- (5) Intensify supervision, and ensure the transparency of poverty alleviation. CRCC will promote a complete supervision mechanism, under which, leaders recording “no progress” or “slow progress” in poverty alleviation or undermining the interest of people will be punished without any tolerance. Strict supervision will focus on personnel, funds and projects, and CRCC will always remind leaders in charge of poverty alleviation of the discipline, the conduct and their responsibilities, urging them to duly perform their duties and conduct strict management on poverty alleviation projects and special funds. CRCC will execute regular supervision to identify any behavior that is in breach of regulations and discipline, so as to create a corrupt-free environment to ensure smooth progress of poverty alleviation.

It is a grave and glorious mission to win the battle against poverty. In practicing the spirit of the 19th CPC National Congress, CRCC will take targeted poverty alleviation as an important political task, assume its responsibility, take targeted measures to help poverty-stricken areas make greater progress, and make greater contribution to the on-schedule achievement of the goal.

Section VI Significant Events (continued)

(II) Activities in social responsibilities

☒ Applicable ☐ Not Applicable

2017 Social Responsibility Report of CRCC is published on the websites of the Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.crcc.cn).

(III) Environmental Information

1. Explanation on the environment protection by the key pollutant discharging companies and their subsidiaries as announced by the environmental protection department

☐ Applicable ☒ Not Applicable

2. Companies other than key pollutant discharging companies

☐ Applicable ☒ Not Applicable

3. Other Explanation

☐ Applicable ☒ Not Applicable

(IV) Other Explanation

☐ Applicable ☒ Not Applicable

XIX. CONVERTIBLE BONDS

(I) Issuance of convertible bonds

☒ Applicable ☐ Not Applicable

1. Issuance of A share convertible corporate bonds

As of the disclosure date of this report, the Company did not issue A share convertible corporate bonds.

2. Matters in relation to the issuance of H share convertible bonds by the Company

During the Reporting Period, the Company did not issue H share convertible bonds. As of the end of the Reporting Period, the Company issued two tranches of H share convertible bonds in total, details of which are set out as follows:

Section VI Significant Events (continued)

(1) *Issuance of US\$500,000,000 zero coupon convertible bonds due 2021*

On 29 January 2016, the Company issued the H share convertible bonds at an aggregate principal amount of US\$500,000,000 (hereinafter referred to as “US\$ H Share Convertible Bonds”), which will due on 29 January 2021, with a par value of US\$250,000 each and were issued at 100% of its par value with zero coupon. The initial conversion price of the US\$ H Share Convertible Bonds is HK\$10.30 per H share, which was adjusted to HK\$10.15 per H share on 19 July 2016. The conversion price was further adjusted to HK\$10.02 per H Share on 19 July 2017. The subscribers of the US\$ H Share Convertible Bonds are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). Calculated based on the net proceeds from the issuance of the US\$ H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable, the net price for each share to be converted will be approximately HK\$9.94 (at the pre-determined exchange rate of US\$1.00 = HK\$7.7944). The last closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 18 January 2016 (being the trading day on which the subscription agreement of the US\$ H Share Convertible Bonds was signed) is HK\$7.49 per H share, and the last closing price as quoted on the Hong Kong Stock Exchange on 19 July 2016 (being the effective date of the first adjustment of the conversion price) is HK\$9.39 per H share. The last closing price as quoted on the Hong Kong Stock Exchange on 19 July 2017 (being the effective date of the second adjustment of the conversion price) was HK\$10.96 per H share. The proceeds from the issuance of the US\$ H Share Convertible Bonds by the Company were intended to be used for, among others, domestic and overseas projects investment, merger and acquisition, capital contribution and replenishment of working capital for domestic and overseas construction projects, replenishment of working capital of the Company and repayment of bank loans. As of 31 December 2017, all proceeds from the abovementioned issuance of the US\$ H Share Convertible Bonds have been used for replenishment of working capital of the Company and repayment of domestic and overseas bank loans.

(2) *Issuance of RMB3.450 billion US\$ settled 1.5% convertible bonds due 2021*

On 21 December 2016, the Company issued the RMB3.450 billion US\$ settled 1.5% convertible bonds (hereinafter referred to as “RMB H Share Convertible Bonds”), which will due in 2021 and can be converted into H shares of the Company. The RMB H Share Convertible Bonds were issued in registered form in minimum denominations of RMB2,000,000 each and integral multiples of RMB1,000,000 in excess thereof. The aggregate issuance price represented 100% of the principal amount of the bonds. The subscribers are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). The initial conversion price of the RMB H Share Convertible Bonds is HK\$13.7750 per H share, and the adjusted conversion price adjusted on 19 July 2017 was HK\$13.59 per H share. Calculated based on the net proceeds from the issuance of the RMB H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable, the net price for each share to be converted will be approximately HK\$12.77 (for reference purpose only, at the exchange rate of US\$1.00 = HK\$7.34). The last closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 7 December 2016 (being the trading day on which the subscription agreement of the RMB H Share

Section VI Significant Events (continued)

Convertible Bonds was signed) is HK\$11.02 per H share. On 19 July 2017 (being the effective date of the above-mentioned adjusted conversion price), the closing price quoted on the Hong Kong Stock Exchange was HK\$10.96 per H share. As of 31 December 2017, US\$185 million of proceeds from this issuance of the RMB H Share Convertible Bonds had been used for the purpose of replenishment of general working capital for overseas projects.

For more details, please see relevant announcements published on 3 June 2015, 29 October 2015, 30 October 2015, 19 January 2016, 28 January 2016, 8 December 2016, 21 December 2016 and 18 July 2017, respectively, on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn), respectively.

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

☒ Applicable ☐ Not Applicable

The US\$ H Share Convertible Bonds of an amount of US\$500,000,000 issued by the Company on 29 January 2016 and the RMB H Share Convertible Bonds of an amount of RMB3.45 billion issued by the Company on 21 December 2016 were held by The Hong Kong and Shanghai Banking Corporation Limited, the trustee on behalf of the Company with no guarantee provided. Pursuant to the relevant requirements of the above H share convertible bonds, information of the bondholders was only recorded in the clearing system. No customers' information was allowed to be disclosed by the trustee to any third parties without the authorization from the customers.

(III) Changes in convertible bonds during the Reporting Period

☐ Applicable ☒ Not Applicable

Accumulated conversion of convertible bonds during the Reporting Period

☐ Applicable ☒ Not Applicable

Section VI Significant Events (continued)

(IV) Previous adjustments to conversion price

☒ Applicable ☐ Not Applicable

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

Unit: yuan Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2016	10.15	18 July 2016	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2015
19 July 2017	10.02	18 July 2017	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2016
The latest conversion price as of the end of Reporting Period				10.02

Section VI Significant Events (continued)

2. Previous adjustments to the conversion price of RMB H Share Convertible Bonds

Unit: yuan Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2017	13.59	18 July 2017	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2016
The latest conversion price as of the end of Reporting Period				13.59

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

☒ Applicable ☐ Not Applicable

During the Reporting Period, there was no significant change in the Company's liabilities and creditworthiness. Credit rating granted by all credit rating agencies to the Company remained unchanged. The initial conversion price of the US\$ H Share Convertible Bonds issued by the Company was HK\$10.30 (adjusted conversion price: HK\$10.02). During the Reporting Period, the closing price of H Shares on several trading days exceeded such conversion price, but no investor has demanded for conversion, which illustrated the high value of the conversion price of the bonds issued by the Company and the investors were willing strongly to hold the Company's convertible bonds. The US\$ H Share Convertible Bonds with an amount of US\$500,000,000 issued by Company bore zero coupons, while the RMB H Share Convertible Bonds with an amount of RMB3.45 billion, which are settled in US\$, bore a coupon of 1.5%, which is far lower than that of the US\$ bonds with the same rating in the market. Hence, the investors are possibly not to hold the bonds for principal to maturity. The Company has abundant cash flow and in the meanwhile, banks granted sufficient credit to the Company. Even though the holders hold such bonds to maturity, the Company is fully capable of redeeming in cash.

Section VI Significant Events (continued)

(VI) Other description of convertible bonds

☒ Applicable ☐ Not Applicable

1. Utilization of proceeds from issuance of convertible bonds

(1) *US\$ H Share Convertible Bonds*

As at the end of the Reporting Period, net proceeds from issuance of US\$ H Share Convertible Bonds stated above amounted to approximately US\$496 million, and such proceeds have been fully utilized. Details include (i) approximately US\$85 million (representing 17% of net proceeds) to replenish working capital of the Company, which have been used as general working capital of overseas subsidiaries and projects; (ii) approximately USD211 million (representing 43% of net proceeds) to repay principal and interest of domestic bank loans; and (iii) approximately US\$200 million (representing 40% of net proceeds) to repay principal and interest of overseas bank loans. The utilization of proceeds was in line with the disclosure as set out in the announcement of the Company dated 19 January 2016.

(2) *RMB H Share Convertible Bonds*

Proceeds from issuance of the RMB H Share Convertible Bonds are used for investment in both domestic and overseas projects, merger and acquisition, capital increase and working capital replenishment for overseas construction projects, replenishment of the Company's working capital and repayment of bank loans. As at the end of the Reporting Period, US\$185 million of the net proceeds from the issuance of the RMB H Share Convertible Bonds amounting to approximately US\$496 million had been used for general working capital of overseas projects. Remaining proceeds will be utilized in the way as disclosed in the announcement of the Company dated 8 December 2016.

2. Dilution impact of conversion of H share convertible bonds on the shareholding

(1) *Dilution impact of US\$ H Share Convertible Bonds on the shareholding*

As at the end of the Reporting Period, the outstanding principal amount of US\$ H Share Convertible Bonds was US\$500 million. If all outstanding US\$ H Share Convertible Bonds were converted based on the adjusted conversion price (HK\$10.02 per H share), the maximum total number of H shares to be issued by the Company will be 388,942,115 H shares (based on the pre-determined exchange rate of US\$1.00 to HK\$7.7944). The Company has sufficient general mandate to issue the H shares upon full conversion of the US\$ H Share Convertible Bonds.

Section VI Significant Events (continued)

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

Shareholders	Class of shares	No conversion of any US\$ H Share Convertible Bonds		If the US\$ H Share Convertible Bonds were fully converted based on the adjusted conversion price of HK\$10.02 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling Shareholder	A share	7,567,395,500	55.73	7,567,395,500	54.17
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	28.18
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,465,238,115	17.65
Total	-	13,579,541,500	100.00	13,968,483,615	100.00

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

(2) Dilution impact of conversion of RMB H Share Convertible Bonds on the shareholding

As at the end of the Reporting Period, the outstanding principal amount of RMB H Share Convertible Bonds was RMB3.45 billion. If all outstanding RMB H Share Convertible Bonds were converted based on the adjusted conversion price (HK\$13.59 per H share), the maximum total number of H shares to be issued by the Company will be 285,303,590 H shares (at the fixed exchange rate of RMB0.8898 to HK\$1.00). The Company will have sufficient general mandate to issue the H shares upon full conversion of the RMB H Share Convertible Bonds.

Section VI Significant Events (continued)

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

Shareholders	Class of shares	No conversion of any RMB H Share Convertible Bonds		If the RMB H Share Convertible Bonds were fully converted based on the adjusted conversion price of HK\$13.59 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling Shareholder	A share	7,567,395,500	55.73	7,567,395,500	54.58
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	28.39
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,361,599,590	17.03
Total	–	13,579,541,500	100.00	13,864,845,090	100.00

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

(3) *Combined dilution impact of US\$ H Share Convertible Bonds and RMB H Share Convertible Bonds on the shareholding*

The table below sets forth the changes in shareholding structure of the Company if the US\$ H Share Convertible Bonds and RMB H Share Convertible Bonds were fully converted as at the end of the Reporting Period:

Shareholders	Class of shares	No conversion of any US\$ H Share Convertible Bonds or RMB H Share Convertible Bonds		If the US\$ H Share Convertible Bonds and the RMB H Share Convertible Bonds were fully converted based on their respective adjusted conversion prices at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling shareholder	A share	7,567,395,500	55.73	7,567,395,500	53.09
Public holders of A shares	A share	3,935,850,000	28.98	3,935,850,000	27.61
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,750,541,705	19.30
Total		13,579,541,500	100.00	14,253,787,205	100.00

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

Section VI Significant Events (continued)

As integrated above, diluted earnings per share as calculated were RMB1.09 per share. For analysis of the impact of dilution of earnings per share, please refer to Note V “58. Earnings per share” to the financial report in this report.

3. Accounting Treatment for the H share convertible bonds

(1) *Accounting Treatment for the US\$ H Share Convertible Bonds*

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

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

For the derivative component, as at 31 December 2017, the Group revaluated the fair value of the derivatives. The decrease of US\$56,083,000 in derivatives will be recognized through profit or loss.

(2) *Accounting Treatment for the RMB H Share Convertible Bonds*

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

The Group evaluated the fair value of such bonds as at the date of issuance and separated the liability component and equity instruments component for the convertible bonds. In the separation, the initial recognition of liability component is made at the fair value, whereas the initially recognized amount of the liability component equals to the total issuance amount less the initial recognized amount of the equity component. The transaction fees will be allocated on a pro rata basis based on the fair price of the initial recognized amount of the liability component and the equity component in the separation. Transaction fees associated with liability component will be recognized as liability whereas transaction fees associated with equity component will be recognized as other equity instruments. See details in the Note V. “39. Other equity instruments” of the Financial Reports attached to this Report.

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

Section VI Significant Events (continued)

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

According to the resolutions passed at 2015 first extraordinary general meeting, 2015 first A share class meeting and the 2015 first H share class meeting held by the Company on 5 February 2015, the “Approval on Certain Matters in Relation to the Non-public Issuance of A Shares of China Railway Construction Corporation Limited” (《關於中國鐵建股份有限公司非公開發行A股股票有關問題的批覆》) (Guo Zi Chan Quan [2015] No. 31) from the SASAC and the “Approval on the Non-public Issuance of Shares of China Railway Construction Corporation Limited” (《關於核准中國鐵建股份有限公司非公開發行股票的批覆》) (Zheng Jian Xu Ke [2015] No. 1412) from CSRC, the Company issued a total of 1,242,000,000 ordinary shares (A shares) denominated in RMB to targeted investors under non-public issuance at the issue price of RMB8.00 per share. As of 13 July 2015, the actual proceeds received by the Company under the non-public issuance amounted to RMB9.936 billion and the net proceeds amounted to RMB9.823 billion after deducting various issuance expenses. Ernst & Young Hua Ming LLP had conducted inspection on the receipt of proceeds by the Company and issued an Asset Inspection Report (Ernst & Young Hua Ming (2015) Yan Zi No. 60618770_A02). As of 31 December 2017, the interest accrued on proceeds deposited with banks (after deducting bank charges) amounted to an aggregate of RMB18 million. During the year, proceeds used by the Company amounted to RMB1.501 billion with an accumulated gross proceeds used amounting to RMB9.841 billion. The proceeds had been fully used (including the interest accrued on proceeds deposited with banks after deducting bank charges). For details of the use of proceeds, please see the Special Report in Relation to Repository for and Actual Use of Proceeds of China Railway Construction Corporation Limited disclosed by the Company on the same day. As of 31 December 2017, the use for net proceeds from the aforementioned non-public issuance of A shares is as follows:

Unit: one hundred million yuan Currency: RMB

Proposed use of proceeds as disclosed in the circular dated 20 January 2015	Proposed investment amount from the proceeds as disclosed in the circular dated 20 January 2015	Actual utilized amount as of 31 December 2017	Unutilized amount as of 31 December 2017
Chongqing Rail Transit Construction BT Project (Phase II) (重慶市軌道交通環線二期工程BT項目)	25.00	25.00	—
Xiaohuilou to Shijiazhuang section of Phase I BT project of the Rail Transit Line 3 in Shijiazhuang (石家莊市城市軌道交通3號線一期小灰樓站至石家莊站工程BT項目)	18.00	11.71 ^{Note 1}	—
Chengdu Subway Line 10 Construction BT Project (Phase I) (成都市地鐵10號線一期工程BT項目)	16.00	16.00	—
Xiajin-Liaocheng section of BOT project of Dezhou-Shangqiu Expressway (德州至商丘高速公路夏津至聊城段BOT項目)	12.00	10.94 ^{Note 2}	—
Repayment of bank loans and replenishing the working capital	27.23	35.30	—
Total	98.23	98.41^{Note 3}	—

Section VI Significant Events (continued)

Note 1: The difference between the utilized amount for Xiaohuilou to Shijiazhuang section of Phase I BT project of the Rail Transit Line 3 in Shijiazhuang and the proposed investment represented a surplus of RMB683 million, which have been used to permanently replenish the working capital.

Note 2: The difference between the utilized amount for Xiajin-Liaocheng section of BOT project of Dezhou-Shangqiu Expressway and the proposed investment represented a surplus of RMB106 million, which have been used to permanently replenish the working capital.

Note 3: The difference of the utilized amount over the proposed investment amount represents interest from the special account of proceeds, which has been fully utilized to replenish the working capital of the Company.

XXI. SUBSEQUENT EVENTS

(I) Public issuance of 2018 renewable corporate bonds (First Tranche)

As approved by the CSRC in the document “Zheng Jian Xu Ke [2016] No. 1337” issued on 21 June 2016, the Company was permitted to publicly issue renewable corporate bonds to qualified investors by tranche, with the aggregate nominal value up to RMB15 billion. On 29 June 2016, the Company completed the first tranche of issuance, with issue size of RMB8 billion and coupon rate of 3.53%. The second tranche of issuance was completed on 19 March 2018 (2018 Renewable Corporate Bonds (First Tranche)), with issue size of RMB3 billion and coupon rate of 5.56%. As at the disclosure date of this report, the second tranche has not been listed on the Shanghai Stock Exchange.

Section VII Changes in Ordinary Shares and Particulars of Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary shares

1. Table of changes in ordinary shares

The Company's total ordinary shares and share capital structure had no change during the Reporting Period.

2. Particulars of changes in ordinary shares

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

(II) Changes in shares subject to trading moratorium

☐ Applicable ☒ Not Applicable

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

(III) Existing internal employee shares

☐ Applicable ☒ Not Applicable

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

III. PARTICULARS OF SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Structure of share capital and public float

1 Share Capital Structure

As at 31 December 2017, the share capital structure of the Company is set out as follows:

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

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

2 Public float

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

(II) The total number of shareholders

As at the end the Reporting Period, the total number of shareholders of the Company was 300,112, of which 283,161 were holders of A shares and 16,951 were holders of H shares. At the end of the last month prior to the publishing date of this annual report, the total number of common shareholders of the Company was 291,352, of which 274,729 were holders of A shares and 16,623 were holders of H shares.

Total number of common shareholders as at the end of the Reporting Period	300,112
Total number of common shareholders at the end of the last month prior to the date of the issuance of the annual report	291,352
Total number of preference shareholders with voting right restored as at the end of the Reporting Period	N/A
Total number of preference shareholders with voting right restored at the end of the last month prior to the date of the issuance of the annual report	N/A

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

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

Unit: share

Particulars of Top 10 Shareholders

Name of shareholder (full title)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to trading moratorium	Shares pledged or frozen Share status	Quantity	Nature of shareholder
China Railway Construction Co., Ltd.	0	7,567,395,500	55.73	0	Nil	0	State-owned
HKSCC NOMINEES LIMITED	915,699	2,060,951,780	15.18	0	Unknown	0	Overseas legal person
China Securities Finance Corporation	242,924,811	621,566,204	4.58	0	Nil	0	Others
Anbang asset management – Anbang Asset – CMBC – Anbang Asset – win-win No. 3 aggregate asset management product	0	275,253,346	2.03	0	Nil	0	Others
Central Huijin Investment Company	0	141,519,100	1.04	0	Nil	0	Others
Hexie Health Insurance – traditional – common insurance product	-82,514,342	115,954,126	0.85	0	Nil	0	Others
Anbang Asset – Minsheng Bank – Anbang Asset – best selection No. 2 aggregate asset management product	0	86,409,412	0.64	0	Nil	0	Others
Anbang Pension Insurance – group universal products	-8,409,194	77,539,029	0.57	0	Nil	0	Others
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
E Fund – Agricultural Bank of China – E Fund CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
Lombarda China Fund – Agricultural Bank of China – Lombarda China CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
CSAM – Agricultural Bank of China – CSAMCSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme	16,454,200	55,095,400	0.41	0	Nil	0	Others

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

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

Name of shareholder (in full)	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
China Railway Construction Co., Ltd.	7,567,395,500	RMB ordinary shares	7,567,395,500
HKSCC NOMINEES LIMITED	2,060,951,780	Overseas Listed foreign shares	2,060,951,780
China Securities Finance Corporation Limited	621,566,204	RMB ordinary shares	621,566,204
Anbang asset management – Anbang Asset – CMBC – Anbang Asset – win-win No. 3 aggregate asset management product	275,253,346	RMB ordinary shares	275,253,346
Central Huijin Investment Company	141,519,100	RMB ordinary shares	141,519,100
Hexie Health Insurance – traditional – common insurance product	115,954,126	RMB ordinary shares	115,954,126
Anbang Asset – Minsheng Bank – Anbang Asset – best selection No. 2 aggregate asset management product	86,409,412	RMB ordinary shares	86,409,412
Anbang Pension Insurance – group universal products	77,539,029	RMB ordinary shares	77,539,029
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
E Fund – Agricultural Bank of China – E Fund CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
Lombarda China Fund – Agricultural Bank of China – Lombarda China CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400

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

Name of shareholder (in full)	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
CSAM – Agricultural Bank of China – CSAMCSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme	55,095,400	RMB ordinary shares	55,095,400

Explanations on the connected relationship or concerted action among the above shareholders

HKSCC Nominees Limited is wholly-owned subsidiary of Hong Kong Exchanges and Clearing Ltd. (HKEx). In addition to the disclosures above, the Company doesn't know whether there exists association between the top ten shareholders not subject to trading moratorium and the top ten shareholders and whether the shareholders are persons acting in concert as specified in the Measures for the Administration of the Takeover of Listed Companies.

Explanation on the preference shareholders with voting right restored and their shareholdings

Not Applicable.

Note: The H shares held by HKSCC Nominees Limited are held on behalf of its various customers. As at the end of the Reporting Period, HKSCC Nominees Limited held 2,060,794,280 shares of the Company while the pledged or frozen status of such shares remain to be unclear.

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

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

So far as the directors of the Company are aware, as at 31 December 2017, the persons other than directors, supervisors or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Section 336 of Part XV of the SFO were as follows:

Unit: share

Name of substantial shareholder	Class of share	Capacity	Number of shares interested ^{Note 1}	Percentage of issued share capital of the relevant class of shares	Percentage of total issued share capital
China Railway Construction Co., Ltd.	A share	Beneficial owner	7,567,395,500	65.78%	55.73%
National Council for Social Security Fund	H share	Beneficial owner	188,754,500(L)	9.09%	1.39%
BlackRock, Inc. ^{Note 2}	H share	Interest of corporation controlled by the substantial shareholder	187,640,308(L) 3,500(S)	9.04% 0.00%	1.38% 0.00%
JPMorgan Chase & Co. ^{Note 3}	H share	Beneficial owner, Investment Manager, approved lending agent	146,545,819(L)	7.06%	1.08%
		Beneficial owner	9,111,586(S)	0.43%	0.07%
		Approved lending agent	96,613,513(P)	4.65%	0.71%
The Bank of New York Mellon Corporation ^{Note 4}	H share	Interest of corporation controlled by the substantial shareholder	125,356,588(L) 122,206,426(P)	6.04% 5.89%	0.92% 0.90%

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

Note 2: As at 31 December 2017, BlackRock, Inc. held long positions in 187,640,308 H shares and short positions in 3,500 H shares of the Company in total through certain corporations under its control.

Note 3: As at 31 December 2017, JPMorgan Chase & Co. (including certain corporations under its control) held long positions in 146,545,819 H shares and short positions in 9,111,586 H shares of the Company in total.

Note 4: As at 31 December 2017, The Bank of New York Mellon Corporation held long positions in 125,356,588 H shares of the Company in total through a corporation under its control.

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

IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

(I) Controlling shareholder

1 Legal Representative

☒ Applicable ☐ Not Applicable

Name	China Railway Construction Co., Ltd.
Person in charge or legal representative	MENG Fengchao
Incorporation date	28 August 1990
Principal businesses	Publish of China Railway Construction News (limited to be operated by Editorial Office for "China Railway Construction News" of China Railway Construction Corporation, with effect up to 31 December 2018); construction of railways, metropolitan railways, highways, airports, ports, tunnels, bridges, water conservancy and hydropower facilities, post and telecommunication facilities, mining facilities; lumbering; provision of technical consultancy services for municipal engineering, general contracting and sub-contracting of installation of circuitry, pipeline and equipment; construction of prevention and control of geologic disasters; provision of construction project management services; sale of automobile and cars; wholesale and retail of ferrous metal, timber, cement, fuel, construction materials, chemical products (excluding dangerous chemicals), electromechanical products, armored concrete product and special railway equipment; production of the enterprises under direct control of the organization; overseas construction contracting and domestic construction tendering; provision of rental services of machinery and construction installation equipments, provision of renovation and interior decoration services; provision of technical consulting, technical services, import and export related to the above businesses; advertising business. (The enterprise can choose the business to be engaged in and carry out such business activities pursuant to the laws; for business activities for which approvals are required, they should be carried out after obtaining approvals from relevant authorities; no business activity as prohibited by the industrial policies of the municipality and restricted by the authorities shall be engaged in.)
Particulars of other domestic and overseas listed companies held and invested by the Controlling Shareholder during the Reporting Period	Nil
Explanation on other matters	On 11 December 2017, China Railway Construction Corporation was changed from state-owned enterprise to wholly state-owned corporation, and renamed as China Railway Construction Co., Ltd. with a registered capital of RMB9 billion.

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

2 Natural person

☐ Applicable ☒ Not Applicable

3 Special explanation on no controlling shareholder for the Company

☐ Applicable ☒ Not Applicable

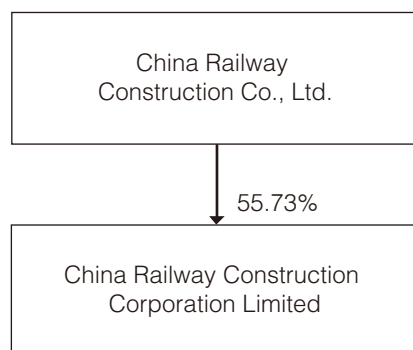
4 Index and date of changes in controlling shareholders during the Reporting Period

☒ Applicable ☐ Not Applicable

On 11 December 2017, China Railway Construction Corporation was changed from state-owned enterprise to wholly state-owned corporation, and renamed as China Railway Construction Co., Ltd.. For details, please refer to the announcement of the Company dated 15 December 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

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

☒ Applicable ☐ Not Applicable



(II) Actual controller

1 Legal Representative

☐ Applicable ☒ Not Applicable

2 Natural person

☐ Applicable ☒ Not Applicable

3 Special explanation on no controlling shareholder for the Company

☐ Applicable ☒ Not Applicable

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

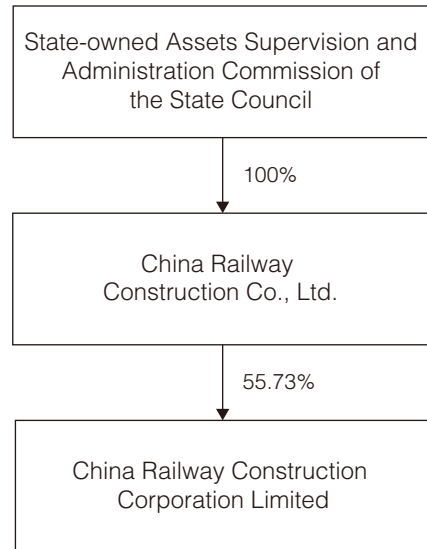
4 Name of actual controller: State-owned Assets Supervision and Administration Commission of the State Council

5 Index and date of changes in actual controller during the Reporting Period

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable



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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

V. OTHER SHAREHOLDERS HOLDING MORE THAN 10% OF SHARES

☒ Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

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

VI. EXPLANATION ON THE RESTRICTION OF REDUCING SHARE

☐ Applicable ☒ Not Applicable

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

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

Section VIII Particulars of Preference Shares

☐ Applicable ☒ Not Applicable

Section IX Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

☒ Applicable ☐ Not Applicable

Unit: share

Name	Title	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Number of shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period	Whether receive remuneration from related parties of the Company
MENG Fengchao	Chairman, and secretary of the communist party committee	Male	59	28 December 2010 (Chairman, executive director), 5 December 2016 (Secretary of the communist party committee)	21 December 2020 (Chairman, executive director)	-	-	-	-	82.25	No
ZHUANG Shangbiao	Executive director and president, deputy secretary of the communist party committee	Male	55	28 October 2014 (Executive director), 4 December 2015 (President, Deputy secretary of the communist party committee)	21 December 2020 (Executive director and president)	-	-	-	-	81.90	No
XIA Guobin	Executive director and deputy secretary of the communist party committee	Male	59	1 March 2017 (Deputy secretary of the communist party committee), 22 December 2017 (Executive director)	21 December 2020 (Executive director)	-	-	-	-	73.12	No
LIU Ruchen	Vice president Executive director	Male	54	5 November 2007 22 December 2017	21 December 2017 21 December 2020	-	-	-	-	72.82	No
GE Fuxing	Non-executive director	Male	61	16 April 2009	21 December 2017	-	-	-	-	0	No
WANG Huacheng	Independent non-executive director	Male	54	28 October 2014	21 December 2020	-	-	-	-	19.00	No
Patrick SUN	Independent non-executive director	Male	59	28 October 2014	21 December 2020	-	-	-	-	15.50	No
CHENG Wen	Independent non-executive director	Male	65	28 October 2014	21 December 2020	-	-	-	-	6.00	No
Amanda Xiao Qiang LU	Independent non-executive director	Female	63	28 October 2014	21 December 2020	-	-	-	-	14.70	No
CAO Xirui	Chairman of Supervisory Committee	Male	48	22 December 2017	21 December 2020	-	-	-	-	67.48	No
LIU Zhengchang	Supervisor	Male	49	22 December 2017	21 December 2020	-	-	-	-	56.25	No
ZHANG Liangcai	Employee supervisor	Male	59	31 May 2011	21 December 2020	-	-	-	-	74.43	No
WANG Xiuming	Chief accountant	Male	54	29 April 2014	21 December 2020	-	-	-	-	72.69	No
LU Bin	Vice president	Male	54	15 June 2017	21 December 2020	-	-	-	-	72.03	No
LI Ning	Vice president	Male	55	15 June 2017	21 December 2020	-	-	-	-	116.59	No
WANG Wenzhong	Vice president	Male	54	15 June 2017	21 December 2020	-	-	-	-	148.41	No
YU Xingxi	Secretary to the Board	Male	59	12 October 2010	21 December 2020	-	-	-	-	69.23	No
HUANG Shaojun	Chairman of Supervisory Committee	Male	61	28 October 2014	21 December 2017	-	-	-	-	49.25	No
LI Xuefu	Supervisor, deputy chief economist	Male	52	28 October 2014 (Supervisor)	21 December 2017 (Supervisor)	-	-	-	-	74.49	No
Total	/	/	/	/	/	-	-	-	/	1,166.14	/

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

Note:

1. Remunerations for the Reporting Period represent those before the deduction of income tax, social insurance and housing fund.
2. Mr. XIA Guobin and Mr. LIU Ruchen have been serving as executive director of the Company since December 2017. Remunerations of Mr. XIA Guobin and Mr. LIU Ruchen for 2017 represent fees they receive for serving as senior management member.
3. Mr. LU Bin has been serving as vice president of the Company since June 2017; his remuneration for 2017 includes fees he receives for assuming other positions in the Company.
4. Mr. LI Ning and Mr. Wang Wenzhong have been serving as vice president of the Company since June 2017; their remunerations for 2017 include fees they receive during their service in subsidiaries of the Company.
5. Mr. CAO Xirui has been serving as chairman of the fourth session of Supervisory Committee of the Company since December 2017; his remuneration for 2017 represents fees he receives for assuming other positions in the Company.
6. Mr. LIU Zhengchang has been serving as supervisor of the Company since December 2017; his remuneration for 2017 represents fees he receives for assuming other positions in the Company.
7. Mr. HUANG Shaojun was at the statutory retirement age in December 2016. During the Reporting Period, Mr. HUANG Shaojun continued to performed his duty as chairman of the third session of Supervisory Committee before the re-election of Supervisory Committee on 22 December 2017. His remuneration is determined by the remuneration standard for the chairman of Supervisory Committee, net of pension.

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

Name	Main work experience
MENG Fengchao	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
ZHUANG Shangbiao	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
XIA Guobin	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LIU Ruchen	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
GE Fuxing	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Huacheng	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
Patrick SUN	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
CHENG Wen	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
Amanda Xiao Qiang LU	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
CAO Xirui	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.

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

Name	Main work experience
LIU Zhengchang	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
ZHANG Liangcai	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Xiuming	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LU Bin	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LI Ning	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Wenzhong	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
YU Xingxi	For details, please refer to “II. (I) Biographies of incumbent directors, supervisors and senior management” in this section.
HUANG Shaojun	Mr. HUANG joined CRCCG Group in 1976. He served as the deputy director of the planning and finance department of Ganzhou commanding unit of the Beijing-Kowloon Railway of China Railway Construction Corporation from February 1993 to April 1994, the deputy head of finance department of China Railway Construction Corporation and the deputy head of the planning and finance department of Ganzhou commanding unit of Beijing-Kowloon Railway of China Railway Construction Corporation from April 1994 to November 1998, the director of the audit department of China Railway Construction Corporation from November 1998 to August 2002, the chief of the audit bureau of China Railway Construction Corporation from August 2002 to November 2007. Mr. HUANG has been serving as a supervisor of the Company since November 2007 and the chairman of the third session of Supervisory Committee of the Company from 28 October 2014 to 21 December 2017.

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

Name	Main work experience
LI Xuefu	<p>Mr. LI started his career in 1988 and served as the deputy head of the education and sanitation department of China Railway Construction Corporation from November 1998 to August 2002. He concurrently served as the deputy head of the education and sanitation department of China Railway Construction Corporation and the deputy director of the training center in Beijing from August 2002 to December 2005, and the director of the office of the board of China Railway Construction Corporation from December 2005 to July 2008. Mr. LI served as the director of the Secretariat of the Board of the Company from July 2008 to September 2014. He has served as the deputy chief economist of the Company since September 2014 and the supervisor of the third session of Supervisory Committee of the Company from 28 October 2014 to 21 December 2017.</p>

Explanation for other matters

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

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

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

1. Directors

Mr. MENG Fengchao, aged 59, a Chinese with no right of abode overseas, is currently the chairman, an executive director and the secretary to the communist party committee of the Company. Mr. MENG is also the chairman and secretary to the communist party committee of China Railway Construction Co., Ltd.. Mr. MENG has a deep insight of China's construction industry, great expertise and extensive experience in operation management. From January 1982 to May 1998, Mr. MENG held various positions in the Ministry of Railways and its engineering companies. From May 1998 to January 2000, he was the assistant to the general manager of China Railway Construction Development Center. From January 2001 to December 2004, Mr. MENG was the deputy general manager and a member of the standing committee of the communist party committee of China Railway Engineering Company. He also served as chairman of China Railway Major Bridge Engineering Group Co., Ltd. from April 2001 to August 2002. From December 2004 to September 2005, he served as general manager and deputy secretary to the communist party committee of China Harbour Engineering Company (Group) (which is one of the predecessors of China Communications Construction Company Limited). From September 2005 to May 2010, he successively served as a director, general manager, vice chairman and secretary to the communist party committee of China Communications Construction Group (Limited). From August 2006 to May 2010, he was vice chairman, general manager and secretary to the communist party committee of China Communications Construction Company Limited. Mr. MENG has been serving as chairman, general manager and deputy secretary to the communist party committee of China Railway Construction Corporation since May 2010. He has also been serving as an executive director and the chairman of the first session of the Board and the secretary to the communist party committee of the Company since December 2010 and an executive director and the chairman of the second session of the Board of the Company and the secretary to the communist party committee since May 2011. He served as an executive director and the chairman of the third session of the Board of the Company and secretary to the communist party committee since October 2014. He has been the chairman of the Board and the deputy secretary to the communist party committee of the Company as well as the chairman and deputy secretary to the communist party committee of China Railway Construction Corporation since February 2015. Mr. MENG serves as the chairman, secretary to the communist party committee as well as chairman and secretary to the communist party committee of China Railway Construction Corporation since December 2016. He has also been serving as an executive director and the chairman of the fourth session of the Board and the secretary to the communist party committee of the Company and the chairman of the Board of China Railway Construction Corporation and the secretary to the communist party committee since December 2017. Mr. MENG graduated from Southwest Jiaotong University with a bachelor's degree of engineering, majoring in tunnel and subway with master engineering. Mr. MENG is a professor-level senior engineer and enjoys special government allowance granted by the State Council.

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

Mr. ZHUANG Shangbiao, aged 55, a Chinese with no right of abode overseas, is currently the president and executive director of the Company and deputy secretary to the communist party committee, as well as general manager, a director and deputy secretary to the communist party committee of China Railway Construction Co., Ltd.. Mr. ZHUANG has a deep insight of China's construction industry, great expertise in finance and extensive experience in corporate finance and financial management. Mr. ZHUANG joined China Railway Construction Corporation in 2005. He served as the deputy general manager of the finance department of China Road and Bridge Construction Corporation from February 1992 to March 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from March 1994 to March 2001, the chief accountant of China Road and Bridge (Group) Corporation from March 2001 to August 2005, the chief accountant of China Railway Construction Corporation from August 2005 to November 2007, the general legal counsel of China Railway Construction Corporation from April 2006 to November 2007. He has been a member of the standing committee of the communist party committee of China Railway Construction Corporation from May 2007 to December 2015. He has been serving as the chief accountant of the Company from November 2007 to April 2014 and the general legal counsel of the Company from November 2007. He served as the vice president of the Company since April 2008 and an executive director of the Company since October 2014. He began to chair the management of the Company since July 2015. He has served as the president of the Company and deputy secretary to the communist party committee, and secretary to the communist party committee and a director of China Railway Construction Corporation since December 2015. He no longer served as the general legal counsel of the Company since May 2016. From November 2016, he has served as general manager and deputy secretary to the communist party committee of China Railway Construction Corporation, and no longer served as secretary to the communist party committee. From December 2017, he serves as the president and executive director of fourth session of the Board, deputy secretary to the communist party committee of the Company as well as general manager, a director and deputy secretary to the communist party committee of China Railway Construction Co., Ltd.. Mr. ZHUANG graduated from Changsha Jiaotong Institute, majoring in engineering and financial accounting and obtained a bachelor's degree in engineering. He is a senior accountant and is granted special allowance by the State Council.

Mr. XIA Guobin, aged 59, a Chinese with no right of abode overseas, is currently a deputy secretary to the communist party committee and an executive director of the Company, and the employee representative director and a deputy secretary to the communist party committee of China Railway Construction Co., Ltd.. Mr. XIA has a deep insight of China's construction industry, great expertise in technology development, survey and design, and extensive experience in technology and engineering management and construction management. Mr. XIA joined the CRCCG Group in 1975. He served as the deputy chief engineer and then chief engineer of the 13th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 13th Bureau Group Co., Ltd.) from April 1996 to December 1999, the chief engineer of 13th Engineering Bureau of China Railway from December 1999 to April 2001, the deputy general manager and chief engineer of China Railway Construction Corporation from April 2001 to November 2007. He served as the vice president and chief engineer of the Company from November 2007. Mr. XIA no longer served as the chief engineer of the Company from October 2009. From 1 March 2017, he serves as a deputy secretary to the communist party committee of China Railway Construction Corporation as well as a deputy secretary to the communist party committee of the Company. From December 2017, he serves as an executive director of the fourth

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

session of the Board and the deputy secretary to the communist party committee of the Company as well as a deputy secretary to the communist party committee of China Railway Construction Co., Ltd.. Mr. XIA graduated from Railway Guard Engineering Institute majoring in bridge engineering and obtained his bachelor's degree in engineering. Mr. XIA is a professor-level senior engineer and enjoys special allowance granted by the State Council.

Mr. LIU Ruchen, aged 54, a Chinese with no right of abode overseas, is currently an executive director of the Company and a member of the standing committee of the communist party committee, as well as a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd.. Mr. LIU has a deep insight of China's construction industry, great expertise and extensive experience in operation management. Mr. LIU joined CRCCG Group in 1981. He served as the deputy head of the 19th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 19th Bureau Group Company Limited) from August 1998. He served as the deputy head, vice chairman, general manager and deputy secretary to the communist party committee of China Railway 19th Bureau Group Company Limited from December 1999 to January 2005. He served as the chairman and deputy secretary to the communist party committee of China Railway 16th Bureau Group Company Limited from January 2005 to July 2008. He served as the vice chairman (in charge of the work of the board of directors) and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from July 2008 to December 2008. He served as the chairman and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from December 2008 to April 2009. He has been serving as the vice president of the Company since April 2009. From December 2017, he serves as an executive director of fourth session of the Board and a member of the standing committee of the communist party committee of the Company as well as a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd.. Mr. LIU graduated from Southwest Jiaotong University with a master's degree in Management Science and Engineering and is a professor-level senior engineer.

Mr. GE Fuxing, aged 61, a Chinese with no right of abode overseas, was graduated from the Party School of the Central Committee of C.P.C. and is currently a non-executive director of the Company. He once served as the deputy director of the Division of Cadres of the Political Department of Beijing PAP Corps, and the head of Division of Personnel II and III, assistant government affairs commissioner, inspector and deputy head, and of the General Office of the State Council. He is currently a full-time external director of a central enterprise and he is familiar with human resources management and macroeconomic policy. He used to serve as an external director of Sinolight Corporation. He currently serves as an external director of China International Intellectual Corporation.

Mr. WANG Huacheng, aged 54, a Chinese with no right of abode overseas, holds a doctorate and is currently an independent non-executive director of the Company. He once served as the deputy director of the Department of Accounting, deputy dean of the School of Business of Renmin University of China and secretary-general of China National MPAcc Education Steering Committee. He is currently a professor and doctoral supervisor of the School of Business of Renmin University of China. He is familiar with financial management and served as an independent director of CAMCE and an external director of Sinotrans & CSC Holdings Co., Ltd. He is an independent director of Hua Xia Bank and BOE.

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

Mr. Patrick SUN, aged 59, is a Hong Kong citizen with the right of abode in the European Union countries, and is currently an independent non-executive director of the Company. Mr. SUN acts as independent non-executive directors of Trinity Limited, Sihuan Pharmaceutical Holding Group Ltd., China NT Pharma Group Company Limited, China Railway Signal & Communication Corporation and Kunlun Energy Company Limited (all of them are listed in Hong Kong). Mr. SUN also serves as an independent non-executive director of CRRC Corporation Limited, which is listed in Shanghai and Hong Kong stock exchanges. Now Mr. SUN is vice chairman of Chamber of Commerce of Hong Kong-listed Company after acting as chairman (during 2013–2015) and Honorary director-general of the chamber. He once acted as Senior Regional Director and Head of Hong Kong Investment Bank Business of JP Morgan Chase Hong Kong; Executive Director and Head of Greater China Investment Bank Business of Fleming Holdings Limited. In addition, Mr. SUN was a member of Takeovers and Mergers Panel and Takeovers Appeal Committee of The Securities and Futures Commission (SFC), Co-convenor of Listing Committee and member of Council of The Stock Exchange of Hong Kong Ltd. Mr. SUN graduated from Wharton School, University of Pennsylvania in 1981, holding Bachelor of Science Degree in Economics. In 2000, he completed the Stanford Executive Program offered by Stanford Graduate School of Business. He is a senior member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. He is a senior member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Mr. CHENG Wen, aged 65, a Chinese with no right of abode overseas, is currently an independent non-executive director of the Company. He holds a doctorate in management and is a researcher. He was once the assistant to the director and the deputy director of Institute No. 31 of the Third Academy under China Aerospace Industry Corporation (中國航天工業總公司三院31所), vice president of the Third Academy under China Aerospace Industry Corporation (中國航天工業總公司三院), vice president of the Third Academy under China Aerospace Electromechanical Group Corporation (中國航天機電集團公司三院), assistant to the general manager and vice general manager and a member of the communist party committee of China Aerospace Electromechanical Group Corporation, and vice general manager, a member of the communist party committee and deputy director of the science and technology committee of China Aerospace Science and Industry Corporation. He is currently an external director of China North Industries Group Corporation. Mr. CHENG is familiar with business management, technological innovation and quality management.

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

Ms. Amanda Xiao Qiang LU, aged 63, a Canadian with the right of abode in Hong Kong, is currently an independent non-executive director of the Company. Ms. LU received her Ph. D. in economics in Canada. She was once a teacher in the University of International Business and Economics in the PRC and a staff in Corporate Banking of CIBC and Corporate Banking of the Royal Bank of Canada, respectively. Ms. LU also worked as the vice president and a director of Investment Banking for Asia of BNP, the vice president and a director of Investment Banking for Asia of Merrill Lynch, a director of Corporate and Investment Banking for Asia of Citibank, and managing director and head of Corporate and Investment Banking for China and deputy chairman of Corporate and Investment Banking for Greater China of Deutsche Bank, and successively worked as member the British Standard Lives Asia-Pacific Advisory Committee and a director of the Asian board of directors of British Standard Life. Ms. LU is currently an external director of the board of directors of China National Building Material Group Corporation, and a member of the Global Strategic Advisory Committee of British Standard Life. She is familiar with the domestic and overseas business acquisitions and financing, domestic and overseas listing rules, financial analysis, auditing, marketing and macroeconomics.

2. Supervisors

Mr. CAO Xirui, aged 48, a Chinese with no right of abode overseas, currently serves as the chairman of the Supervisory Committee and an executive director of CRCC Assets Management Co., Ltd. Mr. CAO joined workforce in July 1993. He once served as a trainee of the planning operation division for Dual Line of Lanzhou-Xinjiang Railway of the 20th Bureau of the Ministry of Railways, an assistant accountant, accountant, senior accountant and deputy head of the finance department of China Railway Construction Corporation. He served as the deputy head of the finance department (in charge of work) of the Company since August 2010 and the head of the finance department of the Company since December 2010, and acted concurrently as executive director of CRCC Assets Management Co., Ltd. since March 2016. He served as the chairman of the Supervisory Committee of the Company since December 2017. Mr. CAO graduated from University of International Business and Economics with a professional master's degree of international trade, is qualified as a senior accountant and elected as a member of the national training programme for leaders in the accounting profession.

Mr. LIU Zhengchang, aged 49, a Chinese with no right of abode overseas, currently serves as a supervisor of the Company, the chief of audit and supervision bureau of the Company. Mr. LIU joined workforce in July 1989. He once served as a trainee, a statistician, an accounting staff, head of the financial division, assistant accountant of the 1st department of the 19th Bureau of the Ministry of Railways, as well as chief accountant and section chief of the financial section of the 7th branch of the Company and chief accountant of the 5th department, the director of the audit department and the head of the finance department of China Railway 19th Bureau Group Co., Ltd., a member of the communist party committee, the deputy general manager and the chief accountant of China Railway 15th Bureau Group Co., Ltd. He has been serving as a member of the communist party committee, the deputy general manager and the chief accountant of China Railway 16th Bureau Group Co., Ltd. since January 2015 and the chief of the audit and supervision bureau of the Company since May 2016. He has been serving as a supervisor of the Supervisory Committee of the Company since December 2017. Mr. LIU graduated from Dongbei University of Finance and Economics with major in business administration (master's degree), is a senior accountant and elected as a member of the national training programme for leaders in the accounting profession.

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

Mr. ZHANG Liangcai, aged 59, a Chinese with no right of abode overseas, is currently the employee representative supervisor of the Company as well as the head of the organization department of the communist party committee of the Company. Mr. ZHANG started his career in 1978, and served as the manager of the Bridge Engineering Branch of China Railway Bridge Construction Company (中鐵建造橋工程分公司), secretary to the communist party committee of Research & Design Institute of Railway Construction (鐵道建築研究設計院) and the head of the organization department of the communist party committee of China Railway Construction Corporation. He has been serving as the head of the organization department of the communist party committee of the Company since July 2008 and as the employee representative supervisor of the Supervisory Committee of the Company since May 2011. He successively graduated from the former Institute of Engineering of Railway Corps (原鐵道兵工程學院), majoring in engineering machinery (Bachelor) in 1983 and Southwest Jiaotong University, majoring in management science and engineering (Master) in 2004. Mr. ZHANG is a professor-level senior engineer.

3. Senior management

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

Mr. WANG Xiuming, aged 54, a Chinese with no right of abode overseas, is currently the member of the standing committee of the communist party committee, the chief accountant and the general legal counsel of the Company. He concurrently serves as the member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. and the chairman of CRCC Finance Company Limited and CRCC Financial Leasing Co., Ltd. Mr. WANG has great expertise in finance and audit, and extensive experience in finance and audit management. From July 1986 to July 2000, Mr. WANG held various positions in the National Audit Office. From July 2000 to April 2002, Mr. WANG successively served as the deputy director of the Auditing Bureau of Tianjin City, a member of the communist party committee and the deputy commissioner of the Special Commissioner's Office for Beijing, Tianjin and Hebei of the National Audit Office. From April 2002 to March 2014, Mr. WANG successively served as the deputy director of the General Office, the director of the Policy Study Office, deputy head and head of the Legal Department (now renamed as "Department of Policies, Laws and Regulations"), the director of Audit Scientific and Research Institute, the curator of Audit Museum, as well as the commissioner and secretary to the communist party committee of Shenzhen Special Commissioner's Office of the National Audit Office. He has served as the member of the standing committee of the communist party committee of China Railway Construction Corporation since March 2014, the chief accountant of the Company since April 2014, the chairman of CRCC Finance Company Limited since July 2015, the chairman of CRCC Financial Leasing Co., Ltd. since July 2016, the general legal counsel of the Company since May 2016, and the member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. since December 2017. Mr. WANG graduated from the Finance Department of Anhui University of Finance & Economics, majoring in Finance. Mr. WANG is a senior auditor.

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

Mr. LU Bin, aged 54, a Chinese with no right of abode overseas, is currently the member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd.. Mr. LU is skilled in corporate management theory and operation, has great expertise and extensive experience in personnel management and human resource management. From July 1984 to February 1991, Mr. LU served in Chinese People's Liberation Army. From February 1991 to June 2003, he successively held positions in Bureau of Personnel Chinese Academy of Science (中科院人事局), the former Ministry of Personnel of the People's Republic of China (原國家人事部) and Central Enterprise Work Commission (中央企業工委). From June 2003 to August 2011, Mr. LU successively served as a researcher, a deputy director (department level) and a director of Second Bureau for the Administration of Corporate Executive of SASAC (國資委企幹二局) as well as, a director and a member of the Preparatory Committee of China Reform Holdings Corporation Ltd. (中國國新控股公司). From August 2011 to June 2017, he successively served as the head of human resources department of the Company (cadre department of the communist party committee), the assistant to the president and the head of human resources department of the Company (cadre department of the communist party committee). Has served as the member of the standing committee of the communist party committee and the vice president of the Company since June 2017, as well as the member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. since December 2017. Mr. LU graduated from Electronic Engineering Institute of the PLA (解放軍電子工程學院) with a bachelor's degree of engineering, majoring in radar engineering. Mr. LU is a senior administrative officer.

Mr. LI Ning, aged 55, a Chinese with no right of abode overseas, is currently a member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. Mr. LI has a deep insight of China's construction industry, great expertise in survey and design, investment and financing and extensive experience in operation management. From July 1982 to May 2007, he successively served as the deputy head of institute, assistant to the director, deputy director, director, the deputy chief economist and the head of the construction operation department and the deputy dean of Server & Design Institute of the MOR (鐵道部第一勘察設計院) and China Railway First Survey & Design Institute Group Co., Ltd. (FSDI) (中鐵第一勘察設計院集團有限公司). From May 2007 to March 2011, he successively served as a director, the general manager, the deputy secretary to the communist party committee, the chairman, the general manager and the deputy secretary to the communist party committee of China Railway 21th Bureau Group Co., Ltd. From March 2011 to June 2017, he successively served as a director, the secretary to the communist party committee, the general manager, the chairman and secretary to the communist party committee of China Railway Construction Investment Group Co., Ltd. Mr. LI has served as a member of the standing committee of the communist party committee and the vice president of the Company since June 2017, and a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. since December 2017. Mr. LI graduated from Beijing Jiaotong University with a doctoral degree in engineering, majoring in highway and railway engineering. Mr. LI is a professor-level senior engineer.

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

Mr. WANG Wenzhong, aged 54, a Chinese with no right of abode overseas, is currently a member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd.. Mr. WANG has a deep insight of China's construction industry, great expertise and extensive experience in operation management. From July 1985 to April 1999, he successively held positions in Signal & Communication Engineering Company established by the MOR (鐵道部通信信號公司), Construction Engineering Section of the Project Directing Department of the MOR (鐵道部工程指揮部建工處) and Beijing China Railway Construction Engineering Corporation (北京中鐵建築工程公司). He served as the deputy secretary to the communist party committee and manager of Beijing Tiecheng Engineering Co., Ltd. (北京鐵城工程公司) and the deputy manager of Beijing China Railway Construction Engineering Corporation (北京中鐵建築工程公司) from April 1999 to August 2001. From August 2001 to December 2003, he successively served as the vice chairman, the general manager, and deputy secretary to the communist party committee, the vice chairman and the general manager of Beijing China Railway Construction Ltd. (北京中鐵建設有限公司). From December 2003 to June 2017, he successively served as the deputy secretary to the communist party committee, the vice chairman, the general manager, the chairman and secretary to the communist party committee of China Railway Construction Group Ltd. (中鐵建設集團有限公司). He has served as a member of the standing committee of the communist party committee and the vice president of our Company since June 2017, and a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. since December 2017. Mr. WANG graduated from North Jiaotong University with a doctoral degree in engineering, majoring in management science and engineering. Mr. WANG is a professor-level senior engineer.

4. Secretary to the Board

Mr. YU Xingxi, aged 59, a Chinese with no right of adobe overseas, is currently the secretary to the Board of the Company. Mr. YU has in-depth knowledge and understanding of the PRC construction industry and abundant knowledge and experience in financial affairs, accounting, finance and corporate management. Mr. YU joined CRCC Group in 1976. Mr. YU served as chief accountant of the construction division of the 20th Bureau of the Ministry of Railways (the predecessor of China Railway 20th Bureau Group Co., Ltd.) from July 1991 to February 1995, chief accountant of the finance division of China Railway Construction Corporation from February 1995 to November 1998, deputy head of the finance division and head of the capital settlement center of China Railway Construction Corporation from November 1998 to November 2001, manager of the investment division of China Railway Construction Corporation from November 2001 to December 2005 and head of the finance division of China Railway Construction Corporation from December 2005 to November 2007. He was head of the finance division of the Company from November 2007 to October 2010 and has been the secretary to the Board of the Company since October 2010. Mr. YU was the chairman of Chenghe Insurance Brokers Co., Ltd. (a wholly-owned subsidiary of the Company) from April 2009 to August 2010, and a director of CRCC-Tongguan Investment Co., Ltd. (a joint venture of the Company) from December 2009 to April 2012, and a director of CRCC-Tongguan Investment (Canada) Co., Ltd. (a wholly-owned subsidiary of CRCC Tongguan Co., Ltd. in Canada) and Corriente Resources Inc. (a wholly-owned subsidiary of CRCC Tongguan Investment (Canada) Co., Ltd.) from May 2010 to April 2012, and a director of China Railway Shandong Beijing-Shanghai Highway Co., Ltd. (a non-wholly owned subsidiary of the Company) from October 2009 to April 2014. He acted as the secretary to the fourth session of the Board of the Company since December 2017. Mr. YU graduated from Shaanxi College of Finance and Economics and from Beijing Jiaotong University and obtained a bachelor's degree in economics and a master's degree in management. Mr. YU is a senior accountant and is qualified as a PRC certified public accountant, a Chinese Certified Tax Agent and a corporate legal advisor.

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

(II) Occupations in shareholder entities

☒ Applicable ☐ Not Applicable

Name of the employee	Name of shareholder entities	Positions in shareholder entities	Initial date	End date
MENG Fengchao	China Railway Construction Co., Ltd.	Chairman and secretary of the communist party committee	December 2017	
ZHUANG Shangbiao	China Railway Construction Co., Ltd.	General manager, director, deputy secretary of the communist party committee	December 2017	
XIA Guobin	China Railway Construction Co., Ltd.	Employee representative director and deputy secretary of the communist party committee	December 2017	
LIU Ruchen	China Railway Construction Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
WANG Xiuming	China Railway Construction Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
LU Bin	China Railway Construction Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
LI Ning	China Railway Construction Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
WANG Wenzhong	China Railway Construction Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	

Description on the position in shareholder entity

In December 2017, China Railway Construction Corporation, the Controlling Shareholder of the Company, changed its name to China Railway Construction Co., Ltd.. For details, please refer to "Controlling shareholder" in the section headed "Section VII Changes in Ordinary Shares and Particulars of Shareholders" of the report.

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

(III) Occupations in other entities

☒ Applicable ☐ Not Applicable

Name of the employee	Name of other entities	Positions in other entities	Initial date	End date
GE Fuxing	Sinolight Corporation	External director	February 2014	November 2017
	China International Intellectual Corporation	External director	June 2017	
WANG Huacheng	School of Business of Renmin University of China	Professor and doctoral supervisor	June 2001	
	Hua Xia Bank	Independent director	April 2014	
	BOE	Independent director	July 2015	
Patrick SUN	Trinity Limited	Independent non-executive director	October 2008	
	Sihuan Pharmaceutical Holding Group Ltd.	Independent non-executive director	October 2010	
	China NT Pharma Group Company Limited	Independent non-executive director	March 2010	
	CRRC Corporation Limited	Independent non-executive director	May 2015	
	China Railway Signal & Communication Corporation	Independent non-executive director	May 2015	
	Kunlun Energy Company Limited	Independent non-executive director	February 2016	
CHENG Wen	China North Industries Group Corporation	External director	September 2014	
Amanda Xiao Qiang LU	Global Strategic Advisory Committee of British Standard Life	Council member	March 2016	
	Asian board of directors of British Standard Life	Director	June 2015	31 December 2017
WANG Xiuming	CRCC Finance Company Limited	Chairman	July 2015	
	China Railway Financial Leasing Co., Ltd.	Chairman	July 2016	
CAO Xirui	China Railway Asset Management Co., Ltd.	Executive director	March 2016	
HUANG Shaojun	Beijing Tongda Jingcheng Highway Co., Ltd.	Supervisor	April 2004	
	CRCC Finance Company Limited	Chairman of the supervisory committee	August 2011	
LI Xuefu	CRCC High-Tech Equipment Corporation Limited	Non-executive director	June 2015	

Description on position in other entities

Nil

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

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

☒ Applicable ☐ Not Applicable

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

1. Decision-making procedures for remuneration of directors and supervisors

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

2. Decision-making procedures for remuneration of senior management

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

Determination basis for remuneration of directors, supervisors and senior management

1. Determination basis for remuneration of directors

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

2. Determination basis for remuneration of Supervisors

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

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

3. Determination basis for remuneration of senior management

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

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

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

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

RMB11.6614 million

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

☒ Applicable ☐ Not Applicable

Name	Position held	Information on the change	Reason for change
XIA Guobin	Executive director	Elected	New appointment
	Vice president	Resigned	Expiry of term
	Deputy secretary of communist party committee	Appointed	Work demand
LIU Ruchen	Executive director	Elected	New appointment
	Vice president	Resigned	Expiry of term
LU Bin	Vice president	Engaged	Work demand
LI Ning	Vice president	Engaged	Work demand
WANG Wenzhong	Vice president	Engaged	Work demand
CAO Xirui	Chairman of the supervisory committee	Elected	New appointment
LIU Zhengchang	Supervisor	Elected	New appointment
HUANG Shaojun	Chairman of the supervisory committee	Resigned	Retirement
LI Xuefu	Supervisor	Resigned	Expiry of term

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

Note:

1. On 15 June 2017, the 42nd meeting of the third session of the Board of the Company considered and passed the Resolution on the Engagement of Three People (including Lu Bin) as Vice Presidents of the Company, and engaged Mr. LU Bin, Mr. LI Ning and Mr. WANG Wenzhong as the Vice Presidents of the Company, with a term from 15 June 2017 to 28 October 2017 (same as the term of the existing senior management).
2. On 8 December 2017, the Company convened the third employee representative meeting of CRCC in 2017, at which Mr. ZHANG Liangcai was elected as the employee representative supervisor of the fourth session of the Supervisory Committee of the Company, with a term of three years starting from the date of election of the fourth session of the shareholder representative supervisors at the General Meeting of the Company.
3. On 22 December 2017, the Company convened the 2017 second extraordinary General Meeting of the Company, at which new members of the Board and Supervisory Committee were elected. Mr. MENG Fengchao, Mr. ZHUANG Shangbiao, Mr. XIA Guobin and Mr. LIU Ruchen were elected as the executive directors of the fourth session of the Board, and Mr. GE Fuxing was elected as a non-executive director of the fourth session of the Board of the Company; Mr. WANG Huacheng, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were elected as the independent non-executive directors of the fourth session of the Board of the Company; and Mr. CAO Xirui and Mr. LIU Zhengchang were elected as the shareholder representative supervisors of the fourth session of the Supervisory Committee of the Company.

On 22 December 2017, the Company convened the first meeting of the fourth session of the Board of the Company, at which Mr. MENG Fengchao was elected as the Chairman of the Company, with a term same as that of the fourth session of the Board, Mr. ZHUANG Shangbiao was engaged as the president of the Company, Mr. LU Bin, Mr. LI Ning and Mr. WANG Wenzhong were engaged as the Vice Presidents of the Company, Mr. WANG Xiuming was engaged as the chief accountant of the Company, and Mr. YU Xingxi was engaged as the secretary to the Board, with a term of three years starting from the date of approval by the Board.

On 22 December 2017, the Company convened the first meeting of the fourth session of the Board of the Company, at which Mr. CAO Xirui was elected as the chairman of the Supervisory Committee of the Company, with a term identical to that of the fourth session of the Supervisory Committee.

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

☐ Applicable ☒ Not Applicable

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

VI EMPLOYEES OF THE PARENT AND THE MAJOR SUBSIDIARIES

(I) Employees

Number of existing employees of the parent	316
Number of existing employees of major subsidiaries	261,017
Total number of existing employees	261,333
Number of the resigned and retired staff in the parent company and its major subsidiaries	0

Professional composition

Category of professionals	Number of employees
Management talents	57,614
Professional and technical talents	122,315
Skilled talents	81,404
Total	261,333

Educational level

Category of educational level	Number (person)
Master degree or above	9,299
Bachelor Degree	127,730
College degree	55,981
Technical secondary school education	22,645
High school and below	45,678
Total	261,333

(II) Remuneration policy

☒ Applicable ☐ Not Applicable

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

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

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

(III) Training plan

☒ Applicable ☐ Not Applicable

According to the enterprise development strategy and the “Thirteenth Five-Year Plan” human resources plan, and in accordance with the requirements of the “All-staff Improvement Project” and the construction of the Learning CRCC, the Company will adhere to the principles of overall planning, prioritizing the main aspects, hierarchical management and different levels holding different responsibilities, and conduct comprehensive, multi-dimensional, high-intensity and high-quality staff education and training in 2018, so as to further enhance the overall quality of the workforce and to promote sustainable, healthy and rapid development of the Company. Firstly, the Company will strengthen the leadership training. By a combination of outsourcing training and self-cultivation, the Company will hold training sessions by hierarchical classification for leaders at the bureau and department level to continuously improve the political literacy, the decision-making level and leadership of the leaders. Secondly, the Company will put great efforts on high-end, innovative and key job business training in an overall manner. By focusing on the theme of “steady growth with high quality” of CRCC and taking the optimization of the quality structure of staff as the main focus, the Company will strengthen the business trainings with respect of business management, expertise, Party affair management, etc. to further consolidate the management foundation, strengthen execution, and promote quality and efficiency improvement and transformation and upgrading of CRCC. Thirdly, the Company will focus on post certificate training for emergency personnel in critical shortage. The Company will continue to organize the training for registered practice (occupation) qualification required for the production and operation and qualification management of the Company. The Company will strengthen the post certificate training for key working personnel and special operation personnel in the frontline of construction so as to meet the needs of enterprise production and management and on-site management with certificates. Fourthly, the Company will intensify overseas staff training. The Company will build a training system for overseas talents, and focus on strengthening the training for international project managers and personnel in business management of international projects, foreign languages for international projects, European and American standards, etc. through self-organizing, joint-hosting and outsourcing training, so as to adapt to “go abroad” development strategy of CRCC. Fifthly, the Company will strengthen internet education and training for all staff. By fully leveraging big data, “Internet+”, “two Apps and one terminal” (WeChat, Weibo and mobile terminal) and other technical means, the Company will establish an internet education and training information platform to increase employee participation and coverage.

(IV) Labor outsourcing

☒ Applicable ☐ Not Applicable

Total working hours on labor outsourcing	Approximately 6.97 billion working hours
Total payment for labor outsourcing	Approximately RMB165.5 billion

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

VII. OTHERS

☒ Applicable ☐ Not Applicable

(I) Interests in the Company held by Directors, Supervisors and the Chief Executive

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

(II) Service Contracts of Directors and Supervisors

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

(III) Directors' and Supervisors' Interests in Contracts

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

Section X Corporate Governance (Corporate Governance Report)

I. BASIC INFORMATION OF CORPORATE GOVERNANCE OF THE COMPANY

☒ Applicable ☐ Not Applicable

During the Reporting Period, in strict compliance with laws and regulations such as the Company Law, the Securities Law and the Guidelines for Corporate Governance of Listed Companies issued by CSRC and the relevant provisions and requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company constantly improved the decision-making quality to maintain sustainable and healthy development of the Company through strategic guidance, in-depth reform, scientific and technological innovation and other means. The Company constantly improved the corporate governance structure and safeguarded the interests of all shareholders of the Company through enhancing internal control, risk management, information disclosure management and other means. There was no substantial difference between the actual situation of corporate governance structure of the Company and the provisions and requirements of relevant documents of CSRC. The Company complied with the code provisions of the Corporate Governance Code published by the Hong Kong Stock Exchange.

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

1. Strengthened corporate governance for standardized operation. The General Meetings were held in strict accordance with the Articles of Association and the Rules of Procedure of General Meetings. We enabled the exercise of shareholders' rights according to laws and earnestly safeguarded the interests of shareholders. The Board and its special committees operated in strict compliance with the Articles of Association, the Rules of Procedure of the Board and detailed rules of special committees of the Board and made prudent decisions. The Supervisory Committee performed its duties earnestly in accordance with the Articles of Association and the Rules of Procedure of the Supervisory Committee in order to supervise the financial affairs, internal control system building and duty performance of directors and senior management. President and other senior management carried out activities in relation to production, operation and management in strict compliance with the Articles of Association and the Working Rules for the President and other provisions, and implemented the resolutions made by the Board under the supervision of the Supervisory Committee.
2. Successfully completed the re-election of the new session of the Board and the Supervisory Committee. During the Reporting Period, a new session of the Board was elected. The meeting of the nomination committee of the Board, the Board meeting and the General Meeting were successively held, at which relevant decision-making procedures were fulfilled in accordance with rules and regulations. On 22 December 2017, the re-election of the new session of the Board was successfully. The fourth session of the Board began to perform its duties, elected the Chairman and considered and approved the members of the special committees of the Board. Meanwhile, the Board engaged presidents and other senior management personnel. The re-election of the Supervisory Committee was completed. The fourth Supervisory Committee began to perform its duty, and elected the Chairman of the Supervisory Committee.
3. Continued to perfect the corporate governance system. In 2017, the Company amended the Articles of Association, the Rules of Procedure for the Board of Directors, the Working Rules for the Audit and Risk Management Committee, the Working Rules for the President, the External Investment Management System, etc., and formulated the Guidance for Standard Operation of the Board of Directors of Secondary Company and the Interim Measures for Assessment and Evaluation of Standard Operation of the Board of Directors of Secondary Company.

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

4. Enhanced management of information disclosure constantly. The Company disclosed information in a true, accurate, complete, timely and fair manner in strict compliance with the requirements of the listing rules of the stock exchanges where the Company's shares are listed and kept improving its information disclosure. In 2017, the Company adhered to the principle of combining statutory information disclosure and proactive information disclosure and continuously enhanced the pertinence and practicality of periodic reports, preparing and disclosing the annual report, interim report and quarterly reports with high quality. In the whole year, 432 documents in English and Chinese were disclosed in total, including 170 documents disclosed on the Shanghai Stock Exchange, 154 Chinese documents and 108 English documents disclosed on the Hong Kong Stock Exchange.

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

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

☐ Applicable ☒ Not Applicable

II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

1. Compliance with laws and regulations that have material impact on the Company and the Corporate Governance Code

During the Reporting Period, the Company complied with the Company Law, the Securities Law, applicable Hong Kong laws and regulations and all provisions of the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. The Company also conducted corporate governance practices and improved corporate governance structure in accordance with relevant requirements provided by regulatory authorities. In accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, the Company established its corporate governance system. The Articles of Association, the Terms of Reference of the Nomination Committee, the Strategy and Investment Committee, the Remuneration and Evaluation Committee and the Audit and Risk Management Committee, the scope of authority of the Supervisory Committee, and the code of conduct for securities transactions by directors and relevant employees constitute the reference basis of the code of corporate governance of the Company. During the Reporting Period, the Company had complied with the code provisions in the Corporate Governance Code and adopted the recommended best practices if applicable.

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

2. Risk Management and Internal Control of the Company

The Company formulated complete risk assessment specification. For strategic objective, operation objective, reporting objective, compliance objective and assets safety objective, the Company identified the respective scope of risk assessment, and carried out initial information collection and identification. For the identified risks, at the beginning of each year, the Company comprehensively used the quantitative and qualitative method to analyze and assess the possibility of the occurrence and degree of impact of risks, identify the importance level of risks according to risk analysis result so as to identify major risks of the Company, and identify the order of precedence for risk management. Upon completion of the risk analysis and assessment, the Company identified the solutions for major risks, and implemented the detailed plans. During the implementation process, the management of the Company carried out dynamic management on major risks, periodically or unperiodically analyzed all kinds of internal and external uncertainties, and took corresponding measures to strengthen control. The Board is responsible for the effectiveness of overall internal control and risk management. The Audit and Risk Management Committee under the Board exercised, on behalf of the Board, the independent assessment, supervision and inspection function over the establishment of procedures and systems for the internal audit of the Company and internal control and risk management of the management as well as the formulation and implementation of major risk management strategy and control measures. The Audit and Risk Management Committee continued to monitor the risk management and internal control system on behalf of the Board, and ensure to conduct a review on the effectiveness of the risk management and internal control system of the Company and its subsidiaries at least once a year regarding all significant aspects of risk management and internal control, including financial control, operational control and compliance control. The Board, the Audit and Risk Management Committee and the Supervisory Committee, according to the applicable rules at home and abroad, checked if the Company's operation, financial and accounting policies are in compliance with the laws and regulations, meanwhile coordinate with the management, internal and external auditors to jointly review the adequacy and effectiveness of internal control and risk management of the Company by annual internal control audit, self-assessment and other works. They paid close attention to the major defects and corrective actions, so as to ensure that it can make a full play in internal control and risk management of the Company. To practically fulfill the abovementioned responsibilities, the Board has not only identified the guidelines of "risk management oriented and internal control based", but also realized the integration and effective operation of internal control and risk management system of the Company. By establishing the organization structure of reasonable work allocation, clear definition of responsibilities and clear reporting relationships, the Company stipulated the responsibilities and obligations of internal control and risk management decision-making body, management body, execution body and supervision body, to ensure the responsibilities, authorities and the interrelation of internal control and risk management of the Company are communicated. The Board acknowledges that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. During the Reporting Period, the Board has complied with the code provisions of risk management and internal control specified in the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. The Audit and Risk Management Committee of the Board has completed the review of the internal control and risk management systems for the Company and its subsidiaries regarding all significant aspects, including financial control, operational control and compliance control. The Board confirms that such systems are sound, effective and adequate.

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

3. Procedures and Internal Control Measures for the Handling and Dissemination of Inside Information:

The Company formulated the Management Rules for Insiders and the Management System for Information Disclosure Deferral and Exemption, which set out the detailed rules for the handling, dissemination and internal control of inside information. In 2017, the Company strictly implemented the abovementioned policies, further strengthened the identification and evaluation work for inside information and narrowed down the scope of insiders as far as possible. Besides, before the disclosure of inside information in accordance with law, the Company conducted strict registration for and management over the insiders. In case of major events which require deferral or exemption of disclosure, in addition to the registration of the insiders involved in the events, the Company also required the relevant insiders to sign the liability notification, so as to ensure the relevant insiders to fulfill their confidentiality obligation, and effectively prevent the leak of the information which is deferred or exempted from disclosing.

III. BRIEF INTRODUCTION OF GENERAL MEETINGS

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

Session of the meeting	Date	Inquiry index at designated website for which the resolutions were published	Disclosure date of the resolutions published
2016 Annual General Meeting	15 June 2017	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	16 June 2017
2017 First Extraordinary General Meeting	30 October 2017	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	31 October 2017
2017 Second Extraordinary General Meeting	22 December 2017	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	23 December 2017

Explanation for General Meeting

☐ Applicable ☒ Not Applicable

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

IV. SHAREHOLDER RIGHTS

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

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

Contact details of the Company:

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

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

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

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

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

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

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

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

V. THE BOARD OF DIRECTORS

(I) Overview of the Board

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

On 22 December 2017, a new session of the Board was re-elected upon the consideration and approval of 2017 second extraordinary General Meeting. During the Reporting Period, duties were performed by the third session of the Board before the re-election of the fourth session of the Board on 22 December 2017. The third session of the Board comprised seven members, including Mr. MENG Fengchao and Mr. ZHUANG Shangbiao as executive directors, Mr. GE Fuxing as non-executive director, and Mr. WANG Huacheng, Mr. Patrick Sun, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU as independent non-executive directors. Mr. MENG Fengchao served as the chairman, and Mr. ZHUANG Shangbiao acted as the president.

The fourth session of the Board performs duties for the period from 22 December 2017 to 21 December 2020. The fourth session of the Board of the Company consisted of nine directors, Mr. MENG Fengchao and Mr. ZHUANG Shangbiao, Mr. XIA Guobin, Mr. LIU Ruchen are executive directors, Mr. GE Fuxing is a non-executive director, Mr. WANG Huacheng, Mr. Patrick Sun, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU are independent non-executive directors. Mr. MENG Fengchao is the chairman of the Company, and Mr. ZHUANG Shangbiao serves as the president.

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

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

During the Reporting Period, the Board held 16 meetings.

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

(II) The Board and the management

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

1. The Board

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

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

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

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

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

2. The management

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

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

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

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

VI. PERFORMANCE OF DUTIES OF DIRECTORS

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

Name of directors	Independent director or not	Required attendance for the year	Attendance at the Board meetings				Two consecutive absences from the Board meeting	Attendance at the General Meetings	
			Attendance in person	Attendance by communication	Attendance by proxy	Absence		Attendance	Number of attendance
MENG Fengchao	No	16	9	7	0	0	No	100%	3
ZHUANG Shangbiao	No	16	8	7	1	0	No	93.8%	2
XIA Guobin	No	1	1	0	0	0	No	100%	1
LIU Ruchen	No	1	1	0	0	0	No	100%	1
GE Fuxing	No	16	9	7	0	0	No	100%	3
WANG Huacheng	Yes	16	7	7	2	0	No	87.5%	2
Patrick SUN	Yes	16	6	7	3	0	No	81.3%	2
CHENG Wen	Yes	16	9	7	0	0	No	100%	3
Amanda Xiao Qiang LU	Yes	16	8	7	1	0	No	93.8%	3

Notes on the two consecutive absences from the Board meeting

☐ Applicable ☒ Not Applicable

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

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

(II) Independent Directors' objection to any matters related to the Company

☐ Applicable ☒ Not Applicable

(III) Others

☒ Applicable ☐ Not Applicable

1. Training of directors

Mr. MENG Fengchao attended the 4th session of training course for directors and supervisors of listed companies in Beijing on 19 July 2017; and attended the training session for the performance of duties of directors, supervisors and senior management of the Company on 22 December 2017.

Mr. ZHUANG Shangbiao attended the SASAC Singapore Temasek Board Operational Training Course from 18 to 24 August 2017; and attended the 10th session of training course for directors and supervisors of listed companies in Beijing on 6 December 2017.

Mr. XIA Guobin attended the training session for the performance of duties of directors, supervisors and senior management of the Company on 22 December 2017.

Mr. LIU Ruchen attended the training session for the performance of duties of directors, supervisors and senior management of the Company on 22 December 2017.

Mr. GE Fuxing participated in the SASAC-Tsinghua University training course for directors from 17-18 May 2017; attended the first session of SASAC training seminar on deepening reform of state-owned enterprises from 21 May – 26 May 2017; attended the 2nd session of training course for directors and supervisors of listed companies in Beijing on 13 June 2017; attended the 1st session of advanced training course for external director of state-owned enterprises from 7 November – 13 November 2017; and attended the training session for the performance of duties of directors, supervisors and senior management of the Company on 22 December 2017.

Mr. WANG Huacheng attended the training session for the performance of duties of directors, supervisors and senior management of the Company on 22 December 2017.

Mr. Patrick SUN attended the online training course of the Hong Kong Stock Exchange on director's responsibility and role and function of special committees of the board on 6 April 2017; attended the training course on China's consumer development trends organized by Trinity Limited on 7 June 2017; attended the 2017 2nd session of subsequent training session for independent directors organized by the Shanghai Stock Exchange from 12 July – 13 July 2017; and attended the online training session on risk management and internal control and ESG report organized by the Hong Kong Stock Exchange.

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

Mr. CHENG Wen participated in the SASAC-Tsinghua University training course for director from 17 May – 18 May 2017; attended the 2017 3rd session of subsequent training for independent directors of listed companies organized by the Shanghai Stock Exchange from 12 October – 13 October 2017; and attended the training session for the performance of duties of directors, supervisors and senior management of the Company on 22 December 2017.

Ms. Amanda Xiao Qiang LU attended the 2017 2nd session of subsequent training for independent directors of listed companies organized by the Shanghai Stock Exchange from 12 July – 13 July 2017; and attended the training session for the performance of duties directors, supervisors and senior management of the Company on 22 December 2017.

2. Performance of the duties of corporate governance by the Board

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

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

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

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

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

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

3. The independence of independent non-executive directors

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

VII. CHAIRMAN AND PRESIDENT

(I) Chairman of the Board

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

(II) President

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

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

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

☒ Applicable ☐ Not Applicable

(I) Nomination Committee

The re-election of the Board was considered and approved at the 2017 second extraordinary General Meeting on 22 December 2017. Before 22 December 2017, the Nomination Committee of the 3rd session of the Board consisted of Mr. MENG Fengchao (chairman), Mr. WANG Huacheng, Mr. Patrick SUN and Mr. CHENG Wen (independent non-executive directors) with Mr. MENG Fengchao serving as the chairman. After the re-election of the Board on 22 December 2017, the Nomination Committee of the 4th session of the Board consists of Mr. MENG Fengchao (chairman), Mr. XIA Guobin (executive director), Mr. WANG Huacheng, Mr. Patrick SUN and CHENG Wen (independent non-executive directors) with Mr. MENG Fengchao serving as the chairman.

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

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

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

During the Reporting Period, the Nomination Committee performed its duties conscientiously pursuant to the requirements of the Company Law, the Articles of Association, Terms of Reference of the Nomination Committee and relevant laws and regulations and reviewed the structure, number of members and the composition (including skills, knowledge and experience) of the Board. The Nomination Committee held a total of 3 meetings, the details of which are as follows:

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 4th meeting of the third session	15 June 2017	Considered the proposal in relation to the appointment of three persons including LU Bin as vice presidents of the Company.	Mr. MENG Fengchao, Mr. WANG Huacheng, Mr. Patrick SUN, Mr. CHENG Wen were present at the meeting.
2	The 5th meeting of the third session	24 November 2017	Considered the proposal of candidates for directors of the fourth session of the Board.	Mr. MENG Fengchao, Mr. WANG Huacheng, Mr. Patrick SUN, Mr. CHENG Wen participated in voting by way of communication.
3	The 1st meeting of the fourth session	22 December 2017	1. Considered the proposal in relation to the appointment of president of the Company; 2. Considered the proposal in relation to the appointment of senior management including vice president of the Company; 3. Considered the proposal in relation to the appointment of the secretary of the Board of the Company.	Mr. MENG Fengchao, Mr. XIA Guobin, Mr. WANG Huacheng, Mr. Patrick SUN, Mr. CHENG Wen were present at the meeting.

(II) Strategy and Investment Committee

The re-election of the Board was considered and approved at the 2017 second extraordinary General Meeting on 22 December 2017. Before 22 December 2017, the Strategy and Investment Committee of the third session of the Board consisted of Mr. ZHUANG Shangbiao (executive director), Mr. GE Fuxing (non-executive director), Mr. WANG Huacheng and Mr. Patrick SUN (independent non-executive directors) with Mr. ZHUANG Shangbiao serving as the chairman. After the re-election of the Board on 22 December 2017, the Strategy and Investment Committee of the fourth session of the Board consisted of Mr. ZHUANG Shangbiao (executive director), Mr. LIU Ruchen (executive director), Mr. GE Fuxing (non-executive director), Mr. WANG Huacheng and Mr. Patrick SUN (independent non-executive directors) with Mr. ZHUANG Shangbiao serving as the chairman.

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

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 24th meeting of the third session	16 January 2017	<ol style="list-style-type: none"> 1. Considered the proposal on the implementation of the production and operation plan for 2016 and the production and operation plan for 2017; 2. Considered the proposal on the status of corporate investment in 2016 and the corporate investment plan for 2017; 3. Considered the proposal on participation of the consortium comprising China Railway 12th Bureau Group Co., Ltd., and Guangde CRCC-Blue Ocean Fengtie Investment center LLP (廣德鐵建藍海豐鐵投資中心(有限合夥)) in a bid for the PPP project of Integrated Renovation Construction of River Course and Waterlogging Prevention Facilities in Qiaobei Area in Nanjing; 4. Considered the proposal on joint participation by China Railway 22nd Bureau Group Co., Ltd. and China Railway Siyuan Survey and Design Group Co., Ltd. in a bid for the PPP project of integrated transportation hub in Guangzhou North station; 5. Considered the proposal on participation of first level development of Nanfaxin Town, Shunyi District, Beijing by China Railway Construction Group Ltd.; 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
			6. Considered the proposal on further investment in the renovation and environmental remediation project of Dongtieying Shanty Town, Fengtai District, Beijing by China Railway Construction Investment Group Co., Ltd.;	
			7. Considered the proposal on further participation of China Railway Construction Investment Group Co., Ltd. and China Railway Construction Group Ltd. in the level one new town land development of Jiangning Street, Jiangning District, Nanjing;	
			8. Considered the proposal on participation of the consortium comprising the Company, Anhui Transportation Holding Group Co., Ltd. (安徽省交通控股集團有限公司) and China State Construction Engineering Corporation Limited(中國建築股份有限公司) in a bid for the PPP Project of the Huangshan-Qiandao Lake Section of G4012 Liyang-Ningde Expressway and the Wuwei-Yuexi Section of G42S Shanghai-Wuhan Expressway;	
			9. Considered the proposal on the participation of the Company in bidding for the BOT project from Suining-Deyang Expressway;	
			10. Considered the proposal in relation to a joint venture establishment of a consortium of Belgrano Cargas (貝鐵貨運) in Argentina;	
			11. Considered the proposal in relation to the "2016-2020 Corporate Development Strategy and Planning of China Railway Construction Corporation Limited".	

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
2	The 25th meeting of the third session	28 March 2017	<ol style="list-style-type: none"> 1. Considered the proposal on participation of China Railway 20th Bureau Group Co., Ltd. in bidding for the PPP project of the newly built Hummer Railway North-South extension line (新建甌馬鐵路南北延伸線); 2. Considered the proposal on the Company's establishment of Shun Tak Life Insurance Co., Ltd. (信德人壽保險股份有限公司) by way of investment; 3. Considered the proposal on participation of the consortium comprising China Railway 15th Bureau Group Co., Ltd. and China Railway Construction Investment Group Co., Ltd. in a bid for the PPP project for the new construction project of Luo Sanjie to Henan-Shaanxi boundary section of No.310 national highway; 4. Considered the proposal on participation of China Railway Construction Investment Group Co., Ltd. in bidding for the BOT project from Gaotang to Dong-e expressway in Shandong (山東高唐至東阿高速公路BOT項目); 5. Considered the proposal to transfer the equity of the Company regarding the transfer of equity interest in a project company funded by raised proceeds and permanent replenishment of working capital by the proceeds; 6. Considered the proposal on increasing registered capital of certain secondary units. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
3	The 26th meeting of the third session	28 April 2017	<ol style="list-style-type: none"> 1. Considered the proposal on increasing registered capital of CRCC Finance Company Limited in same proportion; 2. Considered the proposal for the approval of modifying External Investment Management System of China Railway construction Corporation Limited; 3. Considered the proposal on the participation of the Company in bidding for the PPP project in Heyang Shaanxi to Tongchuan, Wuqi to Huachi expressway. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
4	The 27th meeting of the third session	25 May 2017	<ol style="list-style-type: none"> 1. Considered the proposal on the establishment of commercial factoring company by way of funding by subsidiaries including CRCC Assets Management Co., Ltd. (中鐵建資產管理有限公司); 2. Considered the proposal on establishing Philippines branch of China Railway Construction Corporation Limited; 3. Considered the proposal on participation of China Railway 16th Bureau Group Co., Ltd. in bidding for PPP Project of Shandong Dongying port and Shugang railway (山東東營港疏港鐵路); 4. Considered the proposal of joint participation of China Railway Construction Investment Group Co., Ltd. and China Railway Fifth Survey and Design Institute Group Co., Ltd. in a bid for the PPP project of Featured Township of Jade Articles in Wantou, Yangzhou (揚州灣頭玉器特色小鎮); 5. Considered the proposal of the participation of China Railway Construction Investment Group Co., Ltd by way of consortium in a bid for the PPP project of G7 Beijing-Urumqi Expressway from Wutongdaqian to Mulit (京新高速(G7)新疆梧桐大泉至木壘公路). 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
5	The 28th meeting of the third session	15 June 2017	<ol style="list-style-type: none"> 1. Considered the proposal on the participation of CRCC Chongqing Investment Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway Siyuan Survey and Design Institute Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd. in a bid for the PPP project of comprehensive improvement of urban water system (including black odor water improvement) in Fuyang, Anhui (安徽阜陽市城市水系統綜合整治(含黑臭水體治理)); 2. Considered the proposal on establishing a Pakistan representative office of China Railway Construction Corporation Limited. 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing and Mr. Patrick SUN were present at the meeting. Due to other business engagement, Mr. WANG Huacheng did not attend the meeting.
6	The 29th meeting of the third session	11 July 2017	<ol style="list-style-type: none"> 1. Considered the proposal on establishing an Argentina branch office of China Railway Construction Corporation Limited; 2. Considered the proposal on the participation of China Railway 11th Bureau Group Co., Ltd. and other units in a bid for the PPP project of the first package of 2017 major highway engineering project in Changji, Xinjiang (新疆昌吉州2017年重點公路工程PPP項目第一工程包); 3. Considered the proposal on the participation of China Railway 14th Bureau Group Co., Ltd. in a bid for the PPP project on the Takshiken-Qakurtu highway of S18 in Qinghe County, Altay Prefecture, Xinjiang Autonomous Region (新疆自治區阿勒泰地區青河縣S18塔克什肯至恰庫爾圖公路PPP項目); 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WHANG Huacheng and Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
			<p>4. Considered the proposal on the participation of China Railway Construction Investment Group Co., Ltd and other units in a bid for the PPP project of Phase I of the Ningbo section of the G92N parallel line of the loop line (alternative line of Hangzhou-Ningbo Highway) in Hangzhou Bay area (杭州灣地區並行線G92N(杭甬高速複線)寧波段一期工程);</p> <p>5. Considered the proposal on the participation of the Company in a bid for the PPP project of the first phase of line 1 and 2 of urban rail transit in Baotou and the integrated pipeline project (包頭市城市軌道交通1號線、2號線一期工程及沿線綜合管廊工程);</p> <p>6. Considered the proposal on the participation of the consortium of China Railway 11th Bureau Group Co., Ltd. in a bid for the PPP project of Chengbei expressway in Jingzhou City.</p>	
7	The 30th meeting of the third session	31 July 2017	<p>1. Considered the proposal on transferring part of the shares of four companies including China Railway Construction Shandong Jinxi Expressway Jiyu Co., Ltd. (中鐵建山東濟徐高速公路濟魚有限公司);</p> <p>2. Considered the proposal on establishing and acquiring the share of Tianjin CRCC Hongtu Fengchuang Investment Fund (天津鐵建宏圖豐創投資基金) by the subsidiaries.</p>	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
8	The 31st meeting of the third session	21 August 2017	Considered the proposal on participation of the consortium comprising units including China Railway Construction Investment Group Co., Ltd. and China Railway 21st Bureau Group Co., Ltd. in a bid for the PPP project for the highway reconstruction at the Jinya to Hekou (Zhangjiatai) section of the G309 line in Lanzhou, Gansu Province (甘肅蘭州G309線金崖至河口(張家台)段公路改建工程).	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
9	The 32nd meeting of the third session	28 August 2017	<ol style="list-style-type: none"> 1. Considered the proposal on participation of the China Railway 20th Bureau Group Co., Ltd. in a bid for a BOT project of Huanglong-Pucheng Highway in Shaanxi Province of Yulan Line Highway Huang-Wei Line (G65E) (陝西榆藍高速G65E黃渭線黃龍至蒲城高速公路項目); 2. Considered the proposal on participation of the China Railway Construction Group Ltd. and China Railway Construction Bridge Engineering Bureau Group (中鐵建大橋局集團公司) in a bid for the PPP project for Chongqing Guojiatuo Bridge and southern extension (重慶郭家沱大橋及南延伸段PPP項目); 3. Considered the proposal on participation of China Railway Construction Group Ltd. and China Railway Construction Bridge Engineering Bureau Group (中鐵建大橋局集團公司) in a bid for the PPP project in the western two horizontal section of the Chongqing expressway; 4. Considered the proposal on the participation of the Company in a bid for the "investment + general contracting" project for civil work in the middle section (eastern district and west district) of the Changsha Metro Rail Transit Line 6 (長沙市軌道交通6號線工程中段(東區、西區)土建施工"投資+總承包"項目); 5. Heard the report on the Company's participation regarding the changes in the bidding condition of PPP project of Phase I of the Ningbo section of the G92N parallel line of the loop line (alternative line of Hangzhou-Ningbo Highway) in Hangzhou bay area (杭州灣地區並行線G92N(杭甬高速複線)寧波段一期工程). 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing and Mr. WANG Huacheng were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
10	The 33rd meeting of the third session	19 October 2017	<ol style="list-style-type: none"> The proposal on the Company's participation in a bid for the new airport north line expressway (Beijing section) project; The proposal on the establishment of China Railway North Bay Construction Investment Co., Ltd. (中鐵建北灣建設投資有限公司). 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
11	The 34th meeting of the third session	27 October 2017	<ol style="list-style-type: none"> Considered the proposal of increasing registered capital in China Railway Construction Investment Group Co., Ltd.; Considered the proposal of CRCC Assets Management Co., Ltd. (中鐵建資產管理有限公司) and Chongqing International Trust Co., Ltd. jointly initiating the establishment of CRCC Structure Adjustment Fund; Considered the proposal of CRCC Assets Management Co., Ltd. (中鐵建資產管理有限公司) and Ping An Asset Management Co., Ltd. jointly initiating the establishment of CRCC-Ping'an Infrastructure Investment Fund; Considered the proposal on the participation of China Railway Construction Investment Group Co., Ltd. in a bid for the Shanty-Town Reformation Project in Zhangjiakou Qiaoxi District (張家口市橋西區棚戶區改造項目); Considered the proposal on the participation of China Railway Construction Investment Group Co., Ltd. in a bid of the PPP project in Binhe New Area in Jiyang ; Considered the proposal on the participation of the Company in a bid of the PPP project for Dalian Metro Line 4; Considered the proposal on the participation of the consortium comprising China Railway Construction Investment Group Co., Ltd. and other units in a bid of the PPP project for Gansu Zhangye-Wenchuan (G0611) Zhangjiao-Biandukou highway project (甘肅張掖至汶川(G0611)張掖至扁都口段公路工程). 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing and Mr. Patrick SUN were present at the meeting. Due to other business engagement, Mr. WANG Huacheng did not attend the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
12	The 35th meeting of the third session	24 November 2017	Considered the proposal on the Company's investment in the infrastructure investment platform of the subsidiaries.	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
13	The 36th meeting of the third session	15 December 2017	Considered the proposal on the participation of the consortium comprising China Railway Construction Investment Group Co., Ltd., China Railway 12th Bureau Group Co., Ltd. and other units in a bid of the PPP project for Jiangsu Yancheng express network phase III project (江蘇鹽城市快速路網三期工程)	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
14	The 37th meeting of the third session	21 December 2017	<ol style="list-style-type: none"> 1. Considered the proposal in relation to the establishment of business entities by the Company in Nanjing and Xi'an; 2. Considered the proposal in relation to the integration of the commanding unit of Beijing-Tianjin-Hebei area and the working group of Xiong'an New Area and the establishment of a business entity in Xiong'an New Area by the Company; 3. Considered the proposal on the introduction of investors by China Railway Construction Real Estate Group Co., Ltd by way of capital contribution and share enlargement; 4. Considered the proposal in relation to the structural financing to be conducted by the Company and the Agricultural Bank; 5. Considered the proposal in relation to the investment in Perpetual debentures of certain subsidiaries by CRCC Assets Management Co., Ltd.; 6. Considered the proposal in relation to the participation in the Bidding for the PPP project for six highway projects (Project B Package) including Xinjiang Bayingol Mongolian Autonomous Prefecture Tashidian to Shangku Industrial Park by a consortium comprising China Railway 14th Bureau Group Co., Ltd. and China Railway 21st Bureau Group Co., Ltd.; 	Mr. ZHUANG Shangbiao, Mr. GE Fuxing and Mr. Patrick SUN were present at the meeting. Due to other business engagement, Mr. WANG Huacheng did not attend the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
			7. Considered the proposal in relation to the Participation in the bidding for the PPP Project for National and Provincial Trunk Highways and Rural Highway Package Including S343 Line in Tacheng District, Xinjiang by a consortium comprising China Railway 18th Bureau Group Co., Ltd.;	
			8. Considered the proposal in relation to the participation by the Company in the bidding for the PPP project for the Shangcai, Henan to Luoshan Expressway (within Zhumadian urban area and Xinyang urban area);	
			9. Considered the proposal in relation to the participation by the Company in the bidding for the PPP project for Fengqiu-Yuanyang Section of the Lankao to Yuanyang Expressway in Henan;	
			10. Considered the proposal in relation to the participation in the bidding for the PPP project for Ningling-Shenqiu section of the Expressway from Puyang, Henan to Yangxin, Hubei by a consortium comprising China Railway Construction Investment Group Corporation Limited and China Railway 15th Bureau Group Co., Ltd.;	
			11. Considered the proposal in relation to the participation in the bidding for the PPP project for Binhe New District, Jiyang, Shandong by a consortium of China Railway Construction Investment Co., Ltd.;	
			12. Considered the proposal in relation to the participation by China Railway 25th Bureau Group Co., Ltd. in the bidding for the transformation project for Maturing in Motan Area, Liuzhou, Guangxi;	
			13. Considered the proposal in relation to the participation by CRCC Chongqing Investment Co., Ltd. in the bidding for the PPP project for Expressway from Wuxi, Chongqing to Zhenping, Shaanxi (Chongqing section);	
			14. Considered the proposal in relation to the participation in the bidding for the PPP project for expansion of Expressway from Kunming (Min Mountain) to Chuxiong (Guangtong) by the Company.	

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

(III) Remuneration and Evaluation Committee

The re-election of the Board was considered and approved at the 2017 second extraordinary General Meeting of the Company on 22 December 2017. Before 22 December 2017, the Remuneration and Evaluation Committee of the third session of the Board consisted of Mr. CHENG Wen (independent non-executive director), Mr. GE Fuxing (non-executive director) and Ms. Amanda Xiao Qiang LU (independent non-executive director), with Mr. CHENG Wen serving as the chairman. After the re-election of the Board on 22 December 2017, the members and the chairman of the Remuneration and Evaluation Committee of the fourth session of the Board remained the same.

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

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

During the Reporting Period, the Remuneration and Evaluation Committee earnestly performed their duties and held 4 meetings in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference for the Remuneration and Evaluation Committee and other relevant laws and regulations, the details of which are as follows:

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 11th meeting of the third session	29 March 2017	Considered the proposal in relation to the remuneration of directors and supervisors of 2016	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.
2	The 12th meeting of the third session	27 April 2017	1. Considered the proposal in relation to the results of the performance review by the Board on the president for 2016; 2. Considered the proposal in relation to the plan of the performance review by the Board on the president for 2017.	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.
3	The 13th meeting of the third session	28 August 2017	Considered the proposal in relation to the results report of the performance review on senior management for 2016 and the plan of the performance review on senior management for 2017 of the Company.	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.
4	The 14th meeting of the third session	11 September 2017	Considered the proposal on the 2016 remuneration plan for the officers of the Company.	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting.

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

(IV) Audit and Risk Management Committee

The re-election of the Board was considered and approved at the 2017 second extraordinary General Meeting of the Company on 22 December 2017. Before 22 December 2017, the Audit and Risk Management Committee of the third session of the Board consisted of Mr. WANG Huacheng (independent non-executive director), Mr. GE Fuxing (non-executive director), Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU (independent non-executive directors), with Mr. WANG Huacheng being the chairman. After the re-election of the Board on 22 December 2017, the members and the chairman of the Audit and Risk Management Committee of the fourth session of the Board remained the same.

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

During the Reporting Period, the Audit and Risk Management Committee earnestly performed their duties and held 9 meetings in accordance with the requirements of the Company Law, the Articles of Association and the Terms of Reference for the Audit and Risk Management Committee and other relevant laws and regulations, the details of which are as follows:

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 19th meeting of the third session	16 January 2017	Considered the proposal in relation to the change of external auditors for the year 2017.	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
2	The 20th meeting of the third session	13 March 2017	<ol style="list-style-type: none"> 1. Heard the report of Supervisory Committee on the Annual Audit Thoughts and Audit Plan 2017 of the Company; 2. Heard Ernst & Young Hua Ming LLP's Report on the Progress of the Audit on 2016 Annual Report (Second Communication); 3. After the above two proposals were considered, a separate communication meeting with external auditors in the absence of management was held. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN and Mr. CHENG Wen were present at the meeting. Due to other business engagement, Ms. Amanda Xiao Qiang LU did not attend the meeting.
3	The 21st meeting of the third session	28 March 2017	<ol style="list-style-type: none"> 1. Heard Ernst & Young Hua Ming LLP's Report on the Progress of the Audit on 2016 Annual Report (Third Communication); 2. Considered the Proposal in relation to the Company's Annual Report of 2016; 3. Considered the 2016 Financial Statements of the Company; 4. Heard the Report of the Company on the Progress of the Internal Control Evaluation for 2016; 5. Considered the Report of the Internal Control Evaluation of the Company for 2016; 6. Considered the Proposal in relation to the Payment of Internal Control Audit Fee for 2016; 7. Considered the Proposal in relation to the Related Fees including Auditing Work on 2016 Annual Report; 8. Considered the Proposal in relation to the Amendment of Terms of Reference of Audit and Risk Management Committee of the Board of CRCC. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
4	The 22nd meeting of the third session	27 April 2017	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the First Quarter of 2017; 2. Considered the Proposal in relation to the Financial Report of the Company of 2017 of the First Quarter; 3. Considered the proposal in relation to the Risk Management Report of 2017 of the Company. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
5	The 23rd meeting of the third session	31 July 2017	Heard the Report in relation to the Interim Review and Internal Control Auditing of 2017	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
6	The 24th meeting of the third session	28 August 2017	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the First Half of 2017; 2. Considered the Proposal in relation to the Interim Report of 2017 and the Summary; 3. Considered the Proposal in relation to the Change in Accounting Policy; 4. Considered the Proposal in relation to the Implementation Plan of Internal Control Evaluation and Assessment of 2017; 5. Communicated with Deloitte Touche Tohmatsu CPA LLP about Review of Financial Report of the First Half of 2016. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.
7	The 25th meeting of the third session	27 October 2017	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the Third Quarter of 2017; 2. Considered the Proposal in relation to the Report of the Third Quarter of 2017 of the Company ; 3. Considered the Proposal in relation to Renewing the Property Leasing Framework Agreement and Proposing Caps for Continuing Connected Transactions for 2018-2019. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
8	The 26th meeting of the third session	6 November 2017	Considered the Proposal in relation to the possible participation in the preferential placing of the public issuance of A share convertible bonds by the controlling Shareholder.	Mr. WANG Huacheng, Mr. GE Fuxing and Mr. CHENG Wen were present at the meeting. Due to other business engagement, Mr. Patrick SUN and Ms. Amanda Xiao Qiang LU did not attend the meeting.
9	The 27th meeting of the third session	21 December 2017	Heard the Report of Deloitte Touche Tohmatsu CPA LLP in relation to the 2017 Audit Plan and the Report Summary of the first phase internal control test.	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.

During the Reporting Period, the Audit and Risk Management Committee held meetings at which they together reviewed the financial and accounting policies, internal control system and relevant financial matters, issued opinions on matters related to the engagement of external auditors and heard the external auditors' reporting on the audit and review of the 2016 Annual Report and 2017 Interim Report, so as to ensure the integrity, fairness and accuracy of the Company's financial statements, reports and other relevant data, and to establish and improve an effective internal control system.

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

☐ Applicable ☒ Not Applicable

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

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable

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

XII. SELF-ASSESSMENT REPORT ON INTERNAL CONTROL DISCLOSED

☒ Applicable ☐ Not Applicable

For details of the "2017 Self-assessment Report on Internal Control", please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Description on significant defects of the Internal Control during the Reporting Period

☐ Applicable ☒ Not Applicable

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

XIII. RELEVANT ISSUE ON AUDIT REPORT ON INTERNAL CONTROL

☒ Applicable ☐ Not Applicable

As approved by the 2016 annual General Meeting, Deloitte Touche Tohmatsu CPA LLP was appointed by the Company to audit the effectiveness of our internal control for the year ended 31 December 2017, and issued an internal audit report with an unqualified audit opinion. Deloitte Touche Tohmatsu CPA LLP was of the view that, the Company maintained an efficient internal control on financial reporting at all material aspects according to Basic Standards for Corporate Internal Control and relevant requirements.

For details of the “Audit Report on Internal Control”, please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Auditors’ Report on Internal Control disclosed: Yes

XIV. OTHERS

☒ Applicable ☐ Not Applicable

(I) Securities Transactions of Directors, Supervisors and Relevant Employees

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

(II) Investor Relations

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

The Company paid close attention to strengthening communication with investors, answering their questions timely through channels and means such as dedicated hotline and mail boxes for investor relations and the Shanghai Stock Exchange E-interactive Platform. In 2017, the Company arranged 74 face-to-face meetings and teleconferences with investors and analysts, receiving more than 445 visitors. The Company proactively participated in on-site communication activities held by domestic and overseas investment institutions, including 17 face-to-face meetings with investors and analysts and 72 investor receptions with 248 visitors received. To facilitate disclosure of periodic reports, the Company held 5 results presentations, and carried out 39 one-to-one and one-to-many meetings with 100 institutional investors received. Through various channels and means, the Company managed to improve investor relations management.

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

In strict compliance with the requirements of the listing rules of the listing places, the Company carried out information disclosure in a true, accurate, complete, timely and fair manner, and improved information disclosure by constantly enhancing the pertinence and effectiveness of the contents disclosed. In 2017, the Company disclosed 432 documents of various kinds in Chinese and English on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, enabling the investors to keep abreast of the latest tendency of the industry, the Company's production and operation conditions and its development prospects.

The Company's active and effective work on investor relations has been recognized by investors and capital markets. In 2017, the Company won many awards in respect of brand building, standardized governance, information disclosure, investor relation and social responsibility, etc. The Company was successively awarded "Top 100 China Listed Companies with Most Core Competitiveness in 2017" and "Most Innovative China Listed Company in 2017" at the Eighth Communication Meeting of China Listed Company and Urban Development Investment, "Top 100 China Listed Companies of Credibility in 2017" at the Sixth Summit Forum of the Credibility of China Listed Company, the prizes of "Star Enterprise in China" and "Top 100 Enterprises in China" at the 17th Summit Forum of Top 100 China Listed Companies, the prize of "Listed Company with Most Investment Potential" in the Seventh China Securities Golden Bauhinia Award, "Listed Company with Best Investor Relations Management" at the "Golden Hong Kong Shares" - Summit Forum of Insight on New Value of Hong Kong Shares, etc. The Board of the Company was awarded "Board of Directors of China Listed Company on the Main Board with Outstanding Investor Relations", "China Listed Company with Most Respected Board of Directors in 2017" in the selection of the Golden Intelligence Award, "China Listed Company with Outstanding Study Case on Targeted Poverty Alleviation in 2017", the prize of "Best Board of Directors" among all board of directors of listed companies in the selection of the 13th Golden Round Table Award, etc. Meng Fengchao, the chairman, was awarded "Most Respected Industry Leading Entrepreneur of China Listed Company in 2017", "Entrepreneurship Award", "Top 100 Outstanding Entrepreneurs in China", etc. Yu Xingxi, the secretary to the Board, was awarded "Best Secretary to the Board of China Listed Company", "Top 100 Outstanding Secretaries to the Board in China", "Secretary to the Board with Meritorious Service", "Top Secretary to the Board", etc.

(III) Amendments to the Articles of Association during the Reporting Period

During the Reporting Period, according to the applicable laws and regulations of the places where the shares of the Company are listed and the actual situation of the Company, the Articles of Association were amended once after the consideration and approval by the Board meeting and the General Meeting.

In accordance with relevant requirements regarding the incorporation of party construction work into articles of association of central enterprises and comprehensively promoting the construction of central enterprises under the rule of law put forward by the SASAC, relevant rules and regulations that were recently issued by the CSRC, the stock exchanges where the shares of the Company are listed and relevant national regulatory authorities, taking into consideration the actual conditions of the Company and on a prudent, appropriate and necessary basis, the Company made relevant amendments to the Articles of Association. Relevant amendments were considered and approved at the 2017 first extraordinary General Meeting held on 30 October 2017. The Articles of Association (amended) were published at the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

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

(IV) Remuneration of Auditors

For relevant information on the remuneration of auditors, please refer to “VII. Appointment and removal of auditors” of “Section VI Significant events” in this report.

(V) Company Secretary

During the Reporting Period, the secretary of the Board and the joint company secretary of the Company had respectively completed relevant professional training of not less than 15 hours.

(VI) Directors’ Responsibilities Related to Financial Report (Disclosure Pursuant to the Requirements of the Hong Kong Listing Rules)

The Directors shall bear responsibility to supervise the preparation of financial reports. In terms of the annual financial statements for the year ended 31 December 2017, the Board of Directors has selected and used appropriate accounting policies to make prudent and reasonable judgments and estimates, in order to truly and fairly reflect the financial conditions, performance and cash flows of the Group during the financial year.

The statement of reporting responsibilities of the Company’s auditors has been contained in the “Audit report” of “Section XIII Financial Reports” of the report.

Section XI Environmental, Social and Governance Report

I. ENVIRONMENTAL

(I) Emissions

CRCC strictly complies with international conventions and domestic regulations related to air pollution, strictly implements the policies which limit high energy consumption and high pollution, continues to promote energy-saving and emission reduction, integrating into the whole process of construction and production, increases investment in technological improvement of the energy-saving and emission reduction, eliminates backward production capacity, promotes the usage of new products, new materials, new technologies to reduce the impact of emissions on the environment.

Emissions discharged by the Company in the course of operation was primarily carbon dioxide, and non-hazardous waste produced was construction waste. Due to the nature of the industry, the Company seldom produced hazardous waste. Therefore, the relevant key performance indicator was not applicable to the Company. Resources consumed in construction and production mainly include electricity, gasoline and diesel, which did not result in emission of oxynitride and oxysulfide. Therefore, relevant key performance indicators were not applicable to the Company. In 2017, the emission of carbon dioxide was 2.7787 million tons, and the discharge of construction waste was 45.39 million tones.

In order to reduce the impact of emissions on the environment, the Company took the following measures:

To reduce the emission of carbon dioxide, the Company strictly controlled the total energy consumption and adjusted the energy utilization structure to cut down the consumption of energy with high carbon dioxide content. It adopted clean energy and promoted the clean production strategy. While discarding obsolete capacity and process and purchasing energy-saving and advanced equipment, the Company optimized the construction plan to accelerate construction and shorten construction period, thus reducing energy consumption. It also applied advanced technologies to help with energy conservation and pollution prevention.

For construction waste, the Company advocated utilizing such waste in an efficient manner and aimed to reduce the total discharge. It recycled and treated construction waste for re-utilization purposes, had comprehensive treatment on construction waste in accordance with environmental standards and requirements and discharged the waste only when it met such standards. The Company also initiated the energy substitution project, using steel over timber, adopting convertible materials and expanding the cycle of convertible materials, thus reducing the production of waste.

(II) Use of resources

CRCC advocates green and low-carbon lifestyle, encourages employees to make something great from the small things, start with things around us to practice strict economy and eliminate waste. Due to the nature of the industry, the Company did not consume any packaging material. Therefore, relevant key performance indicators were not applicable to the Company. The Company made great efforts to improve the utilization efficiency in the course of energy consumption. It promoted comprehensive utilization of resources with regard to solid waste, and promoted green construction in the course of productive consumption.

Section XI Environmental, Social and Governance Report (continued)

Energy Consumption of 2017

Type	Consumption
Coal (<i>ten thousand tons</i>)	31.56
Electricity (<i>ten thousand kWh</i>)	830,000
Gasoline (<i>ten thousand tons</i>)	18.32
Diesel (<i>ten thousand tons</i>)	154.58
Fuel oil (<i>ten thousand tons</i>)	9.75
Natural gas (<i>ten thousand standard cubic meter</i>)	287.32

The Company strengthened the conservation and management of water resources, adopted several measures to save water and improved the utilization efficiency. The total water consumption of the Company was 170.00 million cubic meter in 2017.

The Company conducted resource utilization management. By optimizing energy consumption structure, phasing out backward capacity and process, strengthening monitoring on key energy-consuming equipment and launching technology driven energy conservation, it realized the target on decrease in both total energy consumption and unit energy consumption. In 2017, total energy consumption of the Company was 5.69 million tons of standard coal; comprehensive energy consumption per ten thousand of revenue (comparable) was 0.0891 ton of standard coal, representing a year-on-year decrease of 1.66%.

(III) Environment and Natural Resources

CRCC followed national and local environmental protection laws and regulations, improved the awareness among its staff, and promoted the “National Energy Conservation Week and National Low Carbon Day” campaign, and advanced green development through application for “Demonstration Project for Green Construction. It prepared Assessment Form of Environmental Factors and List of Key Environmental Factors, enhanced monitoring, detection and management on water pollution, air pollution, radioactive pollution, dust pollution of construction site, construction waste, noise, exhaust gas and soil and water conservation. It applied advanced technologies, process, materials and equipment for better utilization of resources, rehabilitation, greening and soil and water conservation, therefore realizing conservation of energy, water, land and materials and protecting the environment. In 2017, 23 projects of the Company were recognized as “Demonstration Project for Green Construction”. All projects of the Company were operated on the sites approved for construction purpose and had not material impact to the environment and the natural resources.

Section XI Environmental, Social and Governance Report (continued)

II. SOCIAL

(I) Employment and labor practices

1. Employment

According to the local labor laws and regulations, CRCC adhered to non-discrimination employment policies, i.e. equality of men and women, equal pay for equal work. CRCC treated the employees in different nationality, race, gender, age, religion and cultural background fairly, protected the employee's personal privacy strictly, prohibited and resisted the employment of child labor, and objected to forced labor of all forms.

Number of employees in 2017 (by personnel type)

Personnel type	Number	Proportion (%)
Management personnel	57,614	22.05
Professional and technical personnel	122,315	46.8
Skilled personnel	81,404	31.15
Total	261,333	100

Number of employees in 2017 (by educational background)

Educational background	Number	Proportion (%)
Graduate degree	9,299	3.56
Bachelor degree	127,730	48.88
Junior college	55,981	21.42
Secondary technical school	22,645	8.66
High school and below	45,678	17.48
Total	261,333	100

Number of employees in 2017 (by age structure)

Age structure	Number	Proportion (%)
35 and below	142,771	54.63
36–40	32,269	12.35
41–45	30,686	11.74
46–50	20,909	8
51–54	15,411	5.9
55 and above	19,287	7.38
Total	261,333	100

Section XI Environmental, Social and Governance Report (continued)

2. Health and safety

Upholding the philosophy that life and safety is the most important, CRCC cultivated the “red line awareness” and established safety system to set clear responsibility on all staff and to strengthen safety risk control. Following the management requirement that “think ahead, discover in advance and eliminate potential risk in advance”, the Company put greater efforts in identification of potential risks and enhanced rectification measures, therefore reinforcing the foundation for safety and maintaining safe production.

Promoting the prevention of occupational disease from source, the Company improved the occupational disease prevention system, ensured that healthy and safety measures were strictly executed by all levels, provided protection articles in accordance with labor protection requirements and made sure these articles were offered regularly. Staff received health checks on regular basis, and those on special positions had additional physical examination. The Company also maintained health records for staff, offered staff re-checks and help them develop both physical and mental health. By doing so, CRCC effectively prevented and controlled occupational diseases, and truly protected the occupational health rights of staff.

The Company attached great importance to safety training, and focused on front-line and operational personnel. Through pre-work education, project site broadcast, billboard, project site school, safety knowledge competition, message and WeChat, and safety experience zone, the Company raised the safety awareness of staff and guaranteed the operation safety.

3. Development and training

Training was an important means of talent cultivation for CRCC, and it sought to build a team with expertise, professional skills and strong executive capability. Based on strategic priorities and future development of the Company and aiming at capacity building, CRCC focused on cultivation of professional skills and accumulation of knowledge in the trainings. While optimizing its training mechanism and improving training approaches, CRCC offered comprehensive, multi-level and multi-channel trainings for all staff, so as to achieve higher level, higher quality and higher standard in talent development.

Employee training in 2017

Training type	Number of persons	Proportion (%)
Senior management	14,252	3.49
Operation management personnel	62,037	15.18
Professional and technical personnel	237,022	58
Party and masses management personnel	23,141	5.66
Skilled personnel	72,217	17.67
Total	408,669	100

Section XI Environmental, Social and Governance Report (continued)

4. Labor standards

According to the local labor laws and regulations, CRCC adhered to non-discrimination employment policies, i.e. equality of men and women, equal pay for equal work. CRCC treated the employees in different nationality, race, gender, age, religion and cultural background fairly, protected legitimate rights and interests of employees actively, protected the employee's personal privacy strictly, prohibited and resisted the employment of child labor, and objected to forced labor of all forms.

(II) Operation routine

1. Supply chain management

CRCC set up e-commerce platforms to provide open and fair competition environment for the suppliers. It established long-term cooperation relations with the suppliers with strong strength and good reputation, built a list of qualified suppliers, and carried out supplier evaluation regularly to improve supplier management and offer high-quality products and services, realizing development together with suppliers. In 2017, CRCC has 624 domestic material suppliers.

Domestic material suppliers in 2017

Region	Supplier (number)
Beijing Headquarters	135
Shanghai Headquarters	54
Guangzhou Headquarters	86
Wuhan Headquarters	117
Xi'an Headquarters	232
Total	624

2. Product responsibility

Attaching great importance to quality improvement, CRCC strictly followed national and industry standards and promoted the ultimate accountability on projects. It conducted quality review on all projects, introduced the campaign of quality improvement and the construction of project site with standardized safety and quality management, thereby maintaining a sound quality management system. In 2017, the Company won eight China Building Construction Luban Awards and 35 National Super Quality Engineering Awards.

CRCC promised to provide high-quality products and services for customers, abided by business ethics and code of ethics, and provides true, fair and complete service information to customers. Leveraging information means, CRCC realized the standardized and normalized supervision and management of contracts, and ensured the efficiency and strength of contract execution, realizing faithful performance.

Section XI Environmental, Social and Governance Report (continued)

As customer's information safety is the guarantee of enterprise safety, CRCC kept the information collected properly. With multiple channels including its website, dedicated e-mail and compliant hotline, the Company collected feedback from clients and learned more about their expectations, requests and suggestions. CRCC carried out quality inspection and customer callback to communicate with relevant parties actively to improve customer satisfaction for product quality.

3. Anti-corruption

CRCC strictly abided by the laws and regulations of countries and regions where its domestic and overseas businesses are located, and prohibited all behaviors that may be suspected of corruption and bribery strictly. It improved the discipline supervision mechanism, and constructed a regulation system by developing rules and measures including Guidelines on Construction of "Zero Tolerance Against Corruption" Mechanism (Trial) (《構建「不能腐」體制機制的指導意見(試行)》), Measures on Implementation and Application of "Four Patterns" for Supervision and Discipline Inspection (Trial) (《實踐運用監督執紀「四種形態」的實施辦法(試行)》) and Rules on Punishment for Violation of Discipline and Regulations (Trial) (《職工違紀違規處分規定(試行)》).

By multiple supervision mode, which included discipline inspection report, inspection tour, audit of discipline execution, economic responsibility audit or special audit, assessment of internal control, supervision on compliance with laws and regulations, anti-fraud and overseas assets, and control of corruption risks, the Company raised the awareness of corruption risk and strengthened the accountability mechanism in key fields, stages and positions related to restructuring, property transaction, investment and acquisition, tendering and bidding, sub-contracting, material procurement, internationalization and human resource development. With such efforts, the Company effectively prevent any corruption behavior.

(III) Community

Community investment

CRCC followed the concept of "community co-building" seriously, focused on community development, and established harmonious relationship with local government and people actively. In addition, CRCC participated in community construction actively by taking its own advantages, thereby helping to improve community environment while sparing no efforts to give back to local society. In 2017, CRCC made external donation of RMB10.0665 million.

The Company follows the working policy of "sincerely making great efforts on poverty alleviation, taking targeted measures to help people lift themselves out of poverty, achieving win-win results on poverty alleviation, making innovations on poverty alleviation and fighting against corruption during poverty alleviation process". Based on the characteristics of the enterprise itself, CRCC adhered to the combination of government predominance and enterprise help, the combination of mutual benefit and poverty alleviation, the principle of combining whole advancement with key breakthroughs, and promoted the work of taking targeted measures to help people lift themselves out of poverty. In 2017, the Company sent a total of 21 cadres for fixed-point poverty alleviation, made direct investment of RMB17.33 million, and donated RMB16.78 million worth of materials. It carried out 80 poverty alleviation projects, procurement the introduction of 16 projects and RMB12.74 million of funds.

Section XI Environmental, Social and Governance Report (continued)

The Company delivered its care to the society, and promoted the standardization and normalization of volunteer services. It established over 800 groups of volunteers and offered regular, normalized and one-to-one services, which included targeted poverty alleviation, services for the convenience and benefit of people, financial aids and student grants and charitable activities, performing its social responsibility by practical actions. In 2017, the Company conducted over 1,500 volunteering activities, with about 20,000 persons participated into these activities.

For relevant information on the corporate governance, please refer to “Section X Corporate Governance (Corporate Governance Report)” in this report.

Section XII Particulars of Corporate Bonds

☒ Applicable ☐ Not Applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: '000 Currency: RMB

Bond	Short name	Code	Date of issuance	Maturity date	Balance of the bond	Interest (%)	Method of principal repayment and interest payment	Exchange platform
CRCC 2016 renewable corporate bonds (first tranche)	16 CRCC Y1	136997	29 June 2016	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal term, the issuer is entitled to exercise the option to renew. The maturity date will be extended to one cycle afterwards (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	7,992,104	3.53	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange

Interest payment status of corporate bonds

☒ Applicable ☐ Not Applicable

On 29 June 2017, the Company paid the interest of CRCC 2016 renewable corporate bonds (first tranche) for the period from 29 June 2016 to 28 June 2017. According to the Announcement on the Coupon Rate of 2016 Renewable Corporate Bonds (First Tranche) of China Railway Construction Corporation Limited, the coupon rate of "16 CRCC Y1" was 3.53%, and the interest distributed for each lot of "16 CRCC Y1" with par value of RMB1,000 was RMB35.30 (tax inclusive).

Additional situation statement of corporate bonds

☒ Applicable ☐ Not Applicable

As approved by the CSRC in the document "Zheng Jian Xu Ke [2016] No. 1337" issued on 21 June 2016, the Company was permitted to publicly issue renewable corporate bonds to qualified investors by tranche, with the aggregate nominal value up to RMB15 billion. On 29 June 2016, the Company completed the first tranche of issuance, with issue size of RMB8 billion and coupon rate of 3.53%. The second tranche of issuance was completed on 19 March 2018 (2018 Renewable Corporate Bonds (First Tranche)), with issue size of RMB3 billion and coupon rate of 5.56%. As at the disclosure date of this report, the second tranche has not been listed on the Shanghai Stock Exchange.

Section XII Particulars of Corporate Bonds (continued)

II. CONTACT PERSON, CONTACT INFORMATION OF CORPORATE BONDS TRUSTEE MANAGER AND CONTACT INFORMATION OF CREDIT RATING ORGANIZATION

Corporate Bond trustee manager	Name	CITIC Securities Co., Ltd.
	Office address	22nd floor, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
Credit rating organization	Contact person	WANG Yanyan, HE Jiarui
	Contact number	010-60833551, 60833626
	Name	China Chengxin Securities Rating Co., Ltd (中誠信證券評估有限公司)
	Office address	8th floor, Anji Mansion, 760 Xizangnan Road, Huangpu District, Shanghai

Other Explanation

☐

Applicable

☒

Not Applicable

III. UTILIZATION OF PROCEEDS FROM CORPORATE BONDS

☒

Applicable

☐

Not Applicable

The use of proceeds raised from CRCC 2016 renewable corporate bonds (first tranche) and its implementation procedures and the operation of special account for the raised proceeds were in strict compliance with the prospectus of the bonds and the Administrative Measures for Raised Proceeds of China Railway Construction Corporation Limited. All of the proceeds raised from the bonds, after deducting the issuance fees, were used to replenish the working capital. Such proceeds have been used up as of the end of the Reporting Period.

IV. RATING OF CORPORATE BONDS

☒

Applicable

☐

Not Applicable

China Cheng Xin Securities Rating Co., Ltd. issued a credit rating report for the issuance of the 2016 renewable corporate bonds (first tranche) by the Company, assigning an AAA rating to the issuer of the bonds and an AAA rating to the bonds.

On May 2017, China Cheng Xin Securities Rating Co., Ltd. issued a follow-up rating report for the existing 2016 renewable corporate bonds (first tranche) of the Company, which reaffirmed a credit rating of AAA on the issuer and a credit rating of AAA on the bonds, showing stable rating outlook. For details, please refer to the announcement dated 24 May 2017 published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, and at the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Section XII Particulars of Corporate Bonds (continued)

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

No guarantee has been made for the CRCC 2016 renewable corporate bonds (first tranche).

The debt repayment scheme is that the bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.

VI. CONVENING OF THE MEETING OF BONDHOLDERS

☐ Applicable ☒ Not Applicable

VII. PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

☒ Applicable ☐ Not Applicable

During the Reporting Period, CITIC Securities Co., Ltd, as the bonds trustee manager of the “16 CRCC Y1”, paid continuously attention to the operations, financial conditions and credit standing of the Company and performed its duties as the trustee manager in strict compliance with the stipulations under the Bonds Trustee Management Agreement (《債券受託管理人協議》).

In June 2017, CITIC Securities Co., Ltd issued the Trustee Manager Report on the 2016 Corporate Bond of China Railway Construction Corporate Limited (2016). On November 2017, CITIC Securities Co., Ltd issued the Provisional Report on Trustee Management of the Public Issuance of the 2016 Renewable Corporate Bonds of China Railway Construction Corporate Limited. For details, please refer to the announcements dated 2 June 2017 and 1 November 2017 published by the Company on China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, and at the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Section XII Particulars of Corporate Bonds (continued)

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD FOR THE LAST TWO YEARS

☒ Applicable ☐ Not Applicable

Unit: RMB'000 Currency: RMB

Key indicators	2017	2016	Increase or decrease at this year as compared with the end of last year (%)	Reasons of change
Earnings before interest, tax, depreciation and amortization (EBITDA)	39,611,162	36,061,112	9.84	
Liquidity ratio	1.20	1.25	-4.00	
Quick ratio	0.71	0.70	1.43	
Debt to assets ratio (%)	78.26	80.42	Decreased by 2.16 percentage points	
Total debt ratio of EBITDA	16.24	16.93	-4.08	
Interest coverage ratio	2.82	2.59	8.88	
Cash flow interest coverage multiples	4.13	5.54	-25.51	Mainly due to the increase in cash paid by the Company for purchase of goods and receipt of labor services.
Interest coverage multiples EBITDA	4.10	3.92	4.59	
Loan repayment ratio (%)	100	100	—	
Interest repayment ratio (%)	100	100	—	

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

☒ Applicable ☐ Not Applicable

The principal and interest of other existing bonds and debt financing instruments of the Company have been repaid in a timely manner. No default has occurred so far.

Section XII Particulars of Corporate Bonds (continued)

X. BANKING FACILITIES DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

As at 31 December 2017, the Group has already obtained banking facilities from several PRC banks of RMB1,060.0722 billion, of which an amount of RMB395.7683 billion has been utilized.

XI. FULFILLMENT OF STIPULATIONS OR COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

☒ Applicable ☐ Not Applicable

During the Reporting Period, the Company strictly complied with and fulfilled the relevant agreements and commitments in the prospectus of the CRCC 2016 renewable corporate bonds (first tranche). There had been no default in this regard.

XII. IMPACT OF MAJOR EVENTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

☐ Applicable ☒ Not Applicable

Section XIII Financial Reports

☒

Applicable

☐

Not Applicable

Independent Auditor's Report

De Shi Bao (Shen) Zi (18) No P01866
Page 1 of 7

To the shareholders of China Railway Construction Corporation Limited

I. OPINION

We have audited the financial statements of China Railway Construction Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2017, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of China Railway Construction Corporation Limited give a true and fair view, in all material respects, of the consolidated and company financial position as of 31 December 2017, and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The followings are key audit matters that we have determined to communicate in the independent auditor's report.

Independent Auditor's Report (continued)

III. KEY AUDIT MATTERS (CONTINUED)

1. Revenue from construction contract and provision for foreseeable contract losses

1.1 Description

As disclosed in Note V, 45 to the consolidated financial statements, the revenue of the Group mainly are derived from construction operations, which has significance to the consolidated financial statements. As stated in Note III, 21.1 and Note III, 34 "Construction contracts" to the consolidated financial statements, the Group's revenue from construction contracts is recognised under the percentage of completion method when the outcome of a construction contract can be estimated reliably. The Group's management makes reasonable estimates on the expected total contract revenue, and total contract costs, gross profit and provision for foreseeable contract losses based on the budget prepared for construction contracts at the beginning for each contract and, through regular review, revises the estimates when the Group considers there are changes in the assumptions in deriving the estimates throughout the contract period. We identified the revenue from construction contracts and provision for foreseeable contract losses as a key audit matter due to the fact that the accounting treatments of which require significant estimations and judgments.

1.2 Audit Response

Our procedures in relation to recognition of revenue from construction contract and provision for foreseeable contract losses mainly included:

- (1) Testing the key internal controls in place on budget preparation and revenue recognition of the construction contracts;
- (2) Checking the data calculation accuracy on percentage of completion of the construction contracts and provision for foreseeable contract losses by reference to construction contract ledger on a sample basis;
- (3) Evaluating the basis in determining the total contract revenue and total contract costs and checking to the construction contracts and the respective budget for the construction contracts on a sample basis;
- (4) Checking construction costs incurred during the year by tracing to support documentation on a sample basis; and
- (5) Visiting the selected sites of material construction contracts to observe the progress of the construction work, discussing with the site project managers the extent to which the construction work was completed.

Independent Auditor's Report (continued)

III. KEY AUDIT MATTERS (CONTINUED)

2. Recoverability of receivables

2.1 Description

As stated in Note III, 34 "Impairment of receivables" to the consolidated financial statements, the Group evaluate the recoverability of the receivables and then make provision for the impairment loss. The determination of recoverable amount involves the identification of the objective evidences of impairment and evaluation of the present value of the underlying future cash flows. We identified the recoverability of receivables as a key audit matter due to its significance to the consolidated statement of financial position and that the accounting treatments involve significant estimations and judgements.

2.2 Audit response

Our procedures in relation to the recoverability of receivables mainly included:

- (1) Testing the key internal controls over the assessment on the recoverability of receivables;
- (2) Corroborating the relevant consideration and objective evidences used by the Group in assessing the recoverability of receivables;
- (3) For receivables individually assessed to be impaired, reviewing the supporting documentation for the estimated future cash flows on a sample basis;
- (4) For receivables assessed to be impaired by reference to the credit risk characteristics, assessing the reasonableness of the Group's assessment on impairment with reference to the credit risk characteristics and aging analysis; and
- (5) Testing the cash collections subsequent to end of the reporting period on a sample basis.

Independent Auditor's Report (continued)

III. KEY AUDIT MATTERS (CONTINUED)

3. Assessment of net realisable value of inventories

3.1 Description

As disclosed in Note III 34 "Impairment of properties under development and completed properties held for sale", the Group performed the assessment of the net realisable value of properties under development and completed properties held for sale at each balance sheet date. A provision for properties under development and completed properties held for sale is recognised when the net realisable value is lower than the carrying amount.

The assessment of the net realisable value of inventories includes the estimation of the expected future selling prices, sales expenses to be incurred and relevant tax expenses, the estimated costs to be incurred to completion of the properties and appropriate discount rate. We identified the assessment of the net realisable value of inventories as a key audit matter due to its significance to the consolidated statement of financial position and that the accounting treatments require significant estimations and judgements.

3.2 Audit response

Our procedures in relation to assessment of net realisable value of inventories mainly included:

- (1) Testing the key internal controls over the Group's estimation of the net realisable value of inventories and impairment testing;
- (2) Evaluating the appropriateness and consistence of the methodology used in the impairment testing;
- (3) Evaluating how the Group relied on the external valuer's work and testing the underlying data used by the Group in the impairment testing;
- (4) Involving our internal valuation specialists to evaluate the appropriateness of the Group's key assumptions and judgements in the impairment testing; and
- (5) Evaluating the appropriateness of the estimation by comparing the estimated future cost towards completion with the latest budgets, as well as the process of development, on a sample basis.

Independent Auditor's Report (continued)

IV. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the 2017 Annual Report, but does not include the financial statements and our independent auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (continued)

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountant
Ma Yanmei (Engagement Partner)

Chinese Certified Public Accountant
Xie Yanfeng (Engagement Partner)

Shanghai China

29 March 2018

This independent auditor's report of the financial statements and the accompanying financial statements are English translations of the independent auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Balance Sheet

As at 31 December 2017

RMB '000

ASSETS	Note V	31 December 2017	31 December 2016
Current assets			
Cash and bank balances	1	141,206,185	128,701,994
Financial assets at fair value through profit or loss	2	489,712	323,376
Bills receivable	3	7,024,926	4,350,580
Accounts receivable	4	146,503,891	133,427,609
Advances to suppliers	5	18,784,004	19,955,611
Interest receivables		202,550	239,390
Dividends receivable		37,256	55,436
Other receivables	6	55,039,159	45,626,287
Inventories	7	266,604,158	265,780,672
Current portion of non-current assets	11	8,591,799	9,618,385
Other current assets	8	8,414,479	3,220,972
Total current assets		652,898,119	611,300,312
Non-current assets			
Loans and advances to customers	9	1,683,000	3,966,000
Available-for-sale financial assets	10	8,382,301	6,554,829
Held-to-maturity investments		41	41
Long-term receivables	11	40,662,087	29,613,115
Long-term equity investments	13	17,869,525	7,936,426
Investment properties	14	3,646,745	3,340,049
Fixed assets	15	45,981,850	42,151,559
Construction in progress	16	3,863,578	3,083,431
Intangible assets	17	40,155,864	45,679,534
Goodwill	18	200,506	194,662
Long-term prepayments		322,482	407,722
Deferred tax assets	19	3,577,034	2,811,397
Other non-current assets	20	2,644,327	2,305,957
Total non-current assets		168,989,340	148,044,722
TOTAL ASSETS		821,887,459	759,345,034

Consolidated Balance Sheet (continued)

As at 31 December 2017

RMB '000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2017	31 December 2016
Current liabilities			
Short-term loans	21	29,499,098	30,428,522
Due to customers	22	804,834	1,480,764
Bills payable	23	41,411,304	28,511,489
Accounts payable	24	282,080,205	261,465,985
Advances from customers	25	85,682,565	88,331,508
Employee benefits payable	26	10,159,506	9,069,339
Taxes payable	27	5,964,383	5,577,780
Interest payables		1,082,309	1,140,984
Dividends payable		158,560	612,510
Other payables	28	48,556,677	48,871,784
Current portion of non-current liabilities	29	30,201,473	12,571,980
Other current liabilities	30	8,053,925	2,936,689
Total current liabilities		543,654,839	490,999,334
Non-current liabilities			
Long-term loans	31	58,826,793	69,032,432
Bonds payable	32	35,677,923	44,902,037
Long-term payables	33	1,962,636	1,843,183
Long-term employee benefits payable	34	604,068	969,007
Special payables	35	603,600	723,113
Deferred income	36	831,482	659,569
Deferred tax liabilities	19	289,431	276,491
Other non-current liabilities	37	787,842	1,223,882
Total non-current liabilities		99,583,775	119,629,714
Total liabilities		643,238,614	610,629,048

Consolidated Balance Sheet (continued)

As at 31 December 2017

RMB '000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2017	31 December 2016
Shareholders' equity			
Share capital	38	13,579,542	13,579,542
Other equity instruments	39	13,400,233	8,400,233
Capital reserve	40	40,428,564	40,430,370
Other comprehensive income	41	(92,447)	282,944
Special reserve	42	—	—
Surplus reserve	43	2,891,462	2,394,128
Retained earnings	44	79,204,629	66,099,855
Total equity attributable to owners of the Company		149,411,983	131,187,072
Non-controlling interests		29,236,862	17,528,914
Total shareholders' equity		178,648,845	148,715,986
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		821,887,459	759,345,034

The financial statements have been signed by:

Legal Representative:
Meng Fengchao

CFO:
Wang Xiuming

Finance Controller:
Qiao Guoying

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

RMB '000

ITEM	Note V	2017	2016
Revenue	45	680,981,127	629,327,090
Less: Cost of sales	45	618,059,386	571,377,532
Taxes and surcharges	46	4,950,483	8,144,208
Selling and distribution expenses	47	4,530,901	4,177,673
General and administrative expenses	48	26,057,966	24,089,617
Finance costs	49	2,875,908	2,731,705
Losses from impairment of assets	50	4,469,500	600,127
Add: Gains/(Losses) on fair value changes	51	367,903	(222,416)
Investment income/(loss)	52	337,004	147,524
Including: Share of profits/(losses) of associates and joint ventures		280,711	(29,312)
Gains/(Losses) on disposal of assets		15,756	87,934
Other income	53	152,158	–
Operating profit		20,909,804	18,219,270
Add: Non-operating income	54	1,090,270	933,679
Less: Non-operating expenses	55	744,310	183,374
Profit before tax		21,255,764	18,969,575
Less: Income tax expenses	57	4,336,574	4,118,744
Net profit		16,919,190	14,850,831
Classified by the continuity of operation			
Profit or loss for the year from continuing operations		16,919,190	14,850,831
Profit or loss for the year from discontinued operations		–	–
Classified by the ownership			
Profit or loss attributable to owners of the Company		16,057,235	13,999,610
Profit or loss attributable to non-controlling interests		861,955	851,221

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2017

RMB '000

ITEM	Note V	2017	2016
Other comprehensive income/(expense), net of tax			
Other comprehensive income/(expense) attributable to owners of the Company, net of tax	41	(375,391)	(876,800)
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods			
Re-measurement of defined benefit obligation, net of tax		75,799	40,574
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods			
Shares of other comprehensive (expense)/income that will be reclassified subsequently into profit or loss by the investee under equity method		(75,943)	144,834
Losses from changes in fair value of available-for-sale financial assets		(151,315)	(483,517)
Exchange differences on translation of foreign operations		(223,932)	(578,691)
Other comprehensive income/(expense) attributable to non-controlling interests, net of tax		13,442	(4,789)
Total comprehensive income		16,557,241	13,969,242
Including:			
Total comprehensive income attributable to owners of the Company		15,681,844	13,122,810
Total comprehensive income attributable to non-controlling interests		875,397	846,432
Earnings per share:			
Basic earnings per share (RMB/share)	58	1.16	1.03
Diluted earnings per share (RMB/share)	58	1.09	1.01

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

RMB '000

ITEM	Note V	2017	2016
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		684,183,754	634,213,296
Refunds of tax		393,839	518,055
Net decrease in loans and advances to customers		2,266,000	—
Cash received from other operating activities	59(1)	11,191,838	9,369,163
Subtotal of cash inflows from operating activities		698,035,431	644,100,514
Cash paid for goods and services		587,113,314	516,021,206
Net increase in loans and advances to customers		—	3,966,000
Net decrease in due to customers and due to banks		675,930	9,636,078
Net increase in balances with the central bank		237,427	854,898
Cash paid to and on behalf of employees		52,445,302	45,381,185
Cash paid for all taxes		25,298,250	23,892,757
Cash paid for other operating activities	59(2)	6,861,030	7,210,811
Subtotal of cash outflows from operating activities		672,631,253	606,962,935
Net cash flows generated from/(used in) operating activities	60(1)	25,404,178	37,137,579

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2017

RMB '000

ITEM	Note V	2017	2016
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investments		179,224	886,713
Cash received from investment income		205,184	351,379
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,396,462	1,727,188
Net decrease in cash and bank balances with title restrictions		—	3,150,382
Net cash received from disposals of subsidiaries	59(4)	2,661,662	—
Cash received from other investing activities		119,219	3,114,764
Subtotal of cash inflows from investing activities		4,561,751	9,230,426
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		30,231,006	29,816,396
Cash paid for acquisition of investments		8,956,356	5,686,633
Net increase in cash and bank balances with title restrictions		408,066	—
Net cash paid for acquisitions of subsidiaries	59(3)	32,298	—
Cash paid for other investing activities		1,621,675	—
Subtotal of cash outflows from investing activities		41,249,401	35,503,029
Net cash flows generated from/(used in) investing activities		(36,687,650)	(26,272,603)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2017

RMB '000

ITEM	Note V	2017	2016
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		16,819,530	11,119,687
Including: Cash received from non-controlling shareholders of subsidiaries		11,819,530	509,854
Cash received from issuing bonds		960,000	17,506,509
Cash received from borrowings		79,359,099	83,462,349
Subtotal of cash inflows from financing activities		97,138,629	112,088,545
Cash repayments for borrowings		60,499,480	102,881,627
Cash paid for distribution of dividends or profits and for interest expenses		12,863,833	11,318,181
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		1,092,819	981,546
Subtotal of cash outflows from financing activities		73,363,313	114,199,808
Net cash flows generated from/(used in) financing activities		23,775,316	(2,111,263)
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(633,146)	309,756
5. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,858,698	9,063,469
Add: Cash and cash equivalents at beginning of the year	60(2)	117,534,022	108,470,553
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	60(2)	129,392,720	117,534,022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

RMB '000

ITEM	For the year ended 31 December 2017									
	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
1. As at 1 January 2017	13,579,542	8,400,233	40,430,370	282,944	-	2,394,128	66,099,855	131,187,072	17,528,914	148,715,986
2. Increase/(decrease) during the year	-	5,000,000	(1,806)	(375,391)	-	497,334	13,104,774	18,224,911	11,707,948	29,932,859
(a) Total comprehensive income/(expense)	-	-	-	(375,391)	-	-	16,057,235	15,681,844	875,397	16,557,241
(b) Capital contributions and withdrawals by shareholders	-	5,000,000	-	-	-	-	-	5,000,000	11,819,530	16,819,530
(1) Capital contributions by shareholders	-	5,000,000	-	-	-	-	-	5,000,000	11,819,530	16,819,530
(Note V, 39/(Note 3))	-	-	-	-	-	-	-	-	-	-
(c) Profit distribution	-	-	-	-	-	497,334	(2,952,461)	(2,455,127)	(638,869)	(3,093,996)
(1) Appropriation to statutory surplus reserve	-	-	-	-	-	497,334	(497,334)	-	-	-
(2) Distribution to shareholders	-	-	-	-	-	-	(2,455,127)	(2,455,127)	(638,869)	(3,093,996)
(Note V, 44)	-	-	-	-	-	-	-	-	-	-
(d) Special reserve (Note V.42)	-	-	-	-	-	-	-	-	-	-
(1) Appropriated in current year	-	-	-	-	8,603,444	-	-	8,603,444	-	8,603,444
(2) Used in current year	-	-	-	-	(8,603,444)	-	-	(8,603,444)	-	(8,603,444)
(e) Others	-	-	(1,806)	-	-	-	-	(1,806)	(348,110)	(349,916)
(1) Others	-	-	(1,806)	-	-	-	-	(1,806)	(348,110)	(349,916)
3. As at 31 December 2017	13,579,542	13,400,233	40,428,564	(92,447)	-	2,891,462	79,204,629	149,411,983	29,236,862	178,648,845

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2017

RMB '000

ITEM	For the year ended 31 December 2016									
	Equity attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
1. As at 1 January 2016	13,579,542	–	40,394,401	1,159,744	–	2,120,232	54,411,072	111,664,991	17,154,174	128,819,165
2. Increase/(decrease) during the year	–	8,400,233	35,969	(876,800)	–	273,896	11,688,783	19,522,081	374,740	19,896,821
(a) Total comprehensive income/(expense)	–	–	–	(876,800)	–	–	13,999,610	13,122,810	846,432	13,969,242
(b) Capital contributions and withdrawals by shareholders	–	8,400,233	–	–	–	–	–	8,400,233	509,854	8,910,087
(1) Capital contributions by shareholders	–	8,400,233	–	–	–	–	–	8,400,233	509,854	8,910,087
(Note V.39.Note 1&2)	–	–	–	–	–	–	–	–	–	–
(c) Profit distribution	–	–	–	–	–	273,896	(2,310,827)	(2,036,931)	(981,546)	(3,018,477)
(1) Appropriation to statutory surplus reserve	–	–	–	–	–	273,896	(273,896)	–	–	–
(2) Distribution to shareholders	–	–	–	–	–	–	(2,036,931)	(2,036,931)	(981,546)	(3,018,477)
(Note V.44)	–	–	–	–	–	–	–	–	–	–
(d) Special reserve (Note V.42)	–	–	–	–	–	–	–	–	–	–
(1) Appropriated in current year	–	–	–	–	7,894,811	–	–	7,894,811	–	7,894,811
(2) Used in current year	–	–	–	–	(7,894,811)	–	–	(7,894,811)	–	(7,894,811)
(e) Others	–	–	35,969	–	–	–	–	35,969	–	35,969
(1) Others	–	–	35,969	–	–	–	–	35,969	–	35,969
3. As at 31 December 2016	13,579,542	8,400,233	40,430,370	282,944	–	2,394,128	66,099,855	131,187,072	17,528,914	148,715,986

The Company's Balance Sheet

As at 31 December 2017

RMB '000

ASSET	Note XIV	31 December 2017	31 December 2016
Current assets			
Cash and bank balances		15,225,353	16,061,169
Financial assets at fair value through profit or loss		42,192	39,105
Accounts receivable	1	4,370,398	4,412,636
Advances to suppliers		507,404	506,637
Other receivables	2	32,608,183	41,774,347
Inventories		2,048,514	5,019,420
Current portion of non-current assets		1,600,000	–
Other current assets		42,187	17,439
Total current assets		56,444,231	67,830,753
Non-current assets			
Available-for-sale financial assets		307,584	297,013
Long-term receivables		10,129,000	–
Long-term equity investments	3	90,804,311	85,173,817
Fixed assets		29,083	29,658
Construction in progress		31,493	22,964
Intangible assets		22,634	15,235
Long-term prepayments		4,070	–
Deferred tax assets		383	83,643
Total non-current assets		101,328,558	85,622,330
TOTAL ASSETS		157,772,789	153,453,083

The Company's Balance Sheet (continued)

As at 31 December 2017

RMB '000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	31 December 2017	31 December 2016
Current liabilities			
Accounts payable		6,941,877	5,382,841
Advances from customers		856,037	5,971,120
Employee benefits payable		78,100	83,044
Taxes payable		19,014	66,466
Interest payables		368,021	366,461
Other payables	4	22,330,027	24,430,686
Current portion of non-current liabilities		14,545,863	281,625
Other current liabilities		225,195	30,830
Total current liabilities		45,364,134	36,613,073
Non-current liabilities			
Long-term loans	5	8,424,271	12,570,981
Bonds payable	Note V, 32	15,785,270	23,167,894
Long-term payables		10,000	31,250
Long-term employee benefits payable		14,010	16,840
Deferred tax liabilities		73,341	44,182
Other non-current liabilities		712,677	1,145,654
Total non-current liabilities		25,019,569	36,976,801
Total liabilities		70,383,703	73,589,874
Shareholders' equity			
Share capital		13,579,542	13,579,542
Other equity instruments		13,400,233	8,400,233
Capital reserve		46,493,552	46,493,552
Other comprehensive income		114,213	106,548
Special reserve		—	—
Surplus reserve		2,891,462	2,394,128
Retained earnings		10,910,084	8,889,206
Total shareholders' equity		87,389,086	79,863,209
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		157,772,789	153,453,083

The Company's Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

RMB '000

ITEM	Note XIV	2017	2016
Revenue	6	16,660,324	13,866,289
Less: Cost of sales	6	16,150,909	13,338,990
Taxes and surcharges		2,882	20,295
Selling and distribution expenses		23,750	10,897
General and administrative expenses		438,737	382,804
Finance costs	7	(54,007)	1,143,140
Add: Gains/(losses) on fair value changes		436,066	(313,753)
Investment income/(loss)	8	4,548,798	4,003,485
Including: Share of profits/(losses) of joint ventures		10,906	208
Gains/(Losses) on disposal of assets		(123)	(90)
Operating profit		5,082,794	2,659,805
Add: Non-operating income		1,081	1,812
Less: Non-operating expenses		669	511
Profit before tax		5,083,206	2,661,106
Less: Income tax expenses/(income)		109,867	(77,857)
Net profit		4,973,339	2,738,963
Classified by the continuity of operation			
Profit or loss from continuing operations		4,973,339	2,738,963
Profit or loss from discontinued operations		—	—
Other comprehensive income/(expense), net of tax		7,665	(42,416)
Other comprehensive income/(expense) not to be reclassified to profit or loss in subsequent periods			
Re-measurement of defined benefit obligation, net of tax		(263)	547
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods			
Gains/(losses) from changes in fair value of available-for-sale financial assets		7,928	(42,963)
Total comprehensive income		4,981,004	2,696,547

The Company's Statement of Cash Flows

For the year ended 31 December 2017

RMB '000

ITEM	Note XIV	2017	2016
1. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from the sale of goods or rendering of services		15,045,768	10,884,944
Cash received from other operating activities		20,327,299	6,282,908
Subtotal of cash inflows from operating activities		35,373,067	17,167,852
Cash paid for goods and services		15,021,785	10,738,814
Cash paid to and on behalf of employees		312,680	263,385
Cash paid for all taxes		75,086	122,571
Cash paid for other operating activities		22,921,214	4,848,307
Subtotal of cash outflows from operating activities		38,330,765	15,973,077
Net cash flows (used in)/generated from operating activities	9(1)	(2,957,698)	1,194,775
2. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investments		—	112,000
Cash received from investment income		4,537,892	4,003,278
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,366	2,002,570
Cash received from other investing activities		821,254	2,006,844
Subtotal of cash inflows from investing activities		5,366,512	8,124,692
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		37,187	17,744
Cash paid for acquisition of investments		5,667,588	8,760,000
Net increase in cash and bank balances with title restrictions		44,000	850,000
Cash paid for other investing activities		1,006,329	272,500
Subtotal of cash outflows from investing activities		6,755,104	9,900,244
Net cash flows generated from/(used in) investing activities		(1,388,592)	(1,775,552)

The Company's Statement of Cash Flows (continued)

For the year ended 31 December 2017

RMB '000

ITEM	Note XIV	2017	2016
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		5,000,000	8,400,233
Cash received from issuing bonds		—	6,725,800
Cash received from borrowings		5,698,454	9,761,731
Subtotal of cash inflows from financing activities		10,698,454	24,887,764
Cash repayments for borrowings		3,076,170	14,385,190
Cash paid for distribution of dividends or profits and for interest expenses		3,797,034	4,557,856
Cash paid for other financing activities		21,250	65,361
Subtotal of cash outflows from financing activities		6,894,454	19,008,407
Net cash flows generated from/(used in) financing activities		3,804,000	5,879,357
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(337,526)	80,035
5. NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(879,816)	5,378,615
Add: Cash and cash equivalents at beginning of the year	9(2)	13,198,369	7,819,754
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9(2)	12,318,553	13,198,369

The Company's Statement of Changes in Equity

For the year ended 31 December 2017

RMB '000

	For the year ended 31 December 2017							
ITEM	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
1. As at 1 January 2017	13,579,542	8,400,233	46,493,552	106,548	–	2,394,128	8,889,206	79,863,209
2. Increase/(decrease) during the year	–	5,000,000	–	7,665	–	497,334	2,020,878	7,525,877
(a) Total comprehensive income	–	–	–	7,665	–	–	4,973,339	4,981,004
(b) Capital contributions and withdrawals by shareholders	–	5,000,000	–	–	–	–	–	5,000,000
(1) Capital contributions by shareholders (Note V. 39 (Note 3))	–	5,000,000	–	–	–	–	–	5,000,000
(c) Profit distribution	–	–	–	–	–	497,334	(2,952,461)	(2,455,127)
(1) Appropriation to statutory surplus reserves	–	–	–	–	–	497,334	(497,334)	–
(2) Distribution to shareholders (Note V.44)	–	–	–	–	–	–	(2,455,127)	(2,455,127)
(d) Special reserve	–	–	–	–	–	–	–	–
(1) Appropriated in current year	–	–	–	–	183,261	–	–	183,261
(2) Used in current year	–	–	–	–	(183,261)	–	–	(183,261)
3. As at 31 December 2017	13,579,542	13,400,233	46,493,552	114,213	–	2,891,462	10,910,084	87,389,086

	For the year ended 31 December 2016							
ITEM	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total equity	
1. As at 1 January 2016	13,579,542	–	46,493,552	148,964	2,120,232	8,461,070	70,803,360	
2. Increase/(decrease) during the year	–	8,400,233	–	(42,416)	273,896	428,136	9,059,849	
(a) Total comprehensive income	–	–	–	(42,416)	–	2,738,963	2,696,547	
(b) Capital contributions and withdrawals by shareholders	–	8,400,233	–	–	–	–	8,400,233	
(1) Capital contributions by shareholders (Note V. 39 (Note 1 & 2))	–	8,400,233	–	–	–	–	8,400,233	
(c) Profit distribution	–	–	–	–	273,896	(2,310,827)	(2,036,931)	
(1) Appropriation to statutory surplus reserves	–	–	–	–	273,896	(273,896)	–	
(2) Distribution to shareholders (Note. V.44)	–	–	–	–	–	(2,036,931)	(2,036,931)	
3. As at 31 December 2016	13,579,542	8,400,233	46,493,552	106,548	2,394,128	8,889,206	79,863,209	

Notes to the Financial Statements

For the year ended 31 December 2017

I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”) on 5 November 2007. The Company’s shares, have been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered address of the Company’s head office is located at East No. 40 Fuxing Road, Haidian District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of the construction of infrastructure, the provision of survey, design and consultancy services, the provision of logistics services, industrial manufacturing and real estate development.

The Company’s parent and ultimate holding company is China Railway Construction Co., Ltd., known as China Railway Construction Corporation before restructuring on 11 December 2017 (“CRCCG”), a company registered in PRC.

These financial statements were approved and authorised for issue by the board of directors of the Company on 29 March 2018.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by the Group on a going-concern basis in accordance with Accounting Standards for Business Enterprises and other relevant provisions issued and revised subsequently by the Ministry of Finance (collectively referred to as “Accounting Standards for Business Enterprises”).

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the provisions for impairment for accounts receivable, the measurement of inventories, the provisions for decline in value of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, the method of impairment testing, and the policy for revenue recognition, etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the financial position of the Group and the Company as at 31 December 2017 and the company's and consolidated financial performance and cash flows as at 31 December 2017 in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year. The reporting period for this financial statements starts from 1 January to 31 December 2017.

3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

4.1 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business combinations (Continued)

4.1 Business combinations involving entities under common control (Continued)

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

4.2 Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business combinations (Continued)

4.3 Acquire assets through the acquisition of subsidiaries

For the acquisition of subsidiaries not constituting a business, the acquisition cost is allocated to each single identifiable asset and liability at fair value, and no goodwill or purchase gain will be recognized.

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All intra-group transactions are eliminated on consolidation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "non-controlling interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "profit or loss attributable to non-controlling interests" in the consolidated statement of profit or loss and other comprehensive income below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

6. Joint arrangement and joint operations

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In respect of joint operations, the Group as a party of joint venture recognises its interest in a joint operation: (a) its assets, including its share of any assets held jointly; (b) its liabilities, including its share of any liabilities incurred jointly; (c) its revenue from the sale of its share of the output arising from the joint operation; (d) its share of the revenue from the sale of the output by the joint operation; and (e) its expenses, including its share of any expenses incurred jointly.

The Group measured its joint operations under equity method, please refer to Note III. 13.3.2.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and foreign currency translations

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the balance sheet date. All differences are recognized in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the balance sheet date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all income and expense items in the statement of profit or loss and other comprehensive income are translated at the spot exchange rates at the transaction dates. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash is presented as a reconciled item separately in the statement of cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

9.1 Recognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets refer to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by regulation or convention in the market place. The trade date is the date that the Group commits to purchase or sell the asset.

9.2 Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. A financial asset is recognised initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as financial assets at fair value through profit or loss on initial recognition. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of sale in a short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured. These kinds of financial assets are subsequently measured at fair value. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is charged to profit or loss for the current period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2 Classification and measurement of financial assets (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These kinds of financial assets are subsequently measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment and derecognition are recognised in profit or loss for the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These kinds of financial assets are subsequently measured at amortised cost using the effective interest rate method. Gains or losses arising from amortization or impairment are recognised in profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. The premium or discount of debt instruments is amortized using the effective interest rate method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously

Recognised is transferred to profit or loss for the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss for the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.3 Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the amounts at initial recognition.

The subsequent measurement of financial liabilities is determined by their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. Financial liabilities at fair value through profit or loss are financial liabilities that meet one of the following conditions: 1) financial liabilities are assumed for the purpose of repurchasing in a short term; 2) financial liabilities are a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or 3) financial liabilities are derivatives, except for derivatives that are designated as effective hedging instruments, or financial guarantee contracts, or derivatives that are linked to and must be settled by delivery of an equity instrument without a quoted price in an active market, and whose fair value cannot be reliably measured. These kinds of financial liabilities are subsequently measured at fair value. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss for the current period.

Other financial liabilities

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

9.4 Offsetting financial instruments

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.5 Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts are measured as liabilities, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less the accumulated amortization determined according to the principles of revenue recognition.

9.6 Convertible bonds

The Group evaluates the terms of the convertible bonds to determine whether it contains both the liability and equity components. If the convertible bond contains both the liability and equity components, on initial recognition, the liability component is separated from the equity component. The fair value of the liability component is determined and initially recognised, and then the remainder of the proceeds is allocated to the equity component that is recognised and included in shareholders' equity, net of transaction costs. Transaction costs are apportioned between the liability and equity components based on their fair values. The liability component is recognised in liability, and measured at amortized cost until cancellation, conversion or redemption. The equity component is recognised in equity, and not remeasured in subsequent years.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from the convertible bonds and accounted for separately as derivative financial instruments. On initial recognition, the derivative financial component and liability component are measured at fair value. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.7. Derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are signed and are subsequently measured at fair value. The change of fair value of the derivative is recognised in profit or loss of the current period.

9.8 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

9.9 Impairment of financial assets

Except for financial assets at fair value through profit or loss, the Group assesses at each balance sheet date the carrying amount of financial assets. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment. Objective evidence that a financial asset is impaired is one or more events that occurred after the initial recognition of the asset and have an impact (which can be reliably estimated) on the estimated future cash flows of the financial asset. Objective evidence that a financial asset or group of assets is impaired includes: 1) significant financial difficulty of the issuer or obligor; 2) a breach of contract, such as a default or delinquency in interest or principal payments; 3) a higher probability that the borrower will enter bankruptcy or other financial reorganisation; and 4) observable data indicating that there is a measurable decrease in the estimated future cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.9 Impairment of financial assets (Continued)

Financial assets carried at amortized cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced through an allowance amount to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. For loans and receivables, if no collectable future cash flows are expected and all related collateral is sold or transferred to the Group, then loans and receivables with related allowances are written off accordingly.

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

Subsequent to the Group's recognition of impairment loss on a financial asset carried at amortized cost, if there is objective evidence of a recovery in value of the financial asset and the recovery can be related to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the reversed amortized cost would have been had the impairment loss not been recognised at the date the impairment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.9 Impairment of financial assets (Continued)

Available-for-sale financial assets

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified from other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

9.10 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.10 Transfer of financial assets (Continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

9.11 Derecognition of financial liabilities

A financial liability is derecognised when the underlying obligation of the financial liability has been discharged or cancelled or has expired. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables

The Group's receivables comprise accounts receivable, other receivables and long-term accounts receivable. The Group assesses the carrying amount of receivables at the balance sheet date. If there is objective evidence that impairment loss has been incurred, a provision, which is the difference between the carrying amount and the present value of the estimated future cash flows, is recognised as impairment loss.

- (1) Receivables individually significant for which provision for impairment is assessed separately

A receivable with an amount greater than RMB10,000,000 is considered to be individually significant and is separately assessed for provision. If there is objective evidence that a receivable is impaired (such as the debtor in serious financial difficulties or entering bankruptcy, or breach of contracts), the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, and shall be recognised in profit or loss for the current period.

- (2) Receivables for which provision for impairment is assessed collectively in a group

Receivables that are not impaired through the individual assessment are included in a group of receivables with similar credit risk characteristics and tested collectively for impairment unless the Group has no accounts receivable with similar credit risk characteristics. The Group estimated the future cash flows of the receivables based on its experiences and applied the ageing analysis method on the recognition of provision for impairment of the receivables. The provision rates were as follows:

	Provision rate for accounts receivable %	Provision rate for other receivables %
Within 6 months	—	—
6 months to 1 year (inclusive)	0.5	0.5
1 to 2 years (inclusive)	5	5
2 to 3 years (inclusive)	10	10
3 to 5 years (inclusive)	30	30
Over 5 years	80	80

In addition, retention money receivables are overdue if they have not been released by the customers after the maintenance (warranty) period according to the relevant contract terms, and impairment losses for the overdue retentions are assessed based on the above provision rates, with ageing counted from the due date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (Continued)

- (3) Other individually insignificant receivables but are separately tested for impairment

Receivables, that are individually insignificant and could not be grouped by the similar or related risk characteristics, are individually assessed for impairment. If there is objective evidence that a receivable is impaired (such as the debtor encountering serious financial difficulties or bankruptcy, or breach of contracts), the amount of the impairment loss is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows and shall be recognised in profit or loss for the current period.

11. Inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development, completed properties held for sale and gross amount due from contract customers. Costs of properties under development and completed properties held for sale mainly consist of the acquisition cost of land use rights, advance expenditures of land development, construction costs, infrastructure costs, costs of supporting facilities and other relevant costs.

Inventories are initially carried at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined using the weighted average method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortized using immediate write off, and other turnover materials are amortized based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in the statement of profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Construction contracts

The balances of construction contracts represent the net amount of construction costs incurred to date and recognised gross profits (less: recognised losses), less progress billings and provision for foreseeable contract losses.

Construction contract costs are measured at actual cost, and comprise direct materials, direct labour costs, construction machinery costs, other direct costs and construction overheads. For an individual contract whose costs incurred to date plus recognised gross profits (losses) exceed progress billings, the gross amount due from customers for contract work in inventories is presented as a current asset. For an individual contract whose progress billings exceed costs incurred to date plus recognised gross profits (losses), the gross amount due to customers for contract work in advance from customers is presented as a current liability.

The Group estimates total contract costs based on actual circumstances for each contract. Provision for foreseeable contract losses will be recognised in profit or loss where total estimated contract costs exceed total contract revenue.

13. Long-term equity investments

13.1 Basis for determining joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

13.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the date of combination. For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transaction to acquire control. If it does not belong to 'package deal', the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for available-for-sale financial assets, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognized in other comprehensive income are included in profit or loss for the current period.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with *Accounting Standard for Business Enterprises No.22-Financial Instruments; Recognition and Measurement (ASBE No. 22)* and the additional investment cost.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

13.3 Subsequent measurement and recognition of profit or loss

13.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

13.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

13.3 Subsequent measurement and recognition of profit or loss (Continued)

13.3.2 Long-term equity investment accounted for using the equity method (Continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or other comprehensive income respectively for the period. Meanwhile, the carrying amount of long-term equity investments will be adjusted accordingly; for the share of the investee's profit or cash dividends declared by the investee, the carrying amount of long-term equity should be decreased accordingly; for changes in owner's equity rather than the investee's net profit or loss, other comprehensive income and profit distribution, carrying amount of long-term equity investments should be adjusted and included in capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investee adopts different accounting policies and accounting period with the Company's, the financial statements are adjusted in accordance with the Company's accounting policies and accounting period, and then investment income and other comprehensive income are recognized. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized profit or loss resulting from the Group's transactions with its investee which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

13.4 Disposal of long-term equity investments

For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee and carried forward proportionately; Other shareholders' equity recognised from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and carried forward proportionately; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognized in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjust them as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and carrying amount is recognized in profit or loss for the current period.

14. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Investment properties (Continued)

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

When the Group has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed asset, intangible assets or inventories before the conversion are transferred to investment properties.

When the Group has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

15. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost, and the effect of any estimated costs of abandoning the asset is considered. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to *Accounting Standard for Business Enterprises No. 17 – Borrowing Costs*.

The accelerated depreciation method is adopted for depreciation of the fixed assets specifically used for research and development. The units of production method is adopted for the depreciation of the large-scaled construction equipment. For other fixed assets, the straight-line method is adopted.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets (Continued)

For fixed assets depreciated with the straight-line method, The estimated useful lives, estimated residual values rates and annual depreciation rates by category are as follows:

Category	Estimated residual value rate	Useful life	Annual depreciation rate
Buildings	5%	20-35 years	2.71%-4.75%
Construction machinery	5%	10-25 years	3.80%-9.50%
Vehicles	5%	5-10 years	9.50%-19.00%
Production equipment	5%	5-10 years	9.50%-19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3-5 years	19.00%-31.67%

Where the individual component parts of a fixed asset have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year end, make adjustments and account for any change as a change in an accounting estimate when necessary.

16. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowed funds before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Borrowing costs

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs directly attributable to the construction or production of all qualifying assets are capitalised and other borrowing costs are recognised as an expense. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have incurred; and
- (2) borrowing costs have incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets

The Group's intangible assets include land use rights, concession asset, and mining rights.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination involving entities not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured initially at fair value at the date of acquisition.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortized over the useful lives on the traffic volume basis, straight-line basis or unit of production basis. The Group reviews the useful lives and the amortization method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

18.1 Land use rights

Land use rights represent costs incurred for a certain lease period.

The Group accounts for its land use rights as intangible assets. The land use rights of self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets

Land use rights of the Group are amortized on the straight-line basis according to the useful lives approved in the obtained land use certificates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets (Continued)

18.2 Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority according to their arrangement nature.

The Group recognises revenue and a financial asset to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the “concession rights” under intangible assets included in the balance sheet. The amortization approach, either the traffic volume method or the straight-line method, should be selected for concession operation projects based on the pattern in which the asset’s future economic benefits are expected to be consumed at the commencement of operations.

18.3 Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortization is calculated in adoption of the unit of production method based on proved mining reserves.

18.4 Development expenditure

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Long-term prepayments

Long-term prepayments represent expenditures incurred but should be recognised as expenses over one year in the current and subsequent periods including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortized on the straight-line basis over the estimated beneficial period. Expenditure incurred during the pre-operating period should be recognised in profit or loss immediately as incurred.

20. Provisions

Except for contingent liabilities assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group; and
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

21. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow to the Group and when the revenue can be measured reliably, as well as all the following conditions are satisfied.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

21.1 Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised using the percentage of completion method at the balance sheet date. Depending on the type of the construction contract, the percentage of completion of a contract is determined in the following ways: (1) the proportion of contract costs incurred to date to estimated total contract costs; (2) the proportion of completed contract work that has been confirmed by the supervision party to the estimated total contract work; or (3) surveys of the work performed.

The outcome of a construction contract is considered to be reliably estimated when all the following conditions are satisfied:

- (1) the total contract revenue can be measured reliably;
- (2) it is probable that the economic benefits associated with the contract will flow to the Group;
- (3) both the contract costs to complete the contract and the stage of contract completion on the balance sheet date can be measured reliably; and
- (4) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably, revenue shall be recognised only to the extent of the contract costs actually incurred and expected to be recovered, and the contract costs shall be recognised as an expense in the period in which they are incurred. Contract costs that are not probably to be recovered are recognised as an expense immediately when incurred and no contract revenue shall be recognised. When it is probable that total contract costs will exceed total contract revenue, the estimated loss shall be recognised as an expense immediately.

Total contract revenue comprises the initial amount of revenue agreed in the contract and amounts resulting from variations in contract work, claims and incentive payments.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

21.2 Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method. Based on the nature of the transaction, the percentage of completion is determined in the following ways: (1) the proportion of costs incurred to date to the estimated total costs; (2) surveys of work performed; or (3) the proportion of services performed to date to the total services to be performed. Concession revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably.

The outcome of rendering services can be estimated reliably when the following conditions are satisfied:

- (1) the amount of revenue can be measured reliably;
- (2) it is probable that the associated economic benefits will flow to the Group;
- (3) both the service costs to be incurred for the transaction and the stage of transaction completion on the balance sheet date can be measured reliably; and
- (4) the actual costs incurred can be clearly identified and measured reliably, so as to compare with prior estimates.

The total service revenue is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not at fair value.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of costs incurred that probably will be recovered, and costs shall be recognised as an expense in the period in which they are incurred. When it is probable that total service costs will exceed total revenue, the estimated loss shall be recognised as an expense immediately.

When the Group has entered into a contract or agreement with other enterprises on both the sale of goods and the rendering of services, if the portions of the sale of goods and the rendering of services can be separately identified and measured, they are accounted for separately; if the portions of the sale of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sales of goods.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

21.3 Revenue from sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards in relation to the ownership of goods have been transferred to the buyer, the Group retains neither continuing management nor effective control over the goods sold; and the relevant amounts of costs can be measured reliably. The amount of revenue arising from the sale of goods is determined by the amount of consideration received or receivable from the buyer under the contract or agreement, except where the consideration received or receivable stipulated in the contract or agreement is not fair. Where the consideration receivable under the contract or agreement is deferred so that the arrangement is in substance of a financing nature, the amount of revenue from the sale of goods is measured at the fair value of the consideration receivable stipulated in the contract or agreement.

21.4 Interest income

Interest income is recognised based on the time horizon of the use of the Group's fund by others and the effective interest rate.

21.5 Royalty income

Royalty income is recognised according to the charge period and the charge rate as stipulated in the relevant contract or agreement.

21.6 Lease income

Lease income from operating leases is recognised over the lease term on the straight-line basis. Contingent lease income is recognised in profit or loss in the period when it is incurred.

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attached and the Group would receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Government grants (Continued)

22.1 Judgement basis and accounting treatments for government grants related to assets

Government grants related to assets refer to those acquired by the Group for the purpose of purchasing or constructing or forming long-term assets.

Government grants related to assets are charged against carrying amount in related assets when related assets become ready for their intended use.

22.2 Judgement basis and accounting treatments for government grants related to income

Government grants related to income refer to those other than grants related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related expenses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

For repayment of a government grant already recognised, if government grants were charged against carrying amount of the related assets at initial recognition, the repayment adjust the carrying amount of assets. If there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Government grants (Continued)

22.3 Relocation compensation received due to public interests

The Group receives relocation compensation directly from the government for the benefit of public interests such as urban overall planning, reservoir construction, and renovation of shanty towns and subsidence area control. The relocation compensation is paid out of financial budgets by the government and is recognised as special payable when received.

Therein compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be recognised as government grants relating to assets and government grants related to income accordingly.

Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

23. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in other comprehensive income or shareholders' equity if it arises from a transaction or event which is recognised directly in other comprehensive income or shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the temporary differences between the carrying amount of an asset or liability on the balance sheet and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Income tax (Continued)

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- (2) taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- (2) deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. All the other leases are treated as operating leases.

24.1 As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss when incurred.

24.2 As lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms through profit or loss. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

24.3 As lessee of a finance lease

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortized using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

Subsequent measurement of assets acquired under finance lease are set out in Note III, 15.

24.4 Leaseback transaction

When the lease back transactions are recognized as finance leases, the difference between the selling price and the carrying amount of the assets are deferred and allocated based on the depreciation progress of such leased asset, which provide a basis for adjustment on depreciation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, construction contracts, deferred income taxes, and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss on the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Impairment of assets (Continued)

In impairment testing for goodwill, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

26. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

26.1 Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

26.2 Post-employment benefits (defined contribution plans)

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits (Continued)

26.3 Post-employment benefits (defined benefit plans)

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any remeasurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the balance sheet immediately and recorded in equity as other comprehensive income in the accounting period the re-measurement occurred. Those losses and gains should not be reversed to profit or loss in the subsequent accounting periods.

The past service costs should be recognised as current expenses at the earlier of the following dates: a) when the Group modifies the defined benefit plans; and b) when the Group recognises relevant restructuring costs and termination benefits.

Net interest equals to the net defined benefit liability multiply by the discount rate. The Group recognised changes in the net defined benefit obligation as management expenses in the statement of profit or loss. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan.

26.4 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for restructuring and involves the payment of termination costs.

26.5 Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Employee benefits (Continued)

26.6 Bonus entitlements

The estimated cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are estimated to be settled within twelve months and are measured at the amounts estimated to be paid when they are settled.

27. Debt restructuring

27.1 Recording of debt restructuring obligation as the debtor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognised in profit or loss for the period. The difference between the fair value of the non-cash asset(s) transferred and its (their) carrying amount(s) is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt is recorded at the fair value of the debt with the modified terms. The difference between the carrying amount of the original debt and the recorded amount of the restructured debt is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Debt restructuring (Continued)

27.2 Recording of debt restructuring obligation as the creditor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt receivable and the cash received is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest in the debtor received is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt receivable is recorded at the fair value of the debt receivable with the modified terms. The difference between the carrying amount of the original debt receivable and the carrying amount of the restructured debt receivable is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt receivable is reduced by, and in sequence of, the cash received, the fair value of the non-cash asset(s) obtained and the fair value of the equity interest in the debtor received, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

If a provision has been made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognised in profit or loss for the period.

28. Exchange of non-monetary assets

When the non-monetary assets are of commercial substance and the fair value of assets received or the assets given up can be measured reliably, the fair value of the assets given up (except where there is clear evidence indicating the fair value of received assets are more reliable) and related taxes payable are recognized as the cost of the received assets, and the difference between the fair value and the carrying amount of assets given up are recognized in profit or loss for the current period. When the non-monetary assets fail to meet criteria above, the carrying amount the assets given up and relevant taxes payable are recognized as the cost of the assets received with no profit or loss being recognized.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Exchange of non-monetary assets (Continued)

Where several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

29. Distribution of profit

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

30. Other financial instruments including perpetual securities

If the perpetual securities are non-redeemable (or only be redeemable by the issuer's choice) and any interest and dividends distributed are discretionary, then the securities are classified as equity. Distributions of interest and dividends from perpetual securities in the equity are recognised into distribution of equity.

31. Production safety expenses

The Group accrues for production safety expenses pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilisation* <Cai Qi [2012] No.16> and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilisation*, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

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

Level 2: Inputs are inputs, other than quoted process included within level, that are observable for the asset or liability, either directly or in directly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

33. Asset securitization

The Group has securitised a portion of receivables ("trust property") where assets are entrusted to a special purpose entity ("SPE"). The SPE issues senior and junior assets-backed securities to investors, while the Group holds some portion of junior assets-backed securities which are not transferrable until the principal and interests of the senior assets-backed securities have been repaid. The Group acts as an asset service provider to provide services such as asset management and recovery, contract revision and other services. The trust property, after paying trust taxation and relevant fees, will be firstly used to repay the principal and interests of the senior assets-backed securities; the remaining trust property after paying the principal and interests in full is treated as income from junior assets-backed securities. The Group shares relevant income based on its proportion of junior assets-backed securities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Asset securitization (Continued)

When applying the accounting policy of securitisation of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Group:

- (1) When the Group has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognise the relevant financial asset;
- (2) When the Group has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the relevant financial asset;
- (3) When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Group has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the transferred financial asset.

34. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

At the balance sheet date, key assumptions and uncertainties that are probably lead to significant future adjustments on the carrying amount of assets and liabilities are as follows:

Construction contracts

Revenue from construction contracts is recognised by using the percentage of completion method (estimated by the management), when the outcome of construction contracts can be estimated reliably. Based on the budget prepared for construction contracts, the Group's management makes reasonable estimates on the expected contract revenue and contract costs to determine the stage of completion and identify onerous contracts. If the contract costs are likely to exceed the contract revenue, provisions for foreseeable construction losses would be recognised as current expenses or impairment losses in relevant period. Due to the nature of activities associated with construction and design, the Group has to continuously review and revise budget prepared for each construction contract when the construction contracts are in progress. Revision may have effect on revenue, profit and other items related to construction contracts during the period where revision incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Impairment of receivables

The Group determines bad debt provision based on the recoverability of accounts receivable. Where there is indication that accounts receivable are unrecoverable, a bad debt provision is recognised. Recognition of the closing carrying amount of accounts receivable requires management to identify items impaired and objective evidence, assess the estimated future cash flow based on the purpose for impairment test and determine the present value of future cash flow. If the result of reassessment is different from the current estimate, such difference may have influence on the profit and carrying amount of accounts receivable during the period which the change incurred.

Impairment of properties under development and completed properties held for sale

The Group has to evaluate the net realisable values for properties under development and completed properties held for sale at the balance sheet date. When the net realisable values are lower than the carrying amounts, a provision is made by the Group.

The principal assumptions for the Group's estimation of the net realisable values of the properties under development include those related to prevailing market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

The Group estimated the net realizable value for completed properties held for sale based on the selling price, sales projections, sales expenses to be incurred and relevant tax expenses, with reference to the current market prices and actual sale progress.

Impairment of available-for-sale financial assets

The Group determines if available-for-sale investments are not temporarily declined in accordance with Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments. The determination requires significant judgement. In making this judgement, the Group evaluates various factors, including the duration and the extent to which the fair value of an investment is less than its cost. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health and short-term business prospects of the investee, including industry and sector performance, changes in technology, and operating and financing cash flows, etc.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Contingent liabilities arising from litigation and claims

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the probable obligations have been made based on management's best estimates and judgements.

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of fixed assets are less than previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Amortization of concession rights of highways

If the assets under the concession arrangement acquired by the “Build-Operate-Transfer” (BOT) participating in the construction of the expressway is applicable to intangible asset model, the concession rights is amortized at the early stage of operation period based on expected realization approach of associated economic benefits using traffic volume method or straight-line method. In the case of traffic volume method amortization (namely, calculating the total annual amortization amount based on the percentage of actual traffic volume in certain years in the estimated total traffic volumes), amortization calculation is initiated since the operation of the relevant turnpike highways.

The Group’s management made judgements on the proportion of actual traffic volume in the total estimated traffic volume. Where the difference between the actual amount and the estimation is great, the management will re-estimate the total estimated traffic volume based on the actual traffic volume and adjust the amortization of annual provisions for standard traffic volumes in subsequent years.

Income tax and deferred tax assets

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax have not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. In cases where the actual future profits generated are less than the estimation, such difference will influence on or change the deferred tax assets and income tax recognized in the relevant period.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgements and estimates (Continued)

Long-term post-leaving benefits

The Group recognised the benefits paid to certain long-term post-leaving personnel as a liability. The amounts of employee benefit expenses and liabilities are determined using various assumptions, estimated using the rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The differences between actual experience and assumptions are recognised immediately in other comprehensive income in the period in which such differences arise. While management believes that its assumptions are reasonable, differences in actual experience or changes in assumptions may affect other comprehensive income and balance of liabilities related to the long-term post-leaving benefit obligations.

35. Changes in significant accounting policies

The Group has adopted the *Accounting Standards for Business Enterprises No.42– Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations* newly issued by the Ministry of Finance ("MoF") since 28 May 2017 and the amended Accounting Standards for Business Enterprises No. 16-- Government Grants since 12 June 2017. The above change in accounting policies was approved in the meeting of board of directors of the Company on 30 August 2017.

In addition, the financial statements have been prepared based on *Notice of the Revised Format of Financial Statements for General Business Enterprise* (Cai Kuai (2017) No.30, hereinafter as "Cai Kuai No. 30 Document") issued by the Ministry of Finance ("MoF") on 25 December 2017.

Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations

The *Accounting Standards for Business Enterprises No.42 - Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations* has specified stipulations on classification and measurement of non-current assets held-for-sale and disposal groups, requiring separate presentation of profit or loss for continuous operation and profit or loss for discontinued operation in the statement of profit or loss and other comprehensive income and detailed disclosure of information relevant to held-for-sale non-current assets, disposal groups and discontinued operations in the notes. This standard requires retrospective approach for accounting treatment, which has no influence on this financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Changes in significant accounting policies (Continued)

Government Grants

Prior to the implementation of the Accounting Standards for Business Enterprises No.16 – Government Grants (Revised), the Group's government grants related to assets are recognised as deferred income and evenly amortized to profit or loss over the useful life of the related assets. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

After the implementation of *the Accounting Standards for Business Enterprises No.16- Government Grants (Revised)*, the Group's government grants related to assets are offset against the carrying amount of relevant assets when relevant assets become ready for their intended use. For a government grant related to income, if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or offset against relevant costs or expenses over the periods in which the related costs are recognised. If the grant is a compensation for related costs or losses already incurred, the grant is recognised immediately in profit or loss for the period or offset against relevant costs or expenses. For a government grant related to ordinary courses, the grant is recognised in other income or offset against relevant costs or expenses based on the economic substance. If the government grant is irrelevant to ordinary courses, the grant is recognised in non-operating income/expenses. The Group has accounted for the above changes in accounting policies prospectively according to *the Accounting Standards for Business Enterprises No.16- Government Grants (Revised)*, and the above change in accounting policies have no influence on the financial statements of the comparative year.

Presentation of Gains or Losses from Disposal of Assets

Prior to the release of *Cai Kuai No.30 Document*, the Group's gains or losses recognised from disposal of non-current assets held-for-sale (other than financial instruments, long-term equity investments and investment properties) and disposal groups (other than subsidiaries and business), as well as gains or losses arising from disposal of fixed assets, construction in progress and intangible assets not categorised as held for sale have been presented under the items of "non-operating income"/"non-operating expense". After the release of *Cai Kuai No.30 Document*, the aforesaid gains or losses are presented under the items of "gains/losses from disposal of assets". The Group has accounted for the above change by using retrospective application, and adjusted comparative figures of the prior year.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES

1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Value-added tax ("VAT")	Sales revenue and construction installation income in accordance with relevant tax law	3%、6%、11%、17%
Enterprise income tax ("EIT")	Taxable income	All enterprises are subject to EIT at 25% except for some domestic subsidiaries qualified for tax preferential(Note IV, 2) and overseas subsidiaries that are subject to EIT in accordance with the local tax laws applicable to the jurisdiction where the company was registered.
City maintenance and construction tax ("CCT")	Based on the actual VAT and circulation tax payment	1%、5%、7%
Educational surcharge	Based on the actual VAT and circulation tax payment	3%
Local educational surcharge	Based on the actual VAT and circulation tax payment	2%
Land appreciation tax ("LAT")	calculate LAT based on the appreciation amount arising from the transfer of properties and the extra progressive tax rate	Extra progressive tax rate: 30%、40%、50%、60%

2. Tax preferential

Super deduction of research and development (R&D) expenditures

Pursuant to Chapter IV, Item 1 of Article 30 of the Law of the PRC on Enterprise Income Tax Law (the "New EIT Law") and the Circular on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises' Expenditures for Research and Development (for Trial Implementation) of the State Administration of Taxation (Guo Shui Fa [2008]No.116), the Company and its subsidiaries complying with the relevant provisions can make a super deduction on their research and development expenditures when calculating the taxable income.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Tax preferential for the Western Region Development

Pursuant to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs* (Cai Shui [2011] No.58), the tax preference for the Western Region Development are valid until 2020. According to the Circular, "from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the *Catalogue of Encouraged Industries in the Western Region*, the income of which accounts for more than 70% of the total income of such enterprises. The *Catalogue of Encouraged Industries in the Western Region* shall be issued separately."

At present, the *Catalogue of Encouraged Industries in the Western Region* has been approved by the State Council, and shall be implemented as from 1 October 2014. Certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 1st Engineering Co., Ltd. (中鐵十二局集團第一工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), China Railway 12th Bureau Group Railway Maintenance Engineering Co., Ltd. (中鐵十二局集團鐵路養護工程有限公司), China Railway Construction Bridge Engineering Bureau Group 5th Engineering Co., Ltd. (中鐵建大橋工程局集團第五工程有限公司), China Railway 15th Bureau Group 1st Engineering Co., Ltd. (中鐵十五局集團第一工程有限公司), China Railway 15th Bureau Group Tibet Engineering Co., Ltd. (中鐵十五局集團西藏工程有限公司), China Railway 17th Bureau 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 17th Bureau Group Tibet Engineering Co., Ltd. (中鐵十七局集團西藏工程有限公司), China Railway 18th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十八局集團隧道工程有限公司), China Railway 18th Bureau Group Tibet Engineering Co., Ltd. (中鐵十八局集團西藏工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 2nd Engineering Co., Ltd. (中鐵二十局集團第二工程有限公司), China Railway 20th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十局集團第三工程有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團電氣化工程有限公司), China Railway 20th Bureau Group Municipal Engineering Co., Ltd. (中鐵二十局集團市政工程有限公司), China Railway Guizhou Engineering Company Limited. (中鐵貴州工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

團電務電化工程有限公司), China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway 23rd Bureau Group Rail Transit Chengdu Engineering Co., Ltd. (中鐵二十三局集團軌道交通成都工程有限公司), China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中鐵建電氣化局集團西安電氣化製品有限公司), China Railway Chongqing Urban Rail Transit Engineering Co., Ltd. (中鐵建重慶軌道環線建設有限公司), China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Shanxi Xingan Runtong Electrification Co., Ltd. (陝西興安潤通電氣化有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司), Lanzhou Railway Survey and Design Institute Co., Ltd. (蘭州鐵道設計院有限公司), Xi'an China Railway No.1 Airport Investment Development Co., Ltd. (西安中鐵一院空港投資發展有限公司), China Railway Siyuan Group Nanning Survey and Design Co., Ltd. (中鐵四院集團南寧勘察設計院有限公司), China Railway Siyuan Group Southwest Survey and Design Co., Ltd. (中鐵四院集團西南勘察設計院有限公司), China Railway Material Group Southwest Co., Ltd. (中鐵物資集團西南有限公司), CRCC High-tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司), Kunming Guangweitong Machinery Co., Ltd. (昆明廣維通機械設備有限公司), China Railway Construction Heavy Industry Xinjiang Co., Ltd. (鐵建重工新疆有限公司), Lanzhou Tunnel Equipment Co., Ltd. of China Railway Heavy Industry Group (中國鐵建重工集團蘭州隧道裝備有限公司), China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司), Chongqing Zhongyou Tiefa Suiyu Industrial Co., Ltd. (重慶中油鐵發遂遂實業有限公司), Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司), Chengdu China Railway Project Management Co., Ltd. (成都中鐵建項目建設管理有限公司), Sichuan CRCC Subway Investment Management Co., Ltd. (四川中鐵建地鐵投資管理有限公司), have been approved by local bureau of State of Administration of Taxation to carry on the tax preferential for the Western Region Development in 2016 at the rate of 15%. The above companies met requirements of "enterprises located in the Western Region, whose principal businesses are encouraged industries, and the income of which accounts for more than 70% of the total income of such enterprises" in 2017. The Group estimated the above companies would get approval by local tax authorities and carry on a preferential tax rate of 15% in 2017.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries

China Railway 11th Bureau Group Co., Ltd.(中鐵十一局集團有限公司): (1) its subsidiaries including China Railway 11th Bureau Group 1st Engineering Co., Ltd (中鐵十一局集團第一工程有限公司), China Railway 11th Bureau Group 2nd Engineering Co., Ltd (中鐵十一局集團第二工程有限公司), China Railway 11th Bureau Group 3rd Engineering Co., Ltd (中鐵十一局集團第三工程有限公司), China Railway 11th Bureau Group 4th Engineering Co., Ltd (中鐵十一局集團第四工程有限公司) and China Railway 11th Bureau Group City Rail Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司) have been recognized as High-tech enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 11th Bureau Group Bridge Engineering Co., Ltd(中鐵十一局集團橋梁有限公司) has been recognized as a High-tech Enterprise by Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Finance Department, Jiangxi Provincial Office, SAT and Jiangxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary, China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司) has been recognized as High-tech enterprises by Science and Technology Department of Chongqing, Chongqing Finance Bureau, Chongqing Municipal Office, SAT and Chongqing Local Tax Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiaries including China Railway 11th Bureau Group Electrical Engineering Co., Ltd.(中鐵十一局集團電務工程有限公司) and Hanjiang Heavy Industry Co., Ltd. of China Railway 11th Bureau Group (中鐵十一局集團江漢重工有限公司) have been recognized as High-tech enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2015, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (5) its subsidiary China Railway 11th Bureau Group 6th Engineering Co., Ltd. (中鐵十一局集團第六工程有限公司) has been recognized as High-tech enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 12th Bureau Group Co., Ltd.(中鐵十二局集團有限公司): (1) its subsidiaries China Railway 12th Bureau Group 2nd Engineering Co., Ltd. (中鐵十二局集團第二工程有限公司) and China Railway 12th Bureau Group 3rd Engineering Co., Ltd. (中鐵十二局集團第三工程有限公司) have been recognized as High-tech enterprises by The Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2015, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (2) its subsidiary Electrical Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團電氣化工程有限公司) has been recognized as a High-tech enterprise in 2015 by Tianjin Municipal Science and Technology Commission, Tianjin Municipal Finance Department, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau since 2015, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2015 till 31 December 2017; (3) its subsidiary China Railway 12th Bureau Group 7th Engineering Co., Ltd.(中鐵十二局集團第七工程有限公司) has been recognized as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2016 till 31 December 2018; (4) its subsidiary Building and Installing Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團建築安裝工程有限公司) has been recognised by Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT, and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司): (1) China Railway Construction Bridge Engineering Bureau Group Co., Ltd. has been recognized as a High-tech enterprise by Tianjin Municipal Science and Technology Commission, Tianjin Municipal Finance Department, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway Construction Bridge Engineering Bureau Group 1st Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第一工程有限公司) has been recognised as a High-tech Enterprise by the Dalian Municipal Science and Technology Department, Dalian Department of Finance, Dalian State Administration of Taxation and the Dalian Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Income Tax rate of 15% from 1 January 2015 till 31 December 2017; (3) China Railway Construction Bridge Engineering Bureau Group 4th Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Heilongjiang Province, Heilongjiang Provincial Department of Finance, Heilongjiang State Administration of Taxation and the Heilongjiang Local Taxation Bureau since 2016, and is entitled to enjoy a preferential Income Tax rate of 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway Zhuzhou Bridge Co., Ltd. (中鐵株洲橋梁有限公司) has been recognized as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2016 till 31 December 2018; (5) its subsidiary China Railway Construction Bridge Engineering Bureau Group 2nd Engineering Co., Ltd. (中鐵建大橋工程局集團第二工程有限公司) has been recognised as a High-tech enterprise by Shenzhen Science and Technology Innovation Commission, Finance Commission of Shenzhen Municipality, Shenzhen Municipal Office, SAT, and Shenzhen Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway Construction Bridge Engineering Bureau Group 6th Engineering Co., Ltd. (中鐵建大橋工程局集團第六工程有限公司) has been recognised as a High-tech Enterprise by the Jilin Provincial Science and Technology Department, Jilin Province Department of Finance, Jilin Provincial Office, SAT, and Jilin Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (7) its subsidiary China Railway Construction Bridge Engineering Bureau Group Electrification Engineering Co., Ltd. (中鐵建大橋工程局集團電氣化工程有限公司) has been recognized as a High-tech enterprise by Tianjin Municipal Science and Technology Commission, Tianjin Finance Bureau, Tianjin Municipal Office, SAT, and Tianjin Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司): (1) its subsidiary Beijing China Railway Fangshan Bridge Co., Ltd (北京中鐵房山橋梁有限公司) has been recognized as a High-tech enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Department, Beijing Municipal Office, SAT, and Beijing Local Taxation Bureau since 2015 and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2015 till 31 December 2017; (2) its subsidiary China Railway 14th Bureau Group Electrification Engineering Co., Ltd. (中鐵十四局集團電氣化工程有限公司) and Shandong Tiezheng Project Experiment and Inspection Center Co., Ltd. (山東鐵正工程試驗檢測中心有限公司) have been recognized as a High-tech enterprise by China Shandong Provincial Science & Technology Department, Shandong Provincial Finance Department, Shandong Provincial Office, SAT, and Shandong Local Taxation Bureau since 2015, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2015 till 31 December 2017.

China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司) has been recognized as a High-tech enterprise by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Department, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation since 2015, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2015 till 31 December 2017.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司): (1) China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司) and its subsidiary China Railway 16th Bureau Group 1st Engineering Co., Ltd. (中鐵十六局集團第一工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (2) its subsidiary China Railway 16th Bureau Group 2nd Engineering Co., Ltd. (中鐵十六局集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (3) its subsidiary China Railway 16th Bureau Group Railway Transportation Engineering Co., Ltd. (中鐵十六局集團鐵運工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Inner Mongolia Autonomous Region, Department of Finance of Inner Mongolia Autonomous Region, Inner Mongolia Municipal Office of the State Administration of Taxation and the Inner Mongolia Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (4) its subsidiaries including China Railway 16th Bureau Group 4th Engineering Co., Ltd. (中鐵十六局集團第四工程有限公司), China Railway 16th Bureau Group Beijing Metro Engineering Co., Ltd. (中鐵十六局集團北京軌道交通工程建設有限公司), and China Railway 16th Bureau Group Metro Engineering Co., Ltd. (中鐵十六局集團地鐵工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (5) its subsidiary China Railway 16th Bureau Group 5th Engineering Co., Ltd. (中鐵十六局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway 16th Bureau Group Electrical Engineering Co., Ltd. (中鐵十六局集團電務工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (7) its subsidiary China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Science Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance, Zhejiang Provincial Office, SAT and Zhejiang Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 17th Bureau Group Co., Ltd.(中鐵十七局集團有限公司): (1) its subsidiaries including China Railway 17th Bureau Group 1st Engineering Co., Ltd.(中鐵十七局集團第一工程有限公司), China Railway 17th Bureau Group Construction Engineering Co., Ltd. (中鐵十七局集團建築工程有限公司) and China Railway 17th Bureau Group Electrification Engineering Co., Ltd. (中鐵十七局集團電氣化工程有限公司) have been recognized as High-tech enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 17th Bureau 2nd Engineering Co., Ltd.(中鐵十七局集團第二工程有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2015, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (3) its subsidiary China Railway 17th Bureau 3rd Engineering Co., Ltd.(中鐵十七局集團第三工程有限公司) has been recognised as a High-tech enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (4) its subsidiary China Railway 17th Bureau 5th Engineering Co., Ltd.(中鐵十七局集團第五工程有限公司) has been recognized as High-tech enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 18th Bureau Group Co., Ltd.(中鐵十八局集團有限公司): its subsidiaries China Railway 18th Bureau Group 1st Engineering Co., Ltd. (中鐵十八局集團第一工程有限公司) China Railway 18th Bureau Group 2nd Engineering Co., Ltd. (中鐵十八局集團第二工程有限公司) have been recognised as High-tech enterprises by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; its subsidiary China Railway 18th Bureau Group 5th Engineering Co., Ltd. (中鐵十八局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司): (1) its subsidiary China Railway 19th Bureau Group Metro Engineering Construction Co., Ltd. (中鐵十九局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (2) its subsidiary China Railway 19th Bureau Group 5th Engineering Co., Ltd. (中鐵十九局集團有限公司第五工程有限公司) has been recognised as a High-tech Enterprise by the Dalian Municipal Science and Technology Commission, Dalian Municipal Bureau of Finance, Dalian Municipal Office of the State Administration of Taxation and the Dalian Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway 19th Bureau Group 6th Engineering Co., Ltd. (中鐵十九局集團有限公司第六工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Jiangsu Province, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (4) China Railway 19th Bureau Group 7th Engineering Co., Ltd. (中鐵十九局集團有限公司第七工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2015 and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (5) its subsidiaries China Railway 19th Bureau Group 1st Engineering Co., Ltd. (中鐵十九局集團有限公司第一工程有限公司) and China Railway 19th Bureau Group 2nd Engineering Co., Ltd. (中鐵十九局集團有限公司第二工程有限公司) have been recognised as High-tech Enterprises by the Science and Technology Department of Liaoning Province, Liaoning Province Finance Department, Liaoning Provincial Office, SAT and Liaoning Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway 19th Bureau Group Corporation Electric Engineering Co., Ltd. (中鐵十九局集團電務工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司)'s subsidiary China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Municipal Bureau of Finance, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 to 31 December 2018.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 22nd Bureau Group Co., Ltd.(中鐵二十二局集團有限公司): (1) China Railway 22nd Bureau Group Co., Ltd.(中鐵二十二局集團有限公司) and its subsidiary China Railway 22nd Bureau Group 1st Engineering Co., Ltd. (中鐵二十二局集團有限公司第一工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 22nd Bureau Group 4th Engineering Co., Ltd. (中鐵二十二局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司)'s subsidiary China Railway 23rd Bureau Group Metro Engineering Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprise by the Shanghai Science and Technology Committee, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 25th Bureau Group Co., Ltd. (中鐵二十五局集團有限公司): (1) its subsidiary China Railway 25th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science & Technology Commission, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary Guangzhou Tiecheng Engineering Inspection Co., Ltd. (廣州鐵誠工程質量檢測有限公司) has been recognised as a High-tech Enterprise by the Science & Technology Commission of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2016 and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

China Railway Construction Group Ltd. (中鐵建設集團有限公司)'s subsidiaries including Beijing CRCC Decoration Engineering Co., Ltd.(北京中鐵裝飾工程有限公司)and China Railway Construction Group Equipment Co., Ltd.(中鐵建設集團設備安裝有限公司)have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Electrification Bureau Group Co., Ltd. (中國鐵建電氣化局集團有限公司): (1) China Railway Construction Electrification Bureau Group Co., Ltd.(中國鐵建電氣化局集團有限公司)and its subsidiary Beijing China Railway Construction Electrification Bureau Group Design Institute Engineering Co., Ltd. (北京中鐵建電氣化局集團設計研究院有限公司)have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (2) its subsidiary China Railway Construction Electrification Bureau Group South Engineering Co., Ltd. (中鐵建電氣化局集團南方工程有限公司) has been recognised as a High-tech Enterprise by the Hubei Provincial Science and Technology Department, Hubei Provincial Department of Finance, Hubei State Administration of Taxation and the Hubei Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (3) its subsidiary China Railway Construction Electrification Bureau Group Science and Technology Co., Ltd. (中鐵建電氣化局集團科技有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 to 31 December 2017; (4) its subsidiary China Railway Construction Electrification Bureau Group Metro Engineering Machinery Co., Ltd. (中鐵建電氣化局集團軌道交通器材有限公司) has been recognised as a High-tech Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (5) its subsidiary China Railway Construction Electrification Bureau Group 1st Engineering Co., Ltd. (中鐵建電氣化局集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Henan Provincial Science and Technology Department, Henan Provincial Department of Finance, Henan State Administration of Taxation and the Henan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 to 31 December 2018; (6) its subsidiary China Railway Construction Electrification Bureau Group 2nd Engineering Co., Ltd. (中鐵建電氣化局集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income rate at 15% from 1 January 2016 till 31 December 2018; (7) its subsidiary China Railway Construction Electrification Bureau Group 3rd Engineering Co., Ltd. (中鐵建電氣化局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income rate at 15% from 1 January 2016 till 31 December 2018; (8) its subsidiary China Railway Construction Electrification Bureau Group 5th Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Sichuan Provincial

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (9) its subsidiary China Railway Construction Electrification Bureau Group Science and Technology Co., Ltd. (中鐵建電氣化局集團科技有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 to 31 December 2017; (10) its subsidiary the 4th Engineering Co., Ltd. of China Railway Construction Electrification Bureau Group (中鐵建電氣化局集團第四工程有限公司) has been recognized as a High-tech enterprise by Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (11) its subsidiary China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中鐵建電氣化局集團西安電氣化製品有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司)'s subsidiary CRCC Harbour & Channel Engineering Bureau Group Survey & Design Institute Co., Ltd. (中鐵建港航局集團勘察設計院有限公司) has been recognised as a High-tech Enterprise by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate of 15% from 1 January 2016 to 31 December 2018.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司): (1) China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司) has been recognized as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2015, and is entitled to enjoy the preferential income tax rate at 15% since 1 January 2015 till 31 December 2017; (2) its subsidiary China Railway Urban Construction Group 1st Engineering Co., Ltd. (中鐵城建集團第一工程有限公司) has been recognized as a High-tech enterprise by The Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2015, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway Urban Construction Group 2nd Engineering Co., Ltd. (中鐵城建集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (4) its subsidiary China Railway Urban Construction Group 3rd Engineering Co., Ltd. (中鐵城建集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2015, and is entitled to enjoy a preferential Corporate Income Tax rate of 15% from 1 January 2015 to 31 December 2017; (5) its subsidiary Beijing Engineering Company Limited of China Railway Urban Construction Group (中鐵城建北京工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Department of Science and Technology, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司): (1) its headquarters has been recognized as a High-tech enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary Wuhan Railway Siyuan Institute Engineering Consulting Co., Ltd. (武漢鐵四院工程諮詢有限公司) has been recognized as a High-tech enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Service, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

CRCC High-tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司): (1) its subsidiaries including Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司) and Beijing Kunweitong Railway Engineering Machinery Co., Ltd. (北京昆維通鐵路機械化工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2015, and are entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017; (2) its subsidiary Kunming Autongda Railway Engineering Machinery Co., Ltd. (昆明奧通達鐵路機械有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Yunnan Province, Yunnan Provincial Department of Finance, Yunnan State Administration of Taxation and the Yunnan Local Taxation Bureau since 2015, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2015 till 31 December 2017.

China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司): (1) China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science & Technology Commission, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy a preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司) has been recognised as a High-tech Enterprise by the Sichuan Provincial Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2016, and is entitled to enjoy a preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	31 December 2017	31 December 2016
Cash on hand	110,347	132,932
Cash at banks	131,180,726	119,450,551
Other cash and bank balances	5,794,716	5,235,542
Mandatory reserves placed by CRCC Finance Company Limited with the central bank	4,120,396	3,882,969
Total	141,206,185	128,701,994

Cash and bank balances with title restrictions were stated in Note V.61.

As at 31 December 2017, the Group held foreign cash and bank balances amounting to RMB10,328,200,000 (31 December 2016: RMB11,098,429,000), and held no restricted deposits(31 December 2016: Nil).

RMB'000

Item	31 December 2017	31 December 2016
Cash and bank balances at the end of the year	141,206,185	128,701,994
Less: Mandatory reserves placed by CRCC Finance Company Limited with the central bank	4,120,396	3,882,969
Less: other restricted cash and bank balances	5,779,509	4,691,371
Less: Non-pledged time deposits with original maturity of three months or more when acquired	1,913,560	2,593,632
Cash and cash equivalents at the end of the year	129,392,720	117,534,022

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets at fair value through profit or loss

RMB'000

Item	31 December 2017	31 December 2016
Equity instruments	257,408	238,803
Derivative financial assets (<i>Note VI, 1 (Note)</i>)	232,304	84,573
Total	489,712	323,376

Management considered that there were no material restrictions on the recovery of the equity instruments of the financial assets at fair value through profit or loss.

3. Bills receivable

RMB'000

Item	31 December 2017	31 December 2016
Commercial acceptance bills	4,763,265	2,079,419
Bank acceptance bills	2,261,661	2,271,161
Total	7,024,926	4,350,580

As at 31 December 2017, the Group had RMB1,080,233,000 (31 December 2016: RMB403,731,000) non-matured bills receivable which had right of recourse and had been discounted or endorsed to other parties. The Group derecognized those bills receivable as the Group considered that all risks and rewards of the ownership has been transferred from the discounted or endorsed bills receivable since there is extremely low risk of the acceptor's inability to cash the bills upon expiry due to the acceptor's good reputation.

As at 31 December 2017, there were no bills receivable transferred to accounts receivable due to non-compliance of drawer of a bill (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

The majority of the Group's revenue is generated through construction projects and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. For the construction contract, credit periods ranging from 30 to 90 days are granted to the customers. For relevant retention money receivables carried out by the Group, the due dates usually range from one to six years after the completion of the construction work. The retention money whose maturity is more than one year is recognized as long-term receivable. Accounts receivable are non-interest-bearing.

An ageing analysis of accounts receivable is listed as follows:

<i>RMB'000</i>		
Aging	31 December 2017	31 December 2016
Within 1 year	127,639,261	119,281,249
1 to 2 years	13,353,735	10,306,759
2 to 3 years	5,750,429	4,382,882
Over 3 years	3,731,557	2,621,564
Sub-total	150,474,982	136,592,454
Less: Provision for bad debts	3,971,091	3,164,845
Total	146,503,891	133,427,609

Movements in the provision for bad debts are listed as follows:

<i>RMB'000</i>		
Item	2017	2016
Opening balance	3,164,845	2,778,311
Provision for the year	1,236,810	813,770
Decrease for the year – Reversal	363,812	418,843
Decrease for the year – Write-off	49,458	7,173
Others	(17,294)	(1,220)
Closing balance	3,971,091	3,164,845

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

Accounts receivable and provision for bad debts by category are listed as follows:

RMB'000

Category	31 December 2017			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	32,234,627	21.43	2,751,805	8.54
Bad debt provision assessed by credit risk portfolio	110,770,531	73.61	212,210	0.19
Individually not significant but subject to separate provision for bad debts	7,469,824	4.96	1,007,076	13.48
Total	150,474,982	100.00	3,971,091	2.64

RMB'000

Category	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	21,901,342	16.03	2,219,605	10.13
Bad debt provision assessed by credit risk portfolio	110,683,396	81.04	204,633	0.18
Individually not significant but subject to separate provision for bad debts	4,007,716	2.93	740,607	18.48
Total	136,592,454	100.00	3,164,845	2.32

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

As at 31 December 2017, accounts receivable which were individually significant and subject to separate provision for bad debts are listed as follows:

RMB'000

Due from	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	241,519	241,519	100.00	Note
Company 2	161,567	161,567	100.00	Note
Company 3	142,272	135,165	95.00	Note
Company 4	96,705	96,705	100.00	Note
Company 5	90,821	90,821	100.00	Note
Others	31,501,743	2,026,028	6.43	–
Total	32,234,627	2,751,805	8.54	–

As at 31 December 2016, Accounts receivable which were individually significant and subject to separate provision for bad debts are listed as follows:

RMB'000

Due from	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	241,519	173,146	71.69	Note
Company 2	161,567	105,018	65.00	Note
Company 3	142,279	135,165	95.00	Note
Company 4	96,705	96,705	100.00	Note
Company 5	91,601	91,601	100.00	Note
Others	21,167,671	1,617,970	7.64	–
Total	21,901,342	2,219,605	10.13	–

Note: According to the ageing analysis of the accounts receivable and operation of the customers, the Group recorded all or a portion of provision for bad debts.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

Accounts receivable whose bad debt provision are assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2017			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Within 6 months	108,632,495	98.07	—	—
6 months to 1 year	1,183,276	1.07	5,917	0.50
1 to 2 years	368,648	0.33	18,443	5.00
2 to 3 years	224,285	0.20	22,429	10.00
Over 3 years	361,827	0.33	165,421	45.72
Total	110,770,531	100.00	212,210	0.19

RMB'000

Aging	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Within 6 months	109,718,254	99.13	—	—
6 months to 1 year	181,439	0.16	907	0.50
1 to 2 years	270,629	0.25	13,531	5.00
2 to 3 years	209,503	0.19	20,950	10.00
Over 3 years	303,571	0.27	169,245	55.75
Total	110,683,396	100.00	204,633	0.18

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

As at 31 December 2017, accounts receivable from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	1,657,545	Within 1 year	1.10
Company 2	Third party	1,389,949	Within 1 year	0.92
Company 3	Third party	1,227,209	Within 1 year	0.82
Company 4	Third party	1,210,502	Within 1 year	0.80
Company 5	Third party	1,130,191	Within 1 year	0.75
Total	—	6,615,396	—	4.39

As at 31 December 2016, accounts receivable from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Group	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	1,200,473	Within 1 year	0.88
Company 2	Third party	1,189,329	Within 1 year	0.87
Company 3	Third party	1,178,921	Within 1 year	0.86
Company 4	Third party	1,042,654	Within 1 year	0.76
Company 5	Third party	1,015,759	Within 1 year	0.74
Total	—	5,627,136	—	4.11

For the year ended 31 December 2017, the write-off of accounts receivable amounted to RMB49,458,000 (For the year ended 31 December 2016: RMB7,173,000).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

As at 31 December 2017, an ageing analysis of the accounts receivable which are past due but not impaired is listed as follows:

RMB'000

Aging	31 December 2017	31 December 2016
Within 1 year	115,488	173,286
Over 1 year	162,407	195,071
Total	277,895	368,357

The restricted accounts receivable of the Group are stated in Note V.61.

5. Advances to suppliers

An ageing analysis of the advances to suppliers is listed as follows:

RMB'000

Aging	31 December 2017		31 December 2016	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	18,346,669	97.67	19,476,042	97.60
1 to 2 years	220,399	1.17	233,135	1.17
2 to 3 years	76,673	0.41	152,095	0.76
Over 3 years	140,263	0.75	94,339	0.47
Total	18,784,004	100.00	19,955,611	100.00

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers (Continued)

As at 31 December 2017, significant advances to suppliers aged over one year are listed as follows:

RMB'000

Company name	31 December 2017	Business nature
Company 1	150,580	Prepayment for construction contracts
Company 2	90,000	Prepayment for materials
Company 3	71,482	Prepayment for materials
Company 4	30,342	Prepayment for construction contracts
Company 5	30,001	Prepayment for materials
Total	372,405	–

As at 31 December 2016, significant advances to suppliers aged over one year are listed as follows:

RMB'000

Company name	31 December 2016	Business nature
Company 1	90,000	Prepayment for materials
Company 2	30,001	Prepayment for materials
Company 3	30,000	Prepayment for materials
Company 4	29,519	Prepayment for materials
Company 5	16,010	Prepayment for materials
Total	195,530	–

Significant outstanding advances to suppliers aged over one year are mainly due to related construction projects which have not been billed or materials which have not been received.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers (Continued)

As at 31 December 2017, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	322,019	Within 1 year	1.71
Company 2	Third party	240,000	Within 4 years	1.28
Company 3	Third party	186,881	Within 1 year	0.99
Company 4	Third party	173,395	Within 2 years	0.92
Company 5	Third party	172,203	Within 1 year	0.92
Total	–	1,094,498	–	5.82

As at 31 December 2016, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	153,992	Within 1 year	0.77
Company 2	Third party	150,580	Within 1 year	0.75
Company 3	Third party	138,568	Within 1 year	0.70
Company 4	Third party	131,885	Within 1 year	0.66
Company 5	Third party	129,357	Within 1 year	0.65
Total	–	704,382	–	3.53

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables

An ageing analysis of other receivables is listed as follows:

	<i>RMB'000</i>	
	31 December 2017	31 December 2016
Aging		
Within 1 year	53,124,336	42,998,903
1 to 2 years	2,300,542	2,590,252
2 to 3 years	1,740,148	1,580,055
Over 3 years	1,429,046	1,786,787
Sub-total	58,594,072	48,955,997
Less: Provision for bad debts	3,554,913	3,329,710
Total	55,039,159	45,626,287

Movements in the provision for bad debts are listed as follows:

	<i>RMB'000</i>	
Item	2017	2016
Opening balance	3,329,710	3,061,871
Provision for the year	634,770	357,181
Transfer in for the year	–	182,894
Decrease for the year – Reversal	376,840	278,782
Decrease for the year – Write-off	30,119	12,071
Others	(2,608)	18,617
Closing balance	3,554,913	3,329,710

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Other receivables and provisions for bad debts by category are listed as follows:

RMB'000

Category	31 December 2017			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	5,891,543	10.05	3,277,290	55.63
Bad debt provision assessed by credit risk portfolio	48,109,693	82.11	65,030	0.14
Individually not significant but subject to separate provision for bad debts	4,592,836	7.84	212,593	4.63
Total	58,594,072	100.00	3,554,913	6.07

RMB'000

Category	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Individually significant and subject to separate provision for bad debts	5,133,310	10.49	2,951,943	57.51
Bad debt provision assessed by credit risk portfolio	38,740,956	79.13	84,473	0.22
Individually not significant but subject to separate provision for bad debts	5,081,731	10.38	293,294	5.77
Total	48,955,997	100.00	3,329,710	6.80

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2017, other receivables which are individually significant and subject to separate provision for bad debts are listed as follows:

RMB'000

Due from	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	1,212,878	193,345	15.94	Note
Company 2	601,367	399,315	66.40	Note
Company 3	218,172	218,172	100.00	Note
Company 4	138,003	138,003	100.00	Note
Company 5	97,372	97,372	100.00	Note
Others	3,623,751	2,231,083	61.57	–
Total	5,891,543	3,277,290	55.63	–

As at 31 December 2016, other receivables which were individually significant and subject to separate provision for bad debts are listed as follows:

RMB'000

Due from	Gross carrying amount	Provision for bad debts	Percentage (%)	Reason
Company 1	218,172	218,172	100.00	Note
Company 2	138,003	138,003	100.00	Note
Company 3	97,372	97,372	100.00	Note
Company 4	73,640	73,640	100.00	Note
Company 5	65,421	65,421	100.00	Note
Others	4,540,702	2,359,335	51.96	–
Total	5,133,310	2,951,943	57.51	–

Note: According to the ageing analysis of the other receivables and operation of the customers, the Group recorded all or part of provision for bad debts.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Other receivables whose bad debt provision are assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2017			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Within 6 months	47,769,040	99.29	—	—
6 months to 1 year	111,193	0.23	556	0.50
1 to 2 years	67,652	0.14	3,382	5.00
2 to 3 years	81,840	0.17	8,184	10.00
Over 3 years	79,968	0.17	52,908	66.16
Total	48,109,693	100.00	65,030	0.14

RMB'000

Aging	31 December 2016			
	Gross carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
Within 6 months	38,352,931	99.00	—	—
6 months to 1 year	74,364	0.19	372	0.50
1 to 2 years	131,147	0.34	6,557	5.00
2 to 3 years	97,810	0.25	9,781	10.00
Over 3 years	84,704	0.22	67,763	80.00
Total	38,740,956	100.00	84,473	0.22

For the year ended 31 December 2017, the write-off of other receivables amounted to RMB30,119,000 (for the year ended 31 December 2016: RMB12,071,000).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Other receivables are analyzed by nature is listed as follows:

RMB'000

Nature	31 December 2017	31 December 2016
Security deposit/cash pledged	25,591,135	26,106,086
Loans for cooperative development project	19,541,397	10,019,965
Advance payments	3,932,727	3,595,945
Others	9,528,813	9,234,001
Total	58,594,072	48,955,997

As at 31 December 2017, other receivables from the five largest customers are listed as follows:

RMB'000

Company name	Amount	Percentage of total other receivables (%)	Nature	Ageing	Provision for bad debts
Company 1	3,927,327	6.70	Loans for cooperative development project	Within 1 year	—
Company 2	2,752,386	4.70	Loans for cooperative development project	Within 1 year	—
Company 3	2,666,937	4.55	Loans for cooperative development project	Within 1 year	—
Company 4	1,892,899	3.23	Loans for cooperative development project	Within 1 year	—
Company 5	1,592,548	2.72	Loans for cooperative development project	Within 1 year	—
Total	12,832,097	21.90	—	—	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2016, other receivables from the five largest customers are listed as follows:

RMB'000

Company name	Amount	Percentage of total other receivables (%)	Nature	Ageing	Provision for bad debts
Company 1	2,407,923	4.92	Loans for cooperative development project	Within 1 year	–
Company 2	1,804,231	3.68	Loans for cooperative development project	Within 1 year	–
Company 3	1,184,241	2.42	Loans for cooperative development project	Within 1 year	–
Company 4	1,035,420	2.12	Loans for cooperative development project	Within 1 year	–
Company 5	1,020,039	2.08	Bid bond	Within 1 year	–
Total	7,451,854	15.22	–	–	–

7. Inventories

RMB'000

Item	31 December 2017		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	19,450,955	21,686	19,429,269
Work in progress	2,274,464	–	2,274,464
Finished goods	5,777,142	199,644	5,577,498
Turnover materials	8,561,670	–	8,561,670
Properties under development (1)	78,322,850	1,400,781	76,922,069
Completed properties held for sale (2)	23,695,028	110,792	23,584,236
Gross amount due from contract customers (3)	132,300,522	2,045,570	130,254,952
Total	270,382,631	3,778,473	266,604,158

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

RMB'000

Item	Gross carrying amount	31 December 2016 Provision for decline in value	Carrying amount
Raw materials	20,107,132	19,410	20,087,722
Work in progress	1,244,417	–	1,244,417
Finished goods	4,781,079	159,658	4,621,421
Turnover materials	7,830,423	–	7,830,423
Properties under development (1)	87,632,598	–	87,632,598
Completed properties held for sale (2)	18,351,998	100,437	18,251,561
Gross amount due from contract customers (3)	126,554,813	442,283	126,112,530
Total	266,502,460	721,788	265,780,672

Movements in the provision for decline in value of inventories are as follows:

RMB'000

Item	1 January 2017	Additions Provision	Reductions Reversal	Write-off and others	31 December 2017
Raw materials	19,410	2,433	–	157	21,686
Finished goods	159,658	95,506	52,994	2,526	199,644
Properties under development	–	1,400,781	–	–	1,400,781
Completed properties held for sale	100,437	15,464	–	5,109	110,792
Provision for foreseeable contract losses	442,283	1,721,681	54,174	64,220	2,045,570
Total	721,788	3,235,865	107,168	72,012	3,778,473

RMB'000

Item	1 January 2016	Additions Provision	Reductions Reversal	Write-off and others	31 December 2016
Raw materials	24,484	4,228	8,228	1,074	19,410
Finished good	161,446	16,384	1,898	16,274	159,658
Completed properties held for sale	72,335	28,102	–	–	100,437
Provision for foreseeable contract losses	533,862	67,409	39,445	119,543	442,283
Total	792,127	116,123	49,571	136,891	721,788

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(1) Details of the properties under development are as follows:

RMB'000

Project name	Construction commencement date	Estimated Latest completion date	Estimated aggregate investment amount	31 December 2017	31 December 2016
CRCC Xipai City Project	December 2016	November 2019	13,312,200	5,034,363	2,337,805
Xiangxie International Project	December 2015	December 2018	6,401,850	4,567,596	3,950,945
Tianjin CRCC International City Project	November 2011	December 2020	13,503,430	3,336,952	4,147,603
Chengdu CRCC Wu Hou Tie Fo Project	December 2015	December 2018	4,831,650	2,964,522	2,259,609
Xi'an CRCC International City Project	August 2011	December 2020	9,773,964	2,947,561	3,048,816
Chengdu Beihu Xinqu Project	August 2013	June 2019	8,936,600	2,690,378	3,856,186
Chengdu CRCC Wu Hou Tie Fo Zone 7 Project	May 2016	June 2019	5,222,210	2,427,055	2,131,115
Jiangsu Qingxiu City Project	June 2014	December 2018	6,610,980	2,348,640	2,578,358
Chengdu CRCC Xipai Lan'an Project	November 2013	March 2019	6,456,790	2,319,213	2,105,489
Hangzhou West Lake International City Project	December 2015	December 2019	2,756,840	1,959,196	1,652,233
CRCC Guiyang International City Project	September 2007	December 2019	10,942,270	1,552,375	2,480,948
CRCC Southern Headquarter Base Project	June 2016	December 2018	3,587,400	1,749,421	837,940
Qingyangpeng Project	October 2017	October 2019	2,883,310	1,629,915	-
Taiyuan Zijun Project	December 2015	June 2018	2,546,680	1,549,687	1,104,649
Hefei CRCC Qingxiucheng Project	March 2014	November 2018	3,845,860	1,373,062	1,442,031
CRCC Shanshui Yicheng Project	September 2014	May 2018	4,087,837	1,362,589	1,426,371
Jiaxing Huayu Jiangnan Project	July 2017	December 2019	2,471,320	1,338,690	-
Changsha Meixi Lake Project	May 2013	December 2018	4,408,220	1,246,405	1,381,577
CRCC Yujing Yangguang Project	December 2017	November 2019	2,127,360	1,275,901	-
Wutongyuan Project	July 2018	December 2020	2,425,080	1,167,063	-
Xishan Wutong Project	April 2018	February 2020	1,746,050	1,081,790	-
CRCC Zhuhai Tiejian Plaza Project	December 2017	February 2022	5,142,607	1,019,729	-
CRCC Yangchun Hupan Project	April 2015	December 2019	2,855,090	1,015,053	1,660,614
Others	-	-	221,316,336	30,365,694	49,230,309
Total	-	-	348,191,934	78,322,850	87,632,598

As at 31 December 2017, the aggregate carrying amount of borrowing costs capitalized in properties under development was RMB7,342,685,000 (31 December 2016: RMB8,568,860,000). Borrowing costs capitalized for the year ended 31 December 2017 amounted to RMB2,851,027,000 (for the year ended 31 December 2016: RMB3,520,063,000). The capitalization rates of borrowing costs ranged from 3.84% to 7.10% (for the year ended 31 December 2016: 3.89%-7.81%).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Details of the completed properties held for sale are as follows:

RMB'000

Project name	Latest completion date	1 January 2017	Additions	Reductions	31 December 2017
CRCC Guobinyuan Project	December 2017	853,721	1,406,249	636,685	1,623,285
Nananhuayu Project	September 2017	–	4,411,020	2,811,890	1,599,130
Hangzhou CRCC International City Project	June 2017	105,560	1,553,688	600,848	1,058,400
CRCC Plaza Project	October 2017	–	1,424,586	371,093	1,053,493
Chengdu Beihu Xinqu Project	December 2017	182,221	2,235,437	1,404,564	1,013,094
Jiucheng Yihao Project	October 2017	–	1,863,968	852,719	1,011,249
Foshan International Gongguan Project	December 2017	823,788	1,592,981	1,546,653	870,116
Dalian Qingxiu Lanwan Project	December 2017	715,234	649,864	530,038	835,060
Guiyang CRCC International City Project	September 2017	513,677	1,301,119	1,006,470	808,326
Tianjin CRCC International City Project	December 2017	168,392	1,664,795	1,121,721	711,466
Beijing Tongzhou Yongshun Town No.51 Lot Project	September 2017	23,649	695,797	35,528	683,918
Jinjiang International City Project	April 2017	671,890	34,819	50,060	656,649
Chengdu CRCC Xipai Lan'an Project	June 2016	971,392	129	387,300	584,221
Shanghai Qingxiucheng 2 Project	December 2016	747,564	47,180	391,148	403,596
Jiangnan International City Project	July 2017	–	4,158,286	3,765,612	392,674
CRCC New City Project	December 2014	401,004	–	26,224	374,780
CRCC Puhe Xinyuan Project	December 2016	630,411	39,954	311,601	358,764
Jianwan Shanyu City Project	December 2017	276,949	849,305	792,874	333,380
Hefei CRCC International City Project	October 2017	398,585	686,234	766,661	318,158
Changsha Shanyu City Project	December 2017	250,519	461,298	403,581	308,236
Guangzhou Zengcheng International City Project	May 2017	–	1,747,637	1,449,671	297,966
CRCC Yangchun Hupan Project	December 2017	–	694,561	399,928	294,633
Shunxin Jiayuan Project	October 2016	920,340	33,218	663,684	289,874
Yuanxiang Jiayuan Project	August 2017	–	804,011	515,628	288,383
Chongqing CRCC Shanyu City Project	January 2017	455,234	115,459	293,849	276,844
CRCC Yanghuyuan Project	December 2017	–	352,032	82,732	269,300
Others	–	9,241,868	9,932,081	12,193,916	6,980,033
Total	–	18,351,998	38,755,708	33,412,678	23,695,028

Details of the Group's inventories with title restriction are stated in Note V.61.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(3) Gross amount due from/to contract customers

RMB'000

Item	31 December 2017	31 December 2016
Contract costs incurred to date	3,458,494,379	2,934,844,426
Net balance between accumulated recognized gross profit and recognized loss	318,866,010	295,186,533
Less: Provision for foreseeable contract losses	2,045,570	442,283
Less: progress billings	3,658,324,656	3,120,715,098
Total	116,990,163	108,873,578

At the end of the year:

RMB'000

Item	31 December 2017	31 December 2016
Gross amount due from contract customers	130,254,952	126,112,530
Gross amount due to contract customers (Note V.25)	(13,264,789)	(17,238,952)
Total	116,990,163	108,873,578

8. Other current assets

RMB'000

Item	31 December 2017	31 December 2016
Prepaid taxes and VAT input to be deducted	8,283,418	3,164,745
Short-term trust products	—	50,000
Others	131,061	6,227
Total	8,414,479	3,220,972

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Loans and advances to customers

RMB'000

Item	31 December 2017	31 December 2016
Loans to customers	1,683,000	3,966,000

10. Available-for-sale financial assets

RMB'000

Item	31 December 2017	31 December 2016
Available-for-sale equity instruments		
Investments in listed companies	2,200,661	1,910,056
– Hong Kong	369,866	483,739
– Other areas	1,830,795	1,426,317
Equity investment in unlisted companies	5,501,225	4,508,773
Investment in unlisted trust products	680,415	136,000
Total	8,382,301	6,554,829

RMB'000

Item	Gross carrying amount	31 December 2017 Provision for impairment	Carrying amount	Gross carrying amount	31 December 2016 Provision for impairment	Carrying amount
Available-for-sale equity instruments	7,785,318	83,432	7,701,886	6,500,311	81,482	6,418,829
Measured at fair value (Note 1)	2,200,661	–	2,200,661	1,910,056	–	1,910,056
Measured at cost (Note 2)	5,584,657	83,432	5,501,225	4,590,255	81,482	4,508,773
Others	680,415	–	680,415	136,000	–	136,000
Total	8,465,733	83,432	8,382,301	6,636,311	81,482	6,554,829

Note 1: Available-for-sale equity instruments measured at fair value:

RMB'000

Item	31 December 2017	31 December 2016
Cost of equity instrument	1,160,404	674,028
Accumulated changes in fair value recognized in other comprehensive income	1,040,257	1,236,028
Fair value	2,200,661	1,910,056

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Note 2: Available-for-sale equity instruments measured at cost:

2017:

RMB'000

Item	Gross carrying amount			Provision for impairment				Percentage of ownership of equity (%)	Cash dividend
	1 January 2017	Increase	Decrease	31 December 2017	1 January 2017	Increase	Decrease	31 December 2017	
Beijing-Guangzhou Passenger Railway Henan Co., Ltd.	2,500,000	-	-	2,500,000	-	-	-	6.21	-
Xinjiang Bank Co., Ltd.	500,000	-	-	500,000	-	-	-	10.00	-
Djibouti Paid Port & Doraleh Port-Gaillie Railway Project	355,254	-	-	355,254	-	-	-	10.00	-
XinDa Property Insurance Co., Ltd.	188,556	114,416	-	302,972	-	-	-	6.67	-
Lunan High-speed Railway Co., Ltd.	-	287,710	-	287,710	-	-	-	8.00	-
Beijing Urban Railway Construction Rail Transit Investment Development Co., Ltd. (Note)	-	269,300	-	269,300	-	-	-	21.85	-
Bank of Lanzhou Co., Ltd.	201,688	-	-	201,688	-	-	-	1.43	-
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	-	-	200,000	-	-	-	3.65	-
Chuantie (Luzhou) Railway Co., Ltd.	122,150	-	-	122,150	65,464	-	-	65,464	8.84
Wuhan Johnson Pearl Plaza	60,000	-	-	60,000	-	-	-	12.00	-
Vossloh Fastening Systems (China) Co., Ltd.	56,969	-	-	56,969	-	-	-	16.20	27,454
Kweichow Moutai Health Industry Co., Ltd.	30,000	-	-	30,000	-	-	-	10.00	-
Beijing Railway Hotel Company Limited	15,000	-	-	15,000	-	-	-	8.10	-
Inner Mongolia Jitong Railway (Group) Co., Ltd.	13,082	-	-	13,082	-	-	-	0.43	-
Hangzhou Chengtuo Haichao Construction and Development Co., Ltd.	31,420	-	20,690	10,730	-	-	-	2.00	-
Zhuhai Baiyi Science and Technology-Yunnan Huaxing Resource Development Company	10,000	-	-	10,000	7,659	-	-	7,659	16.00
China Resources Land (Beijing) Co., Ltd.	5,485	-	-	5,485	-	-	-	0.24	-
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	-	-	3,085	-	-	-	15.00	-
Others	297,566	361,100	17,434	641,232	8,359	1,950	-	10,309	19,507
Total	4,590,255	1,032,526	38,124	5,584,657	81,482	1,950	-	83,432	46,961

Note: In accordance with articles of association of Beijing Urban Railway Construction Rail Transit Investment Development Co., Ltd. ("Beijing Urban Rail") and relevant agreements signed by and between the Group and other investors of Beijing Urban Railway, the Group has no control, joint control or significant influence on Beijing Urban Railway, hence it is accounted for as available-for-sale financial assets measured at cost.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Note 2: Available-for-sale equity instruments measured at cost: (Continued)

2016:

RMB'000

Item	Gross carrying amount		31 December 2016	Provision for impairment		31 December 2016	Percentage of ownership (%)	Cash dividend
	1 January 2016	Increase Decrease		1 January 2016	Increase Decrease			
Beijing-Guangzhou Passenger Railway Henan Co., Ltd	2,500,000	-	2,500,000	-	-	-	6.21	-
Xinjiang Bank Co., Ltd.	-	500,000	500,000	-	-	-	10.00	-
Djibouti Paid Port & Doraleh Port-Galile Railway Project	355,254	-	355,254	-	-	-	10.00	-
Bank of Lanzhou Co., Ltd.	201,654	34	201,688	-	-	-	1.43	-
Shijiazhuang-Taiyuan Passenger Railway Co., Ltd.	200,000	-	200,000	-	-	-	3.65	-
XinDa Property Insurance Co., Ltd.	-	188,556	188,556	-	-	-	6.67	-
Chuantie (Luzhou) Railway Co., Ltd.	122,150	-	122,150	58,720	6,744	65,464	8.84	-
Wuhan Johnson Pearl Plaza	60,000	-	60,000	-	-	-	12.00	-
Vossloh Fastening Systems (China) Co., Ltd.	56,969	-	56,969	-	-	-	16.20	18,924
Hangzhou Chengtou Haichao Construction and Development Co., Ltd.	-	31,420	31,420	-	-	-	2.00	-
Kweichow Moutai Health Industry Co., Ltd.	30,000	-	30,000	-	-	-	10.00	-
Beijing Railway Hotel Company Limited	15,000	-	15,000	-	-	-	8.10	-
Inner Mongolia Jitong Railway (Group) Co., Ltd.	13,082	-	13,082	-	-	-	0.43	-
Zhuhai Baiyi Science and Technology- Yunnan Huaxing Resource Development Company	10,000	-	10,000	7,215	444	7,659	16.00	-
Railtech Zhuzhou Bridge Railway Fastening (Wuhan) Co., Ltd.	3,085	-	3,085	-	-	-	15.00	-
Head Falcon (Beijing) Electric Appliance Co., Ltd.	1,600	-	1,600	-	-	-	10.00	-
China Resources Land (Beijing) Co., Ltd.	5,485	-	5,485	-	-	-	0.24	-
Others	183,011	112,955	295,966	6,652	1,707	8,359	-	8,250
Total	3,757,290	832,965	4,590,255	72,587	8,895	81,482	-	27,174

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Available-for-sale financial assets (Continued)

Movement in provision for impairment of available-for-sale financial assets were as follows:

RMB'000

Item	2017 Available-for-sale equity instruments	2016 Available-for-sale equity instruments
Opening balance	81,482	72,587
Provision	1,950	8,895
Decrease	—	—
Closing balance	83,432	81,482

11. Long-term receivables

RMB'000

Item	31 December 2017		
	Gross carrying amount	Provision for impairment	Carrying amount
Retention money receivables	3,122,078	11,554	3,110,524
"Build-Transfer" project receivables	20,115,256	353,238	19,762,018
A-land development	5,646,518	—	5,646,518
Others	20,734,826	—	20,734,826
Total	49,618,678	364,792	49,253,886
Less: Current portion of long-term receivables:	8,613,256	21,457	8,591,799
Including: Retention money receivables	1,598,244	10,703	1,587,541
"Build-Transfer" project receivables	6,319,529	10,754	6,308,775
Others	695,483	—	695,483
Long-term receivables due after one year	41,005,422	343,335	40,662,087

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

RMB'000

Item	31 December 2016		Carrying amount
	Gross carrying amount	Provision for impairment	
Retention money receivables	2,166,971	16,735	2,150,236
"Build-Transfer" project receivables	21,453,273	319,901	21,133,372
A-land development	4,515,269	14,000	4,501,269
Others	11,446,623	–	11,446,623
Total	39,582,136	350,636	39,231,500
Less: Current portion of long-term receivables:			
Including: Retention money receivables	9,644,831	26,446	9,618,385
"Build-Transfer" project receivables	1,104,613	12,446	1,092,167
A-land development	6,454,089	–	6,454,089
Others	1,971,733	14,000	1,957,733
	114,396	–	114,396
Long-term receivables due after one year	29,937,305	324,190	29,613,115

As at 31 December 2017, long-term receivables were presented in accordance with the net amount after discount. The discount rates ranged from 4.75% to 6.17% (31 December 2016: from 4.75% to 4.90%).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

Movements in the provision for bad debts of long-term receivables were as follows:

	<i>RMB'000</i>	
	2017	2016
Opening balance	350,636	344,757
Provision	29,163	17,648
Reversal	15,007	12,989
Write-off	—	—
Others	—	1,220
Closing balance	364,792	350,636

The Group takes separate impairment testing for long-term receivables that are individually significant. If there is an objective evidence that the long-term receivables has been impaired (e.g: serious financial difficulties, bankruptcy, breach of contract, default of payment and no transactions for a long time incurred to the debtor) and it is estimated that only part of the receivables can be recovered, the impairment losses of the long-term receivables will be recognized in profit or loss. As at 31 December 2017, the gross carrying amount of long-term receivables that had been tested for impairment individually was RMB1,174,271,000 (31 December 2016: 2,169,819,000), for which the amount of provision for bad debt after impairment test was RMB364,792,000 (31 December 2016: RMB350,636,000).

An ageing analysis of the Group's long-term receivables neither past due nor impaired, or past due but not impaired is as follows:

	<i>RMB'000</i>	
Item	31 December 2017	31 December 2016
Neither past due nor impaired	48,430,388	37,378,417
Past due but not impaired		
– Within 3 months	—	321
– 3 to 6 months	4,762	4,128
– More than 6 months	9,257	29,451
Total	48,444,407	37,412,317

Long-term receivables that were past due but not impaired are due from various customers with good repayment records in the past. The Company's management believes that these customers had no significant change in credit quality, and the balances are considered fully recoverable. Therefore, no provision for impairment has been made for these long-term receivables.

Refer to Note V.61 for the Group's long-term receivables with title restriction.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates

RMB'000

	Principal place of business	Place of registration	Business nature	Registered capital	Percentage of ownership of equity (%)	Accounting treatment
Joint ventures						
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 1)	Jinan, Shandong	Jinan, Shandong	Real estate development	1,428,571	70.00	Equity method
China-Africa Lekkil Investment Co., Ltd. (Note 2)	Beijing	Beijing	Investment management	1,143,380	74.47	Equity method
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 3)	Hohhot, Inner Mongolia	Hohhot, Inner Mongolia	Railway construction and investment	3,000,000	51.00	Equity method
Chongqing Tieda Jianxin Highway Co., Ltd. (Note 4)	Chongqing	Chongqing	Construction, operation and management of highway project	809,220	24.00	Equity method
Associates						
Ningxia Intercity Railway Co., Ltd.	Yinchuan, Ningxia	Yinchuan, Ningxia	Investment and construction of railway project	100,000	30.00	Equity method
CRCC-Tongguan Investment Co., Ltd.	Tongling, Anhui	Tongling, Anhui	Mining investment	3,340,000	30.00	Equity method
CRCC Financial Leasing Co., Ltd. (Note 5)	Tianjin	Tianjin	Finance lease	2,400,000	50.00	Equity method
Chongqing Yurong Highway Co., Ltd.	Chongqing	Chongqing	Investment and construction of highway project	979,750	40.00	Equity method
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	Tianjin	Tianjin	Investment and management	15,001,000	40.00	Equity method
CRCC Real Estate Co., Ltd.	Beijing	Beijing	A land development	235,000	43.00	Equity method
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 6)	Kunming, Yunnan	Kunming, Yunnan	Investment and construction of railway project	100,000	9.40	Equity method
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 7)	Kunming, Yunnan	Kunming, Yunnan	Investment and construction of highway project	69,716	6.42	Equity method
Guizhou Wengma Railway Co., Ltd.	Fuquan, Guizhou	Fuquan, Guizhou	Investment and construction of railway project	500,000	22.00	Equity method
CRCC-Shandong Jinghu Highway Jile Co., Ltd. (Note 8)	Jinan, Shandong	Jinan, Shandong	Investment and construction of highway project	1,885,500	15.00	Equity method
Hunan Maglev Transportation Development Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Investment and construction of railway project	1,280,000	22.18	Equity method
Anhui Provincial Yuehuang Highway Co., Ltd.	Hefei, Anhui	Hefei, Anhui	Investment and construction of highway project	4,579,000	24.50	Equity method
China Oversea Infrastructure Development and Investment Co., Ltd. (Note 9)	Hong Kong	Hong Kong	Oversea infrastructure investment	–	19.23	Equity method

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

- Note 1:* According to the articles of association of China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd ("The 6th Continent"), all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 70.00% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.
- Note 2:* According to the articles of association of China-Africa Lekkil Investment Co., Ltd. ("China-Africa Lekkil"), the major decisions made in shareholders' meeting shall be subject to more than three-quarters of voting rights of shareholders. As the Group holds 74.47% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.
- Note 3:* According to the articles of association of Hohhot Metro Line 2 Construction & Management Co., Ltd. ("Hohhot Metro Line 2"), all the decisions made in the shareholders' meeting shall be subject to over 2/3 of voting rights of shareholders. As the Group holds 51.00% shares in Hohhot Metro Line 2, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.
- Note 4:* According to the articles of association of Chongqing Tiefa Jianxin Highway Co., Ltd. ("Tiefa Jianxin") all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 24.00% shares in Tiefa Jianxin, it can jointly control the entity with other shareholders but not control it. Therefore, it is accounted for a joint venture of the Group.
- Note 5:* According to the articles of association of CRCC Financial Leasing Co., Ltd. ("Financial Leasing Co., Ltd."), the decisions of amending the company's articles of association, increasing the registered capital, resolutions of the company merger, division, dissolution or changing the company form, scope of operations and selecting the directors shall be subject to more than two-thirds of voting rights of shareholders. Others shall be subject to more than half of voting rights of shareholders. As the Group holds 50% shares in Financial Leasing Co., Ltd., it can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.
- Note 6:* According to the articles of association of Kunming Metro Line 5 Construction & Operation Co., Ltd. ("Kunming Metro Line 5"), all decisions made in the broad of directors' meetings shall be subject to 100% consent of directors. Kunming Metro Line 5 has five directors, one of which can be designated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence. Therefore, it is accounted for an associate of the Group.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

Note 7: According to the articles of association of Yunnan Kunchu Highway Investment & Development Co., Ltd. ("Yunnan Kunchu"), the board of directors is its operation decision-making authority, and resolutions in the board of directors' meeting shall be subject to more than half of directors' consent. For decisions of amending the company's articles of association, increasing or decreasing the registered capital and significant resolutions associated with shareholders' benefits including merger, division, dissolution or changing the company form, 100% consent of voting rights of directors are required. Yunnan Kunchu has three directors, one of which can be designated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence. Therefore, it is accounted for an associate of the Group.

Note 8: According to the articles of association of CRCC-Shandong Jinghu Highway Jile Co., Ltd. ("Shandong Jile"), shareholders exercise voting power in the shareholders' meeting based on the actual proportion of capital contribution. Resolutions in the shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. The company's increasing or decreasing the registered capital, division, merger, dissolution or changing the company form, shall be subject to 100% of voting rights of shareholders. The Group holds 15% of Shandong Jile, and the share proportions of the other two parties are 50% and 35% respectively. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

Note 9: According to the articles of association of China Oversea Infrastructure Development and Investment Co., Ltd. ("COIDI"), the board of directors, as the operation decision-making authority of the Company, is entitled to make decisions on all matters except those made in the general shareholder meetings. All resolutions shall not be passed until they are agreed by members of board of directors with more than a half of voting rights. COIDI has four directors, one of which can be designated by the Group, so the Group can neither control nor jointly control the entity with other shareholders, but has significant influence over COIDI. Therefore, it is accounted for an associate of the Group.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in joint ventures and associates (Continued)

The Group has no significant joint ventures. The aggregate financial information of the individually insignificant joint ventures is as follows:

RMB'000

Item	31 December 2017	31 December 2016
Share of net losses of joint ventures attributable to the Group	(20,645)	(19,360)
Share of total comprehensive losses of joint ventures attributable to the Group	(20,645)	(19,360)
Carrying amount of investments in joint ventures attributable to the Group	7,652,042	2,577,905

The Group has no significant associates. The aggregate financial information of the individually insignificant associates is as follows:

RMB'000

Item	31 December 2017	31 December 2016
Share of net profits/(losses) of associates attributable to the Group	301,356	(9,952)
Share of other comprehensive income of associates attributable to the Group	(75,943)	144,834
Share of total comprehensive income of associates attributable to the Group	225,413	134,882
Carrying amount of investments in associates attributable to the Group	10,217,483	5,369,099

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

RMB'000

Item		31 December 2017	31 December 2016
Investments in unlisted companies – equity method			
Joint ventures	(1)	7,652,042	2,577,905
Associates	(2)	10,217,483	5,369,099
Less: Provision for impairment of long-term equity investments		–	10,578
Total		17,869,525	7,936,426

(1) Investment in joint ventures

31 December 2017:

RMB'000

Investee	Investment cost	1 January 2017	Transfer to/ Increase in investment	Decrease in investment	Changes for the year Investment profits or losses under equity method	Declaration of cash dividends	Other	31 December 2017	Provision for impairment at the end of year
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	–	1,688,159	–	341	–	–	1,688,500	–
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	1,031,087	–	1,031,087	–	(3,777)	–	–	1,027,310	–
Sichuan Tianfu Airport Expressway Co., Ltd.	1,000,000	1,000,000	–	–	–	–	–	1,000,000	–
China-Africa Lekkil Investment Co., Ltd.	851,410	857,223	–	–	10,906	–	–	868,129	–
Hohhot Metro Line 2 Construction & Management Co., Ltd.	520,000	–	520,000	–	–	–	–	520,000	–
Guangzhou Xintie Xinjian Investment Co., Ltd.	450,000	–	450,000	–	1,586	–	–	451,586	–
Xinxing Jianxin (Shenzhen) Development Holding Co., Ltd.	450,000	–	450,000	–	70	–	–	450,070	–
Chongqing Tiefa Jianxin Highway Co., Ltd.	288,000	48,000	240,000	–	–	–	–	288,000	–
Others	–	672,682	860,282	119,685	(29,771)	(14,323)	(10,738)	1,358,447	–
Total	–	2,577,905	5,239,528	119,685	(20,645)	(14,323)	(10,738)	7,652,042	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(1) Investment in joint ventures (Continued)

31 December 2016:

RMB'000

Investee	Investment cost	1 January 2016	Transfer to/ Increase in investment	Decrease in investment	Changes for the year Investment profits or losses under equity method	Declaration of cash dividends	31 December 2016	Provision for impairment at the end of year
Sichuan Tianfu Airport Expressway Co., Ltd.	1,000,000	-	1,000,000	-	-	-	1,000,000	-
China-Africa Lekkil Investment Co., Ltd.	851,410	858,504	-	-	208	(1,489)	857,223	-
Xuzhou Metro Line 2 Investment & Development Co., Ltd.	114,000	-	114,000	-	-	-	114,000	-
Alashanmeng Jianxin Bridge Construction Co., Ltd.	92,130	-	92,130	-	-	-	92,130	-
Others	-	242,883	291,751	-	(19,568)	(514)	514,552	10,578
Total	-	1,101,387	1,497,881	-	(19,360)	(2,003)	2,577,905	10,578

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Investment in associates

31 December 2017:

RMB'000

	Investment cost	1 January 2017	Changes for the year					31 December 2017
Investee			Transfer to/ Increase in investment	Decrease in investment	Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends	Others
Ningxia Intercity Railway Co., Ltd.	1,860,000	930,000	930,000	-	-	-	-	1,860,000
CRCC-Tongguan Investment Co., Ltd.	1,472,366	971,994	511,342	-	39,203	(75,943)	-	1,446,596
CRCC Financial Leasing Co., Ltd.	1,200,000	1,127,224	-	-	154,378	-	-	(214,430) 1,067,172
Chongqing Yurong Highway Co., Ltd.	853,960	587,654	-	-	(16,863)	-	-	570,791
Tianjin Tiejian Hongtu Fengchuang Investment Partnership(Limited Partnership)	451,887	-	451,887	-	-	-	-	451,887
CRCC Real Estate Co., Ltd.	298,900	373,313	-	-	92,440	-	(24,751)	441,002
Kunming Metro Line 5 Construction & Operation Co., Ltd.	309,400	-	309,400	-	-	-	-	309,400
Yunnan Kunchu Highway Investment & Development Co., Ltd.	300,000	-	300,000	-	-	-	-	300,000
Guizhou Wengma Railway Co.,Ltd.	274,000	110,000	164,000	-	-	-	-	274,000
CRCC-Shandong Jinghu Highway Jile Co., Ltd.	271,479	-	271,479	-	(2,587)	-	-	268,892
Hunan Maglev Transportation Development Co., Ltd.	280,000	258,332	-	-	(46,708)	-	-	211,624
Anhui Provincial Yuehuang Highway Co., Ltd.	224,000	-	224,000	-	-	-	-	224,000
China Oversea Infrastructure Development and Investment Co.,Ltd.	206,883	-	206,883	-	-	-	-	206,883
Others	-	1,010,582	1,568,961	34,414	81,493	-	(34,037)	(7,349) 2,585,236
Total	-	5,369,099	4,937,952	34,414	301,356	(75,943)	(58,788)	(221,779) 10,217,483

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) Investment in associates (Continued)

31 December 2016:

RMB'000

Investee	Investment cost	1 January 2016	Transfer to/ Increase in investment	Decrease in investment	Changes for the year Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends	31 December 2016
Chongqing Yurong Highway Co., Ltd.	853,960	718,514	-	-	(130,860)	-	-	587,654
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.	100,000	100,000	-	-	-	-	-	100,000
Chongqing Monorail Transit Engineering Co., Ltd.	37,642	64,143	-	-	9,059	-	-	73,202
CRCC-Tongguan Investment Co., Ltd.	720,000	678,608	172,133	-	(23,581)	144,834	-	971,994
Inner Mongolia BERUN New Energy Co., Ltd.	60,000	59,487	-	-	(257)	-	-	59,230
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	41,830	151,830	-	33,006	(164)	-	-	118,660
Hunan Maglev Transportation Development Co., Ltd.	280,000	280,000	-	-	(21,668)	-	-	258,332
CRCC Real Estate Co., Ltd.	298,900	319,985	-	-	78,214	-	(24,886)	373,313
Guizhou Wengma Railway Co., Ltd.	110,000	110,000	-	-	-	-	-	110,000
CRCC Financial Leasing Co., Ltd.	1,200,000	-	1,107,053	-	20,171	-	-	1,127,224
Ningxia Intercity Railway Co., Ltd.	930,000	-	930,000	-	-	-	-	930,000
Taiyuan Jinyuan East District Utility Tunnel Construction Management Co., Ltd.	51,792	-	51,792	-	-	-	-	51,792
Others	-	584,420	45,855	-	59,134	-	(81,711)	607,698
Total	-	3,066,987	2,306,833	33,006	(9,952)	144,834	(106,597)	5,369,099

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties

Subsequent measurement under cost method:

2017:

RMB '000

	Buildings	Total
I. Original costs		
1 January 2017	3,626,122	3,626,122
Additions	38,931	38,931
Transferred in	527,502	527,502
Disposal or retirement	4,063	4,063
31 December 2017	4,188,492	4,188,492
II. Accumulated depreciation and amortization		
1 January 2017	286,073	286,073
Provision	120,684	120,684
Transferred in	90,722	90,722
Disposal or retirement	1,477	1,477
31 December 2017	496,002	496,002
III. Provision for impairment		
1 January 2017	—	—
Provision	45,745	45,745
31 December 2017	45,745	45,745
IV. Net book value		
Closing balance	3,646,745	3,646,745
Opening balance	3,340,049	3,340,049

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties (Continued)

2016:

RMB '000

	Buildings	Total
I. Original costs		
1 January 2016	—	—
Additions	242,882	242,882
Transferred from inventories	1,977,435	1,977,435
Transferred from fixed assets	1,411,876	1,411,876
Disposal or retirement	6,071	6,071
31 December 2016	3,626,122	3,626,122
II. Accumulated depreciation and amortization		
1 January 2016	—	—
Provision	84,311	84,311
Transferred from fixed assets	203,141	203,141
Disposal or retirement	1,379	1,379
31 December 2016	286,073	286,073
III. Net book value		
Closing balance	3,340,049	3,340,049
Opening balance	—	—

As at 31 December 2017, the Group had no investment properties whose title rights certificates had not been obtained. (31 December 2016: RMB151,005,000).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

2017:

RMB '000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
I. Original costs					
1 January 2017	16,479,665	41,813,988	14,214,664	33,428,897	105,937,214
Additions	1,137,881	3,559,651	1,179,368	7,850,880	13,727,780
Transferred from construction in progress	1,721,809	1,687,847	19,155	289,156	3,717,967
Disposal or retirement	381,629	3,092,144	993,544	3,977,099	8,444,416
Transferred out	219,987	—	—	—	219,987
31 December 2017	18,737,739	43,969,342	14,419,643	37,591,834	114,718,558
II. Accumulated depreciation					
1 January 2017	3,772,765	23,958,492	11,428,653	23,815,293	62,975,203
Provision	589,820	3,656,858	1,084,745	6,356,280	11,687,703
Disposal or retirement	144,551	1,814,971	823,532	3,469,774	6,252,828
Transferred out	72,047	—	—	—	72,047
31 December 2017	4,145,987	25,800,379	11,689,866	26,701,799	68,338,031
III. Provision for impairment					
1 January 2017	218,507	346,082	88,306	157,557	810,452
Disposal or retirement	19,462	274,296	87,382	30,635	411,775
31 December 2017	199,045	71,786	924	126,922	398,677
IV. Net book value					
Closing balance	14,392,707	18,097,177	2,728,853	10,763,113	45,981,850
Opening balance	12,488,393	17,509,414	2,697,705	9,456,047	42,151,559

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

2016:

RMB '000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
I. Original costs					
1 January 2016	15,810,543	40,317,795	14,466,331	30,402,659	100,997,328
Additions	597,006	3,960,270	1,080,189	6,685,456	12,322,921
Transferred from construction in progress	1,760,870	382,587	33,129	180,504	2,357,090
Transferred out	1,411,876	–	–	–	1,411,876
Disposal or retirement	276,878	2,846,664	1,364,985	3,839,722	8,328,249
31 December 2016	16,479,665	41,813,988	14,214,664	33,428,897	105,937,214
II. Accumulated depreciation					
1 January 2016	3,635,055	22,620,213	11,342,736	20,786,253	58,384,257
Provision	471,894	3,420,667	1,313,242	6,520,388	11,726,191
Transferred out	203,141	–	–	–	203,141
Disposal or retirement	131,043	2,082,388	1,227,325	3,491,348	6,932,104
31 December 2016	3,772,765	23,958,492	11,428,653	23,815,293	62,975,203
III. Provision for impairment					
1 January 2016	216,672	329,591	88,301	157,827	792,391
Provision	–	19,642	370	–	20,012
Disposal or retirement	4,950	3,151	365	270	8,736
Others	6,785	–	–	–	6,785
31 December 2016	218,507	346,082	88,306	157,557	810,452
IV. Net book value					
Closing balance	12,488,393	17,509,414	2,697,705	9,456,047	42,151,559
Opening balance	11,958,816	17,367,991	3,035,294	9,458,579	41,820,680

Please refer to Note V.61 for the Group's fixed assets with title restriction.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

As at 31 December 2017, the amount of interest expenses capitalized in the balance of fixed assets was RMB24,676,000 (31 December 2016: RMB14,097,000). For the year ended 31 December 2017, the amount of interest expenses capitalized which is transferred from construction in progress has been RMB10,579,000 (2016: Nil).

As at 31 December 2017, the Group had no significant fixed assets that were temporarily in idle. (31 December 2016: Nil)

Fixed assets held under finance lease are as follows:

Item	RMB '000	
	31 December 2017	31 December 2016
Original costs	3,999,860	5,051,069
Accumulated depreciation	1,431,876	2,351,574
Net book value	2,567,984	2,699,495

As at 31 December 2017 and 31 December 2016, the Group's fixed assets held under finance leases were all construction machinery.

As at 31 December 2017, the Group was in the process of applying for and handling registration or transfer of the title certificates of certain buildings with an aggregate carrying amount of RMB1,903,119,000 (31 December 2016: RMB1,108,888,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any adverse significant impact on the Group's financial position as at 31 December 2017.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

As at 31 December 2017, fixed assets whose title rights certificates had not been obtained are listed as follows:

RMB '000

Buildings	Carrying amount	Reasons
Office building of International City, China Railway 14 th Bureau Group Co., Ltd.	605,122	In progress
Headquarters Building of China Railway Siyuan Survey and Design Group Co., Ltd.	439,490	In progress
Integrated Office Building of China Railway 20 th Bureau Group Co., Ltd.	351,518	In progress
Others	506,989	In progress
Total	1,903,119	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

RMB '000

Item	Gross carrying amount	31 December 2017 Provision for impairment	Carrying amount	Gross carrying amount	31 December 2016 Provision for impairment	Carrying amount
TBM(Tunnel Boring Machine) (S1050, S1051) Renovation Project of China Railway 14 th Bureau Group Co., Ltd.	205,277	–	205,277	–	–	–
Self-propelled TBM (ZTE6250) Project of CRCC International Group Co.,Ltd	204,778	–	204,778	–	–	–
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	176,085	–	176,085	94,237	–	94,237
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	145,981	–	145,981	–	–	–
Winter Olympics Utility Tunnel TBM Project of China Railway 18 th Bureau Group Tunnel Co., Ltd.	135,856	–	135,856	–	–	–
Office Building of China Railway 20 th Bureau Group Limited Supplies Shaanxi	123,781	–	123,781	112,294	–	112,294
Western Engineering Material Technology Base of China Railway 21 st Bureau Group Co., Ltd.	123,220	–	123,220	56,273	–	56,273
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group	114,783	–	114,783	–	–	–
High-tech Underground Equipment Manufacture Project of China Railway Construction Heavy Industry Co.,Ltd	110,172	–	110,172	17,374	–	17,374
Hangzhou Wangjiang Road Cross-river Tunnel Project of China Railway 14 th Bureau Group TBM Engineering Co., Ltd.	117,902	–	117,902	–	–	–
Others	2,429,591	23,848	2,405,743	2,827,101	23,848	2,803,253
Total	3,887,426	23,848	3,863,578	3,107,279	23,848	3,083,431

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2017:

RMB '000

Item	Budget	1 January 2017	Additions	Transfer out	Disposals	Exchange differences on translation of foreign operation	31 December 2017	Source of funds	Proportion of investment to budget %
TBM(Tunnel Boring Machine) (S1050, S1051) Renovation Project of China Railway 14th Bureau Group Co., Ltd.	213,071	–	205,277	–	–	–	205,277	Self-funding	96
Self-propelled TBM (ZTE6250) Project of CRCC International Group Co.,Ltd	227,531	–	204,778	–	–	–	204,778	Self-funding	90
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	200,000	94,237	81,848	–	–	–	176,085	Self-funding	88
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	225,380	–	145,981	–	–	–	145,981	Self-funding	65
Winter Olympics Utility Tunnel TBM Project of China Railway 18th Bureau Group Tunnel Co., Ltd.	170,856	–	135,856	–	–	–	135,856	Self-funding	80
Office Building of China Railway 20th Bureau Group Limited Supplies Shaanxi	135,554	112,294	11,487	–	–	–	123,781	Self-funding	91

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2017:

Item	Budget	1 January 2017	Additions	Transfer out	Disposals	Exchange differences on translation of foreign operation	31 December 2017	Source of funds	Proportion of investment to budget %
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	167,371	56,273	66,947	-	-	-	123,220	Self-funding	74
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group	269,500	-	114,783	-	-	-	114,783	Self-funding	43
High-tech Underground Equipment Manufacture Project of China Railway Construction Heavy Industry Co., Ltd.	720,000	17,374	306,374	213,576	-	-	110,172	Self-funding	45
Hangzhou Wangjiang Road Cross-river Tunnel Project of China Railway 14th Bureau Group TBM Engineering Co., Ltd.	122,100	-	117,902	-	-	-	117,902	Self-funding	97
Others	-	2,827,101	3,439,881	3,639,408	187,373	(10,610)	2,429,591	Self-funding and loan	-
Total	-	3,107,279	4,831,114	3,852,984	187,373	(10,610)	3,887,426	-	-
Less: Provision for impairment	-	23,848	-	-	-	-	23,848	-	-
Net value at the end of the year	-	3,083,431	4,831,114	3,852,984	187,373	(10,610)	3,863,578	-	-

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2016:

RMB '000

Item	Budget	1 January 2016	Additions	Transfer out	Disposals	31 December 2016	Source of funds	Proportion of investment to budget %
Research & Development Building of China Railway Fifth Survey and Design Institute Group Co., Ltd.	558,879	136,350	178,568	–	–	314,918	Self-funding	56
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	500,000	301,213	55,991	61,962	–	295,242	Self-funding and loan	71
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd.	750,000	199,624	9,671	–	–	209,295	Loan	77
Jingji Binhe Times Building of China Railway Southern Investment Group Co., Ltd.	200,000	–	182,783	–	–	182,783	Self-funding	91
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	480,000	128,381	21,748	–	–	150,129	Self-funding and loan	31
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	170,000	41,094	80,809	–	–	121,903	Self-funding and loan	72
Office Building of China Railway 20th Bureau Group Shaanxi Co., Ltd.	130,000	48,756	63,538	–	–	112,294	Self-funding	86
Office Building of Hangzhou Branch of China Railway Siyuan Survey and Design Group, Ltd.	241,000	160,080	53,414	112,696	–	100,798	Self-funding	89
Integrated Service Building Project of China Railway Construction Electrification Bureau Group Co., Ltd.	200,000	93,010	1,227	–	–	94,237	Self-funding	47
Decoration of Wantong of China Railway Construction Real Estate Group Co., Ltd.	142,500	97	80,906	–	–	81,003	Self-funding	57
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	167,371	–	56,273	–	–	56,273	Self-funding	34
Others	–	2,098,659	1,885,185	2,420,190	175,250	1,388,404	Self-funding and loan	–
Total	–	3,207,264	2,670,113	2,594,848	175,250	3,107,279	–	–
Less: Provision for impairment	–	23,848	–	–	–	23,848	–	–
Net value at the end of the year	–	3,183,416	2,670,113	2,594,848	175,250	3,083,431	–	–

For the year ended 31 December 2017, construction in progress with a carrying amount of RMB3,717,967,000 (2016: RMB2,357,090,000), RMB12,323,000 (2016: RMB237,758,000) and RMB122,694,000 (2016: Nil) are transferred to fixed assets, intangible assets and investment properties respectively.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

The amounts of interest expenses capitalized in the balance of construction in progress and the capitalization rates are listed as follows:

2017:

RMB '000

Item	Progress as at 31 December 2017 (%)	Accumulated amount of interest capitalized as at 31 December 2017	Interest capitalized during the year	Capitalisation rate during the year (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	24	3,799	3,161	4.37
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	82	7,730	2,850	4.78
North Blue Ocean Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	14	2,186	1,117	3.93
Others	—	331	331	—
Total	—	14,046	7,459	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2016:

RMB '000

Item	Progress as at 31 December 2016 (%)	Accumulated amount of interest capitalized as at 31 December 2016	Interest capitalized during the year	Capitalisation rate during the year (%)
Jian'an International Apartment of China Railway 18th Bureau Group Co., Ltd.	31	8,684	2,132	4.35
Special Large Truck of Excavator and Mines of China Railway 19th Bureau Group Co., Ltd.	77	17,168	5,213	6.80
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	72	4,880	3,159	3.97
Shipping Vehicle of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	71	10,579	—	—
Others	—	6,682	2,680	—
Total	—	47,993	13,184	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets

2017:

RMB '000

Item	Land use rights	Concession assets	Mining rights	Others	Total
I. Original costs					
1 January 2017	6,634,559	41,151,058	172,511	424,105	48,382,233
Additions	556,222	12,169,873	—	476,889	13,202,984
Transferred from construction in progress	5,104	—	—	7,219	12,323
Disposal or retirement	35,051	—	—	7,678	42,729
Disposal of subsidiaries	—	17,995,500	—	—	17,995,500
Other decrease	62,232	290,337	—	—	352,569
31 December 2017	7,098,602	35,035,094	172,511	900,535	43,206,742
II. Accumulated amortization					
1 January 2017	1,080,616	1,361,960	24,604	191,662	2,658,842
Provision	153,209	380,117	—	78,025	611,351
Disposal or retirement	11,456	—	—	3,627	15,083
Disposal of subsidiaries	—	229,414	—	—	229,414
Transferred out	18,675	—	—	—	18,675
31 December 2017	1,203,694	1,512,663	24,604	266,060	3,007,021
III. Provision for impairment					
1 January 2017	42,979	—	878	—	43,857
31 December 2017	42,979	—	878	—	43,857
IV. Net book value					
Closing balance	5,851,929	33,522,431	147,029	634,475	40,155,864
Opening balance	5,510,964	39,789,098	147,029	232,443	45,679,534

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

2016:

RMB '000

Item	Land use rights	Concession assets	Mining rights	Others	Total
I. Original costs					
1 January 2016	6,082,615	31,667,838	172,511	310,683	38,233,647
Additions	401,147	11,556,851	–	147,256	12,105,254
Transferred from construction in progress	235,437	–	–	2,321	237,758
Disposal or retirement	84,640	2,073,631	–	36,155	2,194,426
31 December 2016	6,634,559	41,151,058	172,511	424,105	48,382,233
II. Accumulated amortization					
1 January 2016	932,101	1,210,905	23,931	158,581	2,325,518
Provision	175,942	151,055	673	61,332	389,002
Disposal or retirement	27,427	–	–	28,251	55,678
31 December 2016	1,080,616	1,361,960	24,604	191,662	2,658,842
III. Provision for impairment					
1 January 2016	42,979	–	–	–	42,979
Provision	–	–	878	–	878
31 December 2016	42,979	–	878	–	43,857
IV. Net book value					
Closing balance	5,510,964	39,789,098	147,029	232,443	45,679,534
Opening balance	5,107,535	30,456,933	148,580	152,102	35,865,150

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

As at 31 December 2017, there were no intangible assets recognised through internal research and development (31 December 2016: Nil).

Refer to Note V.61 for the Group's intangible assets with title restriction.

As at 31 December 2017, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB136,748,000 (31 December 2016: RMB134,546,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant adverse impact on the Group's financial position as at 31 December 2017.

As at 31 December 2017, intangible assets whose title rights certificates had not been obtained are listed as follows:

RMB '000

Land	Carrying amount	Reasons
Xinjiang High-Tec Equipment Manufacture Base of China Railway Construction Heavy Industry Co., Ltd.	47,985	In progress
Yanliang New Production Base of China Railway 20th Bureau Group Co., Ltd.	43,057	In progress
Doumen Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	14,538	In progress
Others	31,168	In progress
Total	136,748	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

2017:

The amounts of interest capitalized in the balance of intangible assets and the capitalization rates are listed as follows:

RMB '000

Item	Progress as at 31 December 2017 (%)	Accumulated amount of interest capitalised as at 31 December 2017	Interest capitalized during the year	Capitalisation rate during the year (%)
Sichuan JianPu Highway Project concession rights	99	1,151,795	451,010	4.88
Guangxi Ziyuan(meixi) to Xing'an Highway BOT project concession rights	99	546,609	244,222	4.10
Yusui Highway Project concession rights	100	192,971	—	—
Guizhou Anshun to Ziyun Highway Project concession rights	99	151,063	95,683	4.13
Sichuan Dejian Highway Project concession rights	26	70,990	67,539	4.38
Jiyang Yellow River Bridge concession rights	100	23,564	—	—
Beijing Xingyan Highway Project concession rights	52	2,586	1,648	4.15
Sichuan Dedu Highway Project concession rights	8	1,703	950	4.75
Total	—	2,141,281	861,052	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

2016:

RMB '000

Item	Progress as at 31 December 2016 (%)	Accumulated amount of interest capitalised as at 31 December 2016	Interest capitalized during the year	Capitalisation rate during the year (%)
Sichuan JianPu Highway Project concession rights	73	700,785	330,143	4.87
Ji'nan to Leling Highway Project concession rights	100	424,801	—	—
Guangxi Ziyuan(meixi) to Xing'an Highway BOT project concession rights	63	302,387	174,296	4.85
Shandong Jiyu Highway Project concession rights	86	244,464	123,780	4.96
Deshang Highway Project Xiajing to Liucheng concession rights	91	203,297	59,765	5.60
Yusui Highway Project concession rights	100	192,971	—	—
Chongqing Xiushan to Guizhou Songtao Highway Project concession rights	100	78,914	41,306	5.50
Guizhou Anshun to Ziyun Highway Project concession rights	62	55,380	38,133	5.16
Jiyang Yellow River Bridge concession rights	100	23,564	—	—
Sichuan Dejian Highway Project concession rights	9	3,451	3,451	5.01
Beijing Xingyan Highway Project concession rights	33	938	938	4.70
Others	—	753	753	—
Total	—	2,231,705	772,565	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

2017:

RMB '000

Item	1 January 2017	Increase	Decrease	31 December 2017
Acquisition of Hangsheng Company (<i>Note 1</i>)	100,135	—	—	100,135
Acquisition of CIDEON Company (<i>Note 2</i>)	91,369	—	—	91,369
Others	3,158	5,855	11	9,002
Total	194,662	5,855	11	200,506

2016:

RMB '000

Item	1 January 2016	Increase	Decrease	31 December 2016
Acquisition of Hangsheng Company (<i>Note 1</i>)	100,135	—	—	100,135
Acquisition of CIDEON Company (<i>Note 2</i>)	—	91,369	—	91,369
Others	3,158	—	—	3,158
Total	103,293	91,369	—	194,662

Note 1: The goodwill of RMB100,135,000 was acquired in the business combination involving entities not under common control of Guangdong Hangsheng Group Construction Co., Ltd. ("Hangsheng Company") in 2012.

Note 2: On 29 February 2016, the Group purchased CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG(collectively referred to as "CIDEON Company"), which is a business combination involving entities not under common control and resulted in the increase in goodwill by RMB91,369,000.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/liabilities

RMB '000

Item	31 December 2017		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for long-term post-leaving benefits	925,357	177,487	1,411,035	292,620
Provision for impairment of assets	4,881,914	1,054,904	2,104,496	490,724
Deductible tax losses	724,947	150,274	460,176	102,941
Revaluation surplus from restructuring	1,596,623	391,810	1,768,988	427,114
Convertible bonds	—	—	314,662	78,665
Unrealized profits of intra-group transactions	3,124,765	747,985	3,123,502	780,875
Others	4,307,676	1,058,409	2,573,558	638,458
Total	15,561,282	3,580,869	11,756,417	2,811,397
Item	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Changes in fair value of available-for-sale financial assets	1,075,330	192,013	1,124,299	250,317
Convertible bonds	118,317	29,579	—	—
Others	299,155	71,674	104,698	26,174
Total	1,492,802	293,266	1,228,997	276,491

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/liabilities (Continued)

Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

RMB '000

Item	Offset amount between deferred tax assets and liabilities at the end of the year	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the year	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	3,835	3,577,034	–	2,811,397
Deferred tax liabilities	3,835	289,431	–	276,491

Deductible temporary differences and deductible tax losses for which deferred tax assets are not recognised are listed as follows:

RMB '000

Item	31 December 2017	31 December 2016
Deductible temporary differences	7,834,065	5,517,693
Deductible tax losses	6,920,459	4,669,178
Total	14,754,524	10,186,871

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/liabilities (Continued)

Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:

RMB '000

Year	31 December 2017	31 December 2016
2017	—	71,304
2018	94,604	97,310
2019	292,615	470,334
2020	1,430,156	1,441,173
2021	1,196,914	2,589,057
2022	3,906,170	—
Total	6,920,459	4,669,178

20. Other non-current assets

RMB '000

Item	31 December 2017	31 December 2016
Prepayment for investment	443,570	500,000
Prepayment for land	19,152	19,152
Prepayment for long-term assets	1,543,087	1,514,010
Others	638,518	272,795
Total	2,644,327	2,305,957

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Short-term loans

		RMB '000	
Item		31 December 2017	31 December 2016
Pledged loans	Note 1	—	901,810
Mortgaged loans	Note 2	—	5,000
Guaranteed loans	Note 3	2,602,701	4,299,236
Credit loans		26,896,397	25,222,476
Total		29,499,098	30,428,522

Note 1: As at 31 December 2017, the Group had no short-term loans secured by the pledge of the Group's accounts receivable. (As at 31 December 2016, the Group's short-term loans with a carrying amount of RMB901,810,000 were secured by the pledge of the Group's accounts receivable with a carrying amount of RMB901,810,000)

Note 2: As at 31 December 2017, the Group had no short-term loans (31 December 2016: RMB5,000,000) secured by the mortgages of the Group's buildings (31 December 2016: RMB1,560,000).

Note 3: As at 31 December 2017, all guaranteed loans were guaranteed by the entities comprising the Group. (31 December 2016: all guaranteed loans were guaranteed by the entities comprising the Group)

As at 31 December 2017, annual interest rates of above short-term loans ranged from 1.04% to 6.00% (31 December 2016: 1.99% to 6.00%).

As at 31 December 2017, the Group had no overdue short-term loans (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Due to customers

RMB '000

Item	31 December 2017	31 December 2016
Due to customers	804,834	1,480,764

23. Bills payable

RMB '000

Item	31 December 2017	31 December 2016
Commercial acceptance bills	2,604,928	2,499,264
Bank acceptance bills	38,806,376	26,012,225
Total	41,411,304	28,511,489

As at 31 December 2017, the Group had no unpaid overdue bills payable (31 December 2016: Nil).

24. Accounts payable

RMB '000

Item	31 December 2017	31 December 2016
Within 1 year	273,543,533	255,418,769
1 to 2 years	6,450,391	4,215,331
2 to 3 years	1,299,220	1,291,274
Over 3 years	787,061	540,611
Total	282,080,205	261,465,985

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Accounts payable (Continued)

As at 31 December 2017, significant accounts payable aged over one year are listed as follows:

RMB '000

Company name	Relationship with the Group	31 December 2017	Reason for payables not being settled
Company 1	Third party	63,931	Within terms of payment
Company 2	Third party	45,307	Within terms of payment
Company 3	Third party	43,466	Within terms of payment
Company 4	Third party	42,488	Within terms of payment
Company 5	Third party	39,326	Within terms of payment
Total	—	234,518	—

25. Advances from customers

RMB '000

Item	31 December 2017	31 December 2016
Advances for construction contracts	35,268,681	34,738,741
Advances for the sale of properties (Note)	30,358,635	29,598,729
Gross amount due to contract customers (Note V.7(3))	13,264,789	17,238,952
Advances for the sale of materials	5,440,188	5,051,470
Advances for the sale of goods	106,915	168,902
Others	1,243,357	1,534,714
Total	85,682,565	88,331,508

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Advances from customers (Continued)

Note: Details of advances for the sale of properties are listed as follows:

RMB '000

Property	31 December 2017	31 December 2016	Percentage of accumulated pre-sales as at 31 December 2017 (%)	Estimated completion date
Chengdu CRCC Wu Hou Tie Fo Project	3,088,376	371,327	60	December 2018
Taiyuan Zijun Project	2,678,418	1,346,030	87	June 2018
Chengdu Beihu Xinqu Project	1,618,743	905,250	68	June 2019
Xi'an CRCC International City II Project	1,451,976	18,924	98	August 2018
Xi'an CRCC International City III Project	1,312,428	374,740	71	September 2018
Hefei International Gongguan Project	1,294,365	866,185	96	October 2018
Chengdu Crown Lake I Project	1,161,943	–	83	December 2018
Hefei Qingxiucheng Project	1,116,150	751,770	40	November 2018
Xi'an Xipai International Project	982,699	160,341	45	December 2018
CRCC Kaiyuan Community Project	878,708	–	33	June 2019
CRCC Lingxiucheng Project	837,542	517,746	97	August 2018
CRCC Xipai City Project	797,321	–	5	November 2019
CRCC Southern Headquarter Base Project	779,301	–	20	December 2018
Changsha Meixi Lake Project	752,594	727,067	57	December 2018
Guian Shanyu City Project	707,412	212,036	24	October 2018
Hainan CRCC Longmuwan No.1 Project	697,835	–	60	December 2019
CRCC Yunjing Shanyu City Project	663,911	–	50	December 2018
Xi'an Xipai International Project	594,768	–	37	December 2019
CRCC Shanshui Yicheng Project	488,733	551,107	75	May 2018
CRCC Laizhou International City Project	458,959	163,950	92	May 2018
CRCC International City III Project Group A	377,180	364,131	98	January 2018
CRCC Yanghuyuan Project	372,406	69,598	67	February 2018
Hetang Xingcheng Project	308,559	103,654	90	September 2018
CRCC Qingxiucheng Project	300,963	–	78	September 2018
Jiangnan International City Project	299,534	3,354,588	96	July 2017
Jiangwan Shanyu City II Project	296,494	413,133	93	February 2018
CRCC Park 3326 Project	292,308	93,386	100	May 2020
CRCC Yangchun Hupan Project	291,153	762,309	30	December 2019
CRCC Yanshan International City Project	283,826	83,316	96	December 2018
Changsha Shanyu City Project	281,136	317,605	88	May 2019
Others	4,892,894	17,070,536	–	–
Total	30,358,635	29,598,729	–	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Advances from customers (Continued)

As at the balance sheet date, significant advances from customers aged over one year are listed as follows:

RMB '000

Company name	Relationship with the Group	31 December 2017	Reasons
Company 1	Third party	208,887	Work performed but not billed
Company 2	Third party	191,413	Work performed but not billed
Company 3	Third party	183,774	Work performed but not billed
Company 4	Third party	167,731	Work performed but not billed
Company 5	Third party	145,784	Work performed but not billed
Total	—	897,589	—

26. Employee benefits payable

2017:

RMB '000

Item	1 January 2017	Accrued	Paid	31 December 2017
Short-term benefits	7,549,343	47,754,014	46,601,417	8,701,940
Post-employment benefits (defined contribution plans)	1,519,996	5,354,722	5,417,152	1,457,566
Total	9,069,339	53,108,736	52,018,569	10,159,506

2016:

RMB '000

Item	1 January 2016	Accrued	Paid	31 December 2016
Short-term benefits	7,113,779	40,632,386	40,196,822	7,549,343
Post-employment benefits (defined contribution plans)	1,482,489	4,690,012	4,652,505	1,519,996
Total	8,596,268	45,322,398	44,849,327	9,069,339

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable (Continued)

Short-term benefits:

2017:

RMB '000

Item	1 January 2017	Accrued	Paid	31 December 2017
Salaries, bonuses, allowances and subsidies	4,955,532	35,928,312	34,712,145	6,171,699
Staff welfare	—	2,436,245	2,436,245	—
Social insurance	1,093,588	2,686,577	2,725,519	1,054,646
Including: Medical insurance	942,102	2,328,055	2,351,027	919,130
Work injury insurance	101,972	219,922	233,374	88,520
Maternity insurance	49,514	138,600	141,118	46,996
Housing funds	712,985	2,469,982	2,502,207	680,760
Union fund and employee education fund	499,430	894,308	869,883	523,855
Other	287,808	3,338,590	3,355,418	270,980
Total	7,549,343	47,754,014	46,601,417	8,701,940

2016:

RMB '000

Item	1 January 2016	Accrued	Paid	31 December 2016
Salaries, bonuses, allowances and subsidies	4,543,854	31,693,852	31,282,174	4,955,532
Staff welfare	—	1,928,165	1,928,165	—
Social insurance	1,014,436	2,460,641	2,381,489	1,093,588
Including: Medical insurance	871,189	2,144,897	2,073,984	942,102
Work injury insurance	91,851	195,049	184,928	101,972
Maternity insurance	51,396	120,695	122,577	49,514
Housing funds	717,822	2,150,122	2,154,959	712,985
Union fund and employee education fund	458,927	799,175	758,672	499,430
Others	378,740	1,600,431	1,691,363	287,808
Total	7,113,779	40,632,386	40,196,822	7,549,343

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable (Continued)

Defined contribution plan:

2017:

RMB '000

Item	1 January 2017	Accrued	Paid	31 December 2017
Basic pension insurance	1,122,981	4,452,624	4,471,898	1,103,707
Unemployment insurance	118,066	158,957	177,694	99,329
Supplementary pension insurance	278,949	743,141	767,560	254,530
Total	1,519,996	5,354,722	5,417,152	1,457,566

2016:

RMB '000

Item	1 January 2016	Accrued	Paid	31 December 2016
Basic pension insurance	1,112,025	4,017,457	4,006,501	1,122,981
Unemployment insurance	111,301	191,337	184,572	118,066
Supplementary pension insurance	259,163	481,218	461,432	278,949
Total	1,482,489	4,690,012	4,652,505	1,519,996

Defined contribution plan include basic pension insurance and unemployment insurance managed by local governments and the Group's supplementary pension insurance. In addition to the monthly payment, the Group is no longer liable for further payment. Relevant expenditures are capitalised or expensed in the period when incurred.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Taxes payable

RMB '000

Item	31 December 2017	31 December 2016
VAT	1,637,674	2,161,264
EIT	2,146,938	2,357,370
Others	2,179,771	1,059,146
Total	5,964,383	5,577,780

28. Other payables

RMB '000

Item	31 December 2017	31 December 2016
Guarantees and deposits	15,251,580	15,851,967
Payables for advances	11,543,372	12,153,116
Others	21,761,725	20,866,701
Total	48,556,677	48,871,784

As at 31 December 2017, significant other payables aged over one year are listed as follows:

RMB '000

Company name	Relationship with the Group	31 December 2017	Reasons
Company 1	Third party	640,570	Unpaid accrued tax expense
Company 2	Third party	176,500	Demolition not settled
Company 3	Third party	40,000	Deposit not due
Company 4	Third party	32,000	Payables not settled
Company 5	Third party	30,000	Payables not settled
Total	—	919,070	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Current portion of non-current liabilities

RMB '000

Item	31 December 2017	31 December 2016
Current portion of long-term loans (<i>Note V.31</i>)	18,404,223	7,458,948
Current portion of bonds payable	9,987,111	3,020,000
Current portion of long-term payables (<i>Note V.33</i>)	1,488,850	1,651,004
Current portion of post-employment benefits payable (<i>Note V.34</i>)	321,289	442,028
Total	30,201,473	12,571,980

The current portion of long-term loans is presented as follows:

RMB '000

Item	31 December 2017	31 December 2016
Pledged loans (<i>Note V.31 (Note 2, Note 4)</i>)	170,000	270,250
Mortgaged loans (<i>Note V.31 (Note 1, Note 3)</i>)	2,787,940	1,836,000
Guaranteed loans (<i>Note V.31 (Note 5)</i>)	1,206,000	637,792
Credit loans	14,240,283	4,714,906
Total	18,404,223	7,458,948

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Current portion of non-current liabilities (Continued)

As at 31 December 2017, the current portion of bonds payable are listed as follows:

RMB '000

Bond name	Par value	Issue date	Maturity	Amount issued	Annual interest rate	1 January 2017	Interest accrued in the year	Discount or premium amortization	Principal and interest paid in the year	31 December 2017
China Railway Construction Corporation Limited. – 2011 first issue of medium-term note	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,474,690	471,000	12,444	471,000	7,487,134
China Railway 20th Bureau Group Co., Ltd. – 2015 first issue of private placement note	700,000	13 March 2015	3 years	700,000	6.50%	700,000	43,400	–	43,400	700,000
China Railway 23rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 February 2015	3 years	100,000	6.30%	99,659	6,283	330	6,300	99,989
China Railway 23rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 February 2015	3 years	100,000	6.30%	99,658	6,283	330	6,300	99,988
China Railway 25th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 January 2015	3 years	400,000	6.50%	400,000	26,000	–	26,000	400,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	48,500	–	48,500	1,000,000
Chongqing Tiesha Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 February 2015	3 years	200,000	6.00%	200,000	12,167	–	12,167	200,000
China Railway 14th Bureau Group Co., Ltd. – 2012 first issue of private placement note	400,000	27 August 2012	5 years	400,000	6.70%	400,000	16,899	–	416,899	–
China Railway 15th Bureau Group Co., Ltd. – 2014 first issue of private placement note	300,000	4 September 2014	3 years	300,000	6.80%	300,000	13,749	–	313,749	–
China Railway 17th Bureau Group Co., Ltd. – 2014 first issue of private placement note	500,000	25 June 2014	3 years	500,000	7.30%	500,000	16,315	–	516,315	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Current portion of non-current liabilities (Continued)

As at 31 December 2017, the current portion of bonds payable are listed as follows (Continued):

Bond name	Par value	Issue date	Maturity	Amount issued	Annual interest rate	1 January 2017	Interest accrued in the year	Discount or premium amortization	Principal and interest paid in the year	31 December 2017
China Railway 25th Bureau Group Co., Ltd. – 2014 first issue of private placement note	400,000	28 October 2014	3 years	400,000	6.50%	400,000	21,494	-	421,494	-
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. – 2014 first issue of private placement note	200,000	30 April 2014	3 years	200,000	7.98%	200,000	5,542	-	205,542	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 first issue of private placement note	470,000	23 April 2014	3 years	470,000	6.38%	470,000	9,329	-	479,329	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 second issue of private placement note	200,000	31 July 2014	3 years	200,000	7.20%	200,000	7,240	-	207,240	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 third issue of private placement note	300,000	31 October 2014	3 years	300,000	6.70%	300,000	15,243	-	315,243	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fourth issue of private placement note	50,000	1 October 2014	3 years	50,000	7.05%	50,000	1,772	-	51,772	-
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fifth issue of private placement note	200,000	18 December 2014	3 years	200,000	6.50%	200,000	9,858	-	209,858	-
Total	13,020,000	-	-	13,020,000	-	12,994,007	731,074	13,104	3,751,108	9,987,111

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Current portion of non-current liabilities (Continued)

As at 31 December 2016, the current portion of bonds payable are listed as follows:

RMB '000

Bond name	Par value	Issue date	Maturity	Amount issued	Annual interest rate	1 January 2016	Interest accrued in the year	Discount or premium amortization	Principal and interest paid in the year	31 December 2016
China Railway 17th Bureau Group Co., Ltd. – 2014 first issue of private placement note	500,000	25 June 2014	3 years	500,000	7.30%	500,000	36,500	–	36,500	500,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – First issue of medium-term notes in 2014	470,000	23 April 2014	3 years	470,000	6.38%	470,000	28,653	–	38,562	470,000
China Railway 14th Bureau Group Co., Ltd. – 2012 first issue of private placement note	400,000	27 August 2012	5 years	400,000	6.70%	400,000	27,174	–	26,800	400,000
China Railway 25th Bureau Group Co., Ltd. – 2014 first issue of private placement note	400,000	28 October 2014	3 years	400,000	6.50%	400,000	26,000	–	26,000	400,000
China Railway 15th Bureau Group Co., Ltd. – 2014 first issue of private placement note	300,000	4 September 2014	3 years	300,000	6.80%	300,000	20,400	–	20,400	300,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 third issue of private placement note	300,000	31 October 2014	3 years	300,000	6.70%	300,000	18,760	–	20,100	300,000
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. – 2014 first issue of private placement note	200,000	30 April 2014	3 years	200,000	7.98%	200,000	15,960	–	15,960	200,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 second issue of private placement note	200,000	31 July 2014	3 years	200,000	7.20%	200,000	10,833	–	14,400	200,000

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Current portion of non-current liabilities (Continued)

As at 31 December 2016, the current portion of bonds payable are listed as follows:

Bond name	Par value	Issue date	Maturity	Amount issued	Annual interest rate	1 January 2016	Interest accrued in the year	Discount or premium amortization	Principal and interest paid in the year	31 December 2016
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fifth issue of private placement note	200,000	18 December 2014	3 years	200,000	6.50%	200,000	10,080	–	12,600	200,000
Chongqing Tiefa Suiyu Highway Co., Ltd. – 2014 fourth issue of private placement note	50,000	1 October 2014	3 years	50,000	7.05%	50,000	3,584	–	3,525	50,000
China Railway 15th Bureau Group Co., Ltd. – 2013 first issue of private placement note	400,000	28 March 2013	3 years	400,000	5.90%	400,000	5,302	–	423,600	–
China Railway 17th Bureau Group Co., Ltd. – 2013 first issue of private placement note	500,000	21 March 2013	3 years	500,000	5.88%	500,000	7,350	–	529,400	–
China Railway 23rd Bureau Group Co., Ltd. – 2014 first issue of private placement note	150,000	14 March 2014	2 years	150,000	7.50%	150,000	2,438	–	161,250	–
China Railway 24th Bureau Group Co., Ltd. – 2013 first issue of private placement note	600,000	11 April 2013	3 years	600,000	5.40%	600,000	8,910	–	632,400	–
Chongqing Tiefa Suiyu Highway Co., Ltd. – First issue of medium-term notes in 2013	300,000	17 July 2013	3 years	300,000	5.36%	300,000	8,129	–	316,080	–
Total	4,970,000	–	–	4,970,000	–	4,970,000	230,073	–	2,277,577	3,020,000

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other current liabilities

RMB '000

Item	31 December 2017	31 December 2016
Output VAT to be transferred	7,975,717	2,225,825
Deferred income (Note V.36)	1,943	191,292
Short-term unsecured financing bonds (Note)	—	510,480
Others	76,265	9,092
Total	8,053,925	2,936,689

Note: Short-term unsecured financing bonds bear a fixed interest rate. The principal and the interest will be repaid in a lump sum at the end of the term. The movement is listed as follows:

RMB '000

Item	1 January 2017	Increase	Decrease	31 December 2017
Short-term unsecured financing bonds	510,480	—	510,480	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term loans

RMB '000

Item	31 December 2017	31 December 2016
Pledged loans (<i>Note 2, Note4</i>)	20,534,420	18,921,499
Mortgaged loans (<i>Note 1, Note3</i>)	3,330,040	4,147,928
Guaranteed loans (<i>Note 5</i>)	10,123,666	9,866,289
Credit loans	24,838,667	36,096,716
Total	58,826,793	69,032,432

Note 1: As at 31 December 2017, long-term loans with a carrying amount of RMB201,170,000 (31 December 2016: RMB30,248,000) including long-term loans due within one year of RMB22,000,000 (31 December 2016: Nil) were secured by mortgages of the Group's fixed assets with a carrying amount of RMB653,950,000 (31 December 2016: RMB223,842,000).

Note 2: As at 31 December 2017, long-term loans with a carrying amount of RMB20,704,420,000 (31 December 2016: RMB17,240,910,000) including long-term loans due within one year of RMB170,000,000 (31 December 2016: 190,250,000) were secured by mortgages of the Group's concession assets with a carrying amount of RMB28,101,597,000 (31 December 2016: RMB29,812,658,000).

Note 3: As at 31 December 2017, long-term loans with a carrying amount of RMB5,916,810,000 (31 December 2016: RMB5,953,680,000) including long-term loans due within one year of RMB2,765,940,000 (31 December 2016: 1,836,000,000) were secured by mortgages of the Group's inventories with a carrying amount of 14,710,869,000 (31 December 2016: RMB35,029,173,000).

Note 4: As at 31 December 2017, no long-term loans were secured by mortgages of the Group's receivables (31 December 2016, a long-term loans with a carrying amount of RMB1,950,839,000 including long-term loans due within one year of RMB80,000,000 were secured by mortgages of the Group's long-term receivables with a carrying amount of RMB5,896,550,000).

Note 5: As at 31 December 2017, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group (31 December 2016: the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group).

As at 31 December 2017, the Group had no overdue long-term loans (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term loans (Continued)

The maturity profile of the long-term loans as at the end of the year is listed as follows:

RMB '000

Item	31 December 2017	31 December 2016
Within one year or paid on demand (Note V.29)	18,404,223	7,458,948
In the second year (inclusive)	16,646,081	19,497,662
In the third to fifth year (inclusive)	18,946,539	18,381,741
Over five years	23,234,173	31,153,029
Total	77,231,016	76,491,380

32. Bonds payable

Bonds payable include: 1) unsecured medium-term notes, private placement notes, and assets-backed bills guaranteed by the Group with a fixed interest rate issued by the Company and its subsidiaries in the National Inter Bank Bond Market. The bonds' interest is paid annually whereas the principal is paid at the maturity date; 2) the 5-year zero-interest US dollar and 5-year RMB Convertible Bond issued by the Company in the international market with a fixed interest rate with interest repayable semi-annually and the principal repayable upon maturity; and 3) the 10-year US dollar bond with a fixed interest rate issued by its overseas subsidiaries and guaranteed by the Company. The bonds' interest is repayable semi-annually whereas the principal is repayable upon maturity.

RMB '000

Item	31 December 2017	31 December 2016
Bonds payable	35,677,923	44,902,037

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

As at 31 December 2017, balances of bonds payable are listed as follows:

RMB '000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2017	Amount issued	Interest accrued in the year	Discount or premium amortization	Interest Paid in the year	31 December 2017
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,959,200	–	510,000	9,824	510,000	9,969,024
China Railway Construction Corporation Limited – USD500 million Zero Coupon Convertible Bond due 2021 (Note 1)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	2,718,571	–	–	4,146	–	2,722,717
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 2)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,015,432	–	53,310	78,097	51,750	3,093,529
China Railway 15th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	–	17,803	–	18,000	400,000
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	1,000,000	–	40,000	–	40,000	1,000,000
China Railway 24th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	–	25,124	–	22,302	600,000
China Railway Construction Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.02%	2,980,022	–	120,600	5,157	120,600	2,985,179
China Railway Construction Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,780,066	–	103,600	4,545	103,600	2,784,611
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.58%	2,982,248	–	137,400	3,958	137,400	2,986,206
China Railway Construction Real Estate Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	1,490,722	–	72,000	1,940	72,000	1,492,662
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	1,490,547	–	76,500	1,903	76,500	1,492,450
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,511,222	–	188,780	(314,873)	189,172	5,196,349
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	6 years	960,000	6.90%	–	960,000	–	(4,804)	–	955,196
Total	–	–	–	–	–	34,928,030	960,000	1,345,117	(210,107)	1,341,324	35,677,923

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

As at 31 December 2016, balances of bonds payable are listed as follows:

RMB '000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2016	Amount issued	Interest accrued in the year	Discount or premium amortization	Interest Paid in the year	31 December 2016
China Railway Construction Corporation Limited – First issue of medium-term notes in 2011	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,461,968	–	483,986	12,722	471,264	7,474,690
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,949,184	–	520,761	10,016	510,745	9,959,200
China Railway Construction Corporation Limited – USD500 million Zero Coupon Convertible Bond due 2021 (Note 1)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	–	2,426,269	–	292,302	–	2,718,571
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 2)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	–	3,015,432	–	–	–	3,015,432
China Railway 15th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	–	400,000	14,943	–	–	400,000
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	–	1,000,000	12,890	–	–	1,000,000
China Railway 20th Bureau Group Co., Ltd. – 2015 first issue of private placement note	700,000	13 March 2015	3 years	700,000	6.50%	700,000	–	44,153	–	43,400	700,000
China Railway 23rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 February 2015	3 years	100,000	6.30%	99,347	–	6,612	312	6,300	99,659
China Railway 23rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 February 2015	3 years	100,000	6.30%	99,346	–	6,612	312	6,300	99,658
China Railway 24th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	–	600,000	18,585	–	–	600,000
China Railway 25th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 January 2015	3 years	400,000	6.50%	400,000	–	26,000	–	26,000	400,000
Chongqing Tiesha Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 February 2015	3 years	200,000	6.00%	200,000	–	13,440	–	12,033	200,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	–	41,723	–	45,112	1,000,000
China Railway Construction Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.02%	2,975,074	–	125,548	4,948	120,600	2,980,022
China Railway Construction Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	–	2,776,044	94,967	4,022	–	2,780,066
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.58%	–	2,978,770	125,950	3,478	–	2,982,248
China Railway Construction Real Estate Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	–	1,489,500	48,000	1,222	–	1,490,722
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	–	1,489,500	44,625	1,047	–	1,490,547
CRC Yixiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,154,029	–	191,229	367,193	187,354	5,511,222
Total	–	–	–	–	–	28,038,948	16,175,515	1,820,024	687,574	1,429,108	44,902,037

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

Note 1: The Company issued a five-year Convertible Bond at zero interest rate with the principal of USD500 million on 29 January 2016. The conversion period is from 10 March 2016 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, was set to be HKD10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond is initially recognized at fair value at the issue date, and the issue price in excess of the fair value of derivative financial instruments is recognized as debt instruments.

Note 2: The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 (settled by US Dollar). The conversion period is from 31 January 2017 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, is set to be HKD13.7750 per H share (calculated in a fixed exchange rate By HKD1 to RMB0.8898), and will be subject to adjustments under certain circumstances. The debt component of the convertible bond is initially recognized at fair value at the issue date, and the issue price in excess of the initially recognized liability is recognized as equity.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payables

RMB'000

Item	31 December 2017	31 December 2016
Finance lease payables	830,517	886,574
Others	1,132,119	956,609
Total	1,962,636	1,843,183

The maturity profile of long-term payables as at the end of the year is as follows:

RMB'000

Item	31 December 2017	31 December 2016
Within one year or paid on demand (Note V.29)	1,488,850	1,651,004
In the second year (inclusive)	712,109	997,495
In the third to fifth year (inclusive)	978,562	355,823
Over five years	271,965	489,865
Total	3,451,486	3,494,187

34. Long-term employee benefits payable

RMB'000

Item	31 December 2017	31 December 2016
Defined benefit plans – post-employment benefits	604,068	969,007

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

The plan has no defined benefit plan asset.

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

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term employee benefits payable (Continued)

The principal actuarial assumptions used as at the balance sheet date are listed as follows:

Item	31 December 2017	31 December 2016
Discount rate (%)	3.75	2.75
Increase in the expected rate of cost of living adjustment for long-term post-leaving personnel (%)	2.50	2.50
Increase in the expected rate of medical reimbursement expenses (%)	8.00	8.00
Average lifetime for defined benefit plans (year)	2.5	3.1

The following table demonstrates the quantitative sensitivity analysis of significant assumption adopted as at 31 December 2017:

	Increase	Defined benefit plans (decrease)/ increase	Decrease	Defined benefit plans Increase/ (decrease)
Discount rate	0.25 percentage point	(4,890)	0.25 percentage point	4,960
Increase in medical expenses	1 percentage point	60	1 percentage point	(50)

The above sensitivity analysis evaluates the impact of a reasonably possible change in key assumptions on defined benefit plans at balance sheet date. The sensitivity analysis is made based on changes in significant assumptions while all the other assumptions are held constant. The sensitivity analysis may not represent actual changes of defined benefit plans as changes of assumptions may not be isolated from each other.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term employee benefits payable (Continued)

Relevant plans recognized in profit or loss are as follows:

Items	2017	2016
Historical service fees	2,560	(2,190)
Net interest	32,750	42,019
Net welfare cost recognized in the statement of profit or loss and other comprehensive income	35,310	39,829

Movements in the present value of defined benefit plan obligations are listed as follows:

Item	2017	RMB'000 2016
Opening balance	1,411,035	1,952,938
Defined benefit cost recognized in profit or loss		
Past service cost	2,560	(2,190)
Net interest	32,750	42,019
Defined benefit cost recognized in other comprehensive income		
Actuarial gains	(90,429)	(49,874)
Other changes		
Benefit payments	(430,559)	(531,858)
Closing balance	925,357	1,411,035
Including: current portion of post-employment benefits payable (Note V.29)	(321,289)	(442,028)
Total	604,068	969,007

The actuarial evaluation on the present value of liabilities in defined benefit plans for the last tranche was conducted by the independent actuarial appraiser, Willis Towers Watson Consultancy Co., Ltd, which was based on the data as of 31 December 2017, using the projected unit credit method to determine the present value and relevant service fees in defined benefit plans.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Special payables

2017:

RMB'000

Item	1 January 2017	Additions	Reductions	31 December 2017
Specific project funds	672,286	346,174	471,088	547,372
Research and development funds	50,387	15,564	10,074	55,877
Others	440	—	89	351
Total	723,113	361,738	481,251	603,600

2016:

RMB'000

Item	1 January 2016	Additions	Reductions	31 December 2016
Specific project funds	489,680	320,440	137,834	672,286
Research and development funds	62,017	5,790	17,420	50,387
Others	351	300	211	440
Total	552,048	326,530	155,465	723,113

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Deferred income

2017:

RMB'000

Item	1 January 2017	Additions	Reductions	31 December 2017
Government grants related to assets	722,144	382,115	685,943	418,316
Government grants related to income	91,228	19,078	88,002	22,304
Others	37,489	373,887	18,571	392,805
Sub-total	850,861	775,080	792,516	833,425
Less: current portion of deferred income (Note V.30)	191,292	269	189,618	1,943
Total	659,569	774,811	602,898	831,482

2016:

RMB'000

Item	1 January 2016	Additions	Reductions	31 December 2016
Government grants related to assets	421,377	327,122	26,355	722,144
Government grants related to income	4,856	142,154	55,782	91,228
Others	23,424	14,065	–	37,489
Sub-total	449,657	483,341	82,137	850,861
Less: current portion of deferred income (Note V.30)	116,788	74,504	–	191,292
Total	332,869	408,837	82,137	659,569

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Deferred income (Continued)

As at 31 December 2017, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2017	Additions	Included in non-operating income/other income in the year	Other changes (note)	31 December 2017	Related to assets/ income
Underground utility tunnel PPP Project of Xiamen Xiang'an Airport Area	94,895	175,105	–	–	270,000	Related to assets
Enterprise Development and Support Fund	50,178	–	32,699	(17,313)	166	Related to assets/ income
Others	668,299	226,088	50,175	(673,758)	170,454	–
Total	813,372	401,193	82,874	(691,071)	440,620	–

Note: As stated in Note III 35, in accordance with Accounting Standard for Business Enterprise No.16-Government Grants (Revision)(hereinafter referred to as the "Standard"), the Group has implemented the Standard since June 2017. In accordance with the regulations of this standard, government grants that are available as at 1 January 2017 will be accounted prospectively by the Group, in which government grants related to assets are used to offset against the carrying amount of relevant assets when relevant assets become ready for their intended use.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Deferred income (Continued)

As at 31 December 2016, projects related to governments grants are listed as follows:

RMB'000

Item	1 January 2016	Additions	Included in non-operating income in the year	31 December 2016	Related to assets/ income
Equipment appropriation from Ministry of Railway	21,000	–	20,000	1,000	Related to assets
Hangzhou East Railway Station Junction Project and Pengbu District Nongzhuanju Apartment and Utility Project Demolition Fund	51,555	–	–	51,555	Related to assets
Enterprise Development and Support Fund	23,448	32,124	5,394	50,178	Related to assets/ income
Jiyu Highway Project Government Grants	90,000	10,000	–	100,000	Related to assets
Anzi Highway Project Government Grants	95,000	–	–	95,000	Related to assets
Xiusong Highway Project Government Grants	91,380	107,000	–	198,380	Related to assets
Zixing Highway Project Government Grants	32,867	43,756	–	76,623	Related to assets
Jianpu Highway Project Government Grants	9,032	35,454	–	44,486	Related to assets
Xiangan Airport Project Government Grants	–	94,895	–	94,895	Related to assets
Relocation compensation	–	96,858	54,778	42,080	Related to income
Others	11,951	49,189	1,965	59,175	–
Total	426,233	469,276	82,137	813,372	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Other non-current liabilities

RMB'000

Item	31 December 2017	31 December 2016
Derivatives- convertible bonds (Note V.32(Note 1))	712,677	1,145,656
Others	75,165	78,226
Total	787,842	1,223,882

38. Share capital

2017:

RMB'000

Item	1 January 2017	Increase	Decrease	31 December 2017
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

2016:

RMB'000

Item	1 January 2016	Increase	Decrease	31 December 2016
Restricted shares				
– CRCCG (Note 1)	1,150	–	1,150	–
– RMB ordinary shares (Note 2)	1,242,000	–	1,242,000	–
Unrestricted shares				
– RMB ordinary shares (Note 1, Note 2)	10,015,096	1,243,150	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	1,243,150	1,243,150	13,579,542

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Share capital (Continued)

Note 1: CRCCG, the controlling shareholder of the Company, increased its shareholding by purchasing 1,150,000 shares of the Company through the secondary market from 8 July 2015 to 31 December 2015 at an average price of RMB15.867 per share, representing 0.00932% of the total share capital of the Company (the "Increase in Shareholding"). CRCCG undertook not to reduce its shareholding in the Company during the implementation of the Increase in Shareholding and within the statutory period. Prior to the Increase in Shareholding, CRCCG held 7,566,245,500 shares of the Company. Upon the Increase in Shareholding, CRCCG held 7,567,395,500 shares of the Company. As at 31 December 2016, the restriction had been removed.

Note 2: On 13 July 2015, the Company completed the non-public issuance of 1,242,000,000 A shares. The total proceeds raised by the Company amounted to RMB9,936,000,000. After deducting the relevant issue expenses of RMB113,057,000, the actual net proceeds raised by the Company amounted to RMB9,822,943,000, of which the total additional share capital amounted to RMB1,242,000,000 and the total capital reserve amounted to RMB8,580,943,000. The shares subscribed by the target subscribers shall be subject to a lock-up period of 12 months. As at 31 December 2016, the restriction of all these A shares had been removed.

39. Other equity instruments

RMB'000

		31 December 2017	31 December 2016
2016 renewable corporate bonds (First tranche)	<i>Note 1</i>	7,992,104	7,992,104
Convertible bond for the year of 2016	<i>Note 2</i>	408,129	408,129
Renewable loans	<i>Note 3</i>	5,000,000	—
Total		13,400,233	8,400,233

Note 1: On 29 June 2016, the Company issued RMB8,000,000,000 in an aggregate principal amount of 2016 renewable corporate bonds (First tranche). The net proceeds from the issuance amounting to RMB7,992,104,000, net of the relevant expenses of issuance of RMB7,896,000, were included in other equity instruments.

Note 2: On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond of RMB3,450,000,000, of which RMB408,129,000 was included in equity.

Note 3: On 22 December 2017, the Company issued RMB5,000,000,000 in an aggregate principal amount of renewable loans which was included in other equity instruments.

In 2017, due to the trigger of a mandatory interest payment event, the Group accrued 2016 renewable corporate bonds (First tranche) interest of RMB282,400,000 (2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Capital reserve

31 December 2017:

RMB'000

Item	1 January 2017	Increase	Decrease	31 December 2017
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Acquisition of non-controlling interests	(465,778)	–	1,806	(467,584)
Others	(506,626)	–	–	(506,626)
Total	40,430,370	–	1,806	40,428,564

31 December 2016:

RMB'000

Item	1 January 2016	Increase	Decrease	31 December 2016
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	124,992	35,969	–	160,961
Acquisition of non-controlling interests	(465,778)	–	–	(465,778)
Others	(506,626)	–	–	(506,626)
Total	40,394,401	35,969	–	40,430,370

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Other comprehensive income

Accumulated balances of other comprehensive income attributable to owners of the Company from the balance sheet:

RMB'000

Item	1 January 2016	Increase/ (decrease)	31 December 2016	Increase/ (decrease)	31 December 2017
Remeasurement of net defined benefit obligations	(191,470)	49,874	(141,596)	90,429	(51,167)
Effect of deferred tax from changes in remeasurement of net defined benefit obligations	(12,164)	(9,300)	(21,464)	(14,630)	(36,094)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, share of other comprehensive income of associates, under the equity method	(205,021)	144,834	(60,187)	(75,943)	(136,130)
Changes in fair value of available-for-sale financial assets	1,658,125	(662,203)	995,922	(212,062)	783,860
Effect of deferred tax from changes in fair value of available-for-sale financial assets	(385,334)	178,686	(206,648)	60,747	(145,901)
Exchange differences on translation of foreign operation	295,608	(578,691)	(283,083)	(223,932)	(507,015)
Total	1,159,744	(876,800)	282,944	(375,391)	(92,447)

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Other comprehensive income (Continued)

Other comprehensive income from the statement of profit or loss:

2017:

RMB'000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Remeasurement of net defined benefit obligations	90,429	14,630	75,799	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Share of other comprehensive income of the investee under the equity method	(75,943)	—	(75,943)	—
Changes in fair value of available-for-sale financial assets	(195,771)	(58,304)	(151,315)	13,848
Exchange differences on translation of foreign operation	(224,338)	—	(223,932)	(406)
Total	(405,623)	(43,674)	(375,391)	13,442

2016:

RMB'000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Remeasurement of defined benefit obligations	49,874	9,300	40,574	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Share of other comprehensive income of the investee under the equity method	144,834	—	144,834	—
Changes in fair value of available-for-sale financial assets	(666,992)	(178,686)	(483,517)	(4,789)
Exchange differences on translation of foreign operation	(578,691)	—	(578,691)	—
Total	(1,050,975)	(169,386)	(876,800)	(4,789)

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Special reserve

The Group provided for the safety production expenses at 1.5% and 2% of the cost of construction projects, and utilised them according to the Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilisation (Cai Qi [2012]No.16) issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note III. 31.

43. Surplus reserve

2017:

RMB'000

Item		1 January 2017	Increase	31 December 2017
Statutory surplus reserve	<i>Note</i>	2,394,128	497,334	2,891,462

2016:

RMB'000

Item		1 January 2016	Increase	31 December 2016
Statutory surplus reserve	<i>Note</i>	2,120,232	273,896	2,394,128

Note: In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorised to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Retained earnings

RMB'000

Item	2017	2016
Retained earnings at the beginning of the year	66,099,855	54,411,072
Net profit attributable to the owners	16,057,235	13,999,610
Less: Appropriation to statutory surplus reserve	497,334	273,896
Cash dividend declared for ordinary shares <i>Note 1</i>	2,172,727	2,036,931
Interest distributed to other equity instrument holders <i>Note V.39</i>	282,400	—
Retained earnings at the end of the year <i>Note 2</i>	79,204,629	66,099,855

Note 1: In accordance with the resolution at the 2016 annual general meeting of shareholders on 15 June 2017, the Company declared a cash dividend for the year ended 31 December 2016 of RMB0.16 per share (2016: RMB0.15 per share), which amounted to RMB2,172,727,000 (2016: RMB2,036,931,000) based on 13,579,541,500 ordinary shares in issue. The above dividends had been paid on 3 August 2017.

Note 2: As at 31 December 2017, the Group's retained earnings include Perpetual Capital Securities interest of RMB148,950,000 (2016: RMB141,200,000) which was not accrued as mandatory interest payment events have not been triggered.

45. Revenue and cost of sales

RMB'000

Item	2017		2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	677,985,910	616,097,041	626,556,626	569,365,665
Other operating revenue	2,995,217	1,962,345	2,770,464	2,011,867
Total	680,981,127	618,059,386	629,327,090	571,377,532

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Revenue and cost of sales (Continued)

An analysis of the Group's operating revenue by sector is as follows:

RMB'000

Sector	2017	2016
Construction operations	576,173,510	534,279,796
Real estate operations	42,587,234	38,319,888
Manufacturing operations	12,531,803	12,082,809
Survey, design and consultancy operations	14,367,124	12,247,604
Other business operations	35,321,456	32,396,993
Total	680,981,127	629,327,090

46. Taxes and surcharges

RMB'000

Item	2017	2016
City maintenance and construction tax	847,209	664,948
Business tax	514,260	4,954,908
Land appreciation tax	1,786,758	1,377,939
Others	1,802,256	1,146,413
Total	4,950,483	8,144,208

47. Selling and distribution expenses

RMB'000

Item	2017	2016
Employee benefits	2,423,014	2,081,748
Advertising and publicity expenses	1,026,522	1,133,591
Transportation expenses	424,962	608,849
Others	656,403	353,485
Total	4,530,901	4,177,673

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. General and administrative expenses

RMB'000

Item	2017	2016
Employee benefits	11,177,981	9,943,517
Research and development expenses	10,397,720	9,442,883
Depreciation expenses	940,925	1,013,728
Office, traveling and transportation expenses	1,006,057	1,067,805
Others	2,535,283	2,621,684
Total	26,057,966	24,089,617

The above general and administrative expenses include audit fees for the year 2017, amounting to RMB33,583,000 (2016: RMB39,788,000).

49. Finance costs

RMB'000

Item	2017	2016
Interest expenses	9,655,198	9,197,845
Less: Interest income	3,290,583	2,732,758
Interest capitalised	3,719,538	4,305,812
Exchange gains	(470,699)	(110,241)
Bank charges and others	701,530	682,671
Total	2,875,908	2,731,705

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Finance costs (Continued)

An analysis of the Group's interest expenses are listed as follows:

<i>RMB'000</i>		
Item	2017	2016
Interest on bank loans and other loans	7,177,831	6,754,945
Interest on finance leases	108,023	113,451
Interest on discounted bills	293,153	261,105
Interest on corporate bonds	2,076,191	2,068,344
Total	9,655,198	9,197,845

The amount of capitalised interest has been included in the balances of construction in progress (Note V.16), intangible assets (Note V.17) and properties under development (Note V.7(1)).

50. Losses from impairment of assets

<i>RMB'000</i>		
Item	2017	2016
Provisions for bad debts	1,145,084	503,790
Provisions for decline in value of inventories	3,128,697	66,552
Impairment loss of investment properties	45,745	—
Impairment loss of available-for-sale financial assets	1,950	8,895
Impairment loss of fixed assets	—	20,012
Impairment loss of intangible assets	—	878
Provision for impairment of loans to customers	17,000	—
Others	131,024	—
Total	4,469,500	600,127

51. Gains/(Losses) on fair value changes

<i>RMB'000</i>		
Item	2017	2016
Financial assets and liabilities at fair value through profit or loss	367,903	(222,416)

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Investment income/(loss)

<i>RMB'000</i>		
Item	2017	2016
Share of profits/(losses) of long-term equity investments under the equity method	280,711	(29,312)
Investment (loss)/income from disposal of long-term equity investments under the equity method	(166,256)	46,522
Investment income from remeasurement of the remaining shares at fair value after disposal of part of shares	139,481	—
Investment income from remeasurement of the shares previously held at fair value after acquisition of control	95,759	—
Investment income from holding available-for-sale financial assets	79,933	118,858
Investment (loss)/income from disposal of financial assets at fair value through profit or loss	(60,858)	1,122
Investment income from disposal of available-for-sale financial assets	8,666	6,705
Others	(40,432)	3,629
Total	337,004	147,524

53. Other income

<i>RMB'000</i>		
Item	2017	2016
Government grants relating to daily operations (Note)	152,158	—

Note: As described in Note V, 36, in accordance with Accounting Standard for Business Enterprise No.16-Government Grants (Revision), the Group has implemented the Standard since June 2017. In accordance with the regulations of this standard, government grants that are available as at 1 January 2017 will be accounted prospectively by the Group. Therein, government grants relating to daily operations of the Group shall be included in other income according to the substance of business transactions.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Non-operating income

RMB'000

Item	2017	2016	Non-recurring profit or loss of the year
Government grants	524,068	573,910	524,068
Gains on compensation, penalties and fines	102,742	117,158	102,742
Amounts that cannot be paid	76,340	65,226	76,340
Gains on debt restructuring	112,646	74,069	112,646
Others	274,474	103,316	274,474
Total	1,090,270	933,679	1,090,270

Government grants credited to profit or loss for the year are as follows:

RMB'000

Nature	2017	2016	Related to assets/ income
Enterprise development funds	236,393	141,800	Related to income
Relocation compensation	226,132	338,957	Related to income
Refund of taxes	155,931	41,678	Related to income
Others	57,770	51,475	Related to income
Total	676,226	573,910	–
Including: Other income	152,158	–	–
Non-operating income	524,068	573,910	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Non-operating expenses

RMB'000

Item	2017	2016	Non-recurring profit or loss of the year
Loss on compensation, penalties and fines	339,529	112,678	339,529
Donations	10,067	13,342	10,067
Loss on debt restructuring	109,842	463	109,842
Others	284,872	56,891	284,872
Total	744,310	183,374	744,310

56. Costs and expenses classified by nature

The Group's costs and expenses classified by nature are listed as follows:

RMB'000

Item	2017	2016
Cost of services rendered	549,807,322	505,986,938
Cost of goods sold	68,252,064	65,390,594
Employee benefits (Note V, 47, 48)	13,600,995	12,025,265
Research and development expenses (Note V, 48)	10,397,720	9,442,883
Depreciation expenses on fixed assets	1,001,654	1,070,828
Amortization expenses on intangible assets	173,128	181,263

Note 1: For the year of 2017, depreciation of investment properties included in the Cost of services rendered and Cost of goods sold is RMB120,684,000 (31 December 2016: RMB84,311,000).

Note 2: For the year of 2017, depreciation of fixed assets included in the Cost of services rendered and Cost of goods sold is RMB10,686,049,000 (31 December 2016: RMB10,655,363,000).

Note 3: For the year of 2017, amortization of intangible assets included in the Cost of services rendered and Cost of goods sold is RMB438,223,000 (31 December 2016: RMB207,739,000).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Income tax expenses

RMB'000

Item	2017	2016
Current tax expenses – Mainland China	4,942,941	4,385,512
Current tax expenses – Others	102,656	152,497
Deferred tax expenses	(709,023)	(419,265)
Total	4,336,574	4,118,744

A reconciliation of the income tax expense applicable to profit before tax is listed as follows:

RMB'000

Item	2017	2016
Profit before tax	21,255,764	18,969,575
Income tax at the statutory income tax rate of 25% (Note)	5,313,941	4,742,394
Tax effect of preferential tax rates for some subsidiaries	(1,333,780)	(1,237,761)
Tax effect of share of profits and losses of joint ventures and associates	(14,699)	7,328
Effect of non-taxable income	(379,320)	(326,377)
Effect of non-deductible expenses	122,680	137,772
Effect of utilisation of unrecognised deductible tax losses	(401,141)	(43,473)
Income tax benefits on research and development expenses	(506,465)	(395,386)
Effect of unrecognised deductible tax losses	976,543	624,503
Effect of unrecognised deductible temporary differences	579,093	81,273
Adjustments in respect of current income tax of previous periods	(17,291)	10,405
Others	(2,987)	518,066
Income tax expense at the Group's effective tax rate	4,336,574	4,118,744

The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the statutory tax rate according to existing laws, interpretations and practices of the country or jurisdiction in which the Group operates.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Earnings per share

The basic earnings per share is calculated based on the net profit for the year attributable to ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the year.

RMB'000

Item	2017	2016
Earnings		
Net profit attributable to owners of the Company	16,057,235	13,999,610
Including: profit or loss in continued operation	16,057,235	13,999,610
Less: attributable to holder of perpetual instruments	290,150	141,200
Net profit attributable to ordinary shareholders	15,767,085	13,858,410
Shares		
Number of the outstanding ordinary shares of the Company	13,579,541,500	13,579,541,500
Basic earnings per share (RMB/share)	1.16	1.03
Diluted earnings per share (RMB/share) (Note)	1.09	1.01

Note: On 29 January 2016, the Company issued a five-year Zero Coupon Convertible Bond at USD500 million with the expiration date on 29 January 2021. Based on the adjusted conversion price of HK\$10.02 per share, the bonds are convertible to 388,942,115 shares. On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion with the expiration date on 21 December 2021. Based on the adjusted conversion price of HK\$13.59 per share, the bonds are convertible to 285,303,590 shares.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Notes to items in the statement of cash flows

RMB'000

Item	2017	2016
(1) Cash received relating to other operating activities:		
Rental income of fixed assets	677,648	752,767
Sale of raw materials	318,505	519,572
Government grants	411,467	573,910
Others	9,784,218	7,522,914
Total	11,191,838	9,369,163

RMB'000

Item	2017	2016
(2) Cash paid relating to other operating activities:		
Office and traveling expenses	1,430,948	1,712,717
Repair and maintenance costs	448,153	703,034
Advertising and business promotion expenses	1,026,522	648,124
Others	3,955,407	4,146,936
Total	6,861,030	7,210,811

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Notes to items in the statement of cash flows (Continued)

RMB'000

Item	2017	2016
(3) Net cash paid for acquisition of subsidiaries:		
Cash and cash equivalents paid for business combination occurred in the year	170,224	—
Less: Cash and cash equivalents held by the subsidiary on the date of acquisition	137,926	—
Net cash paid for acquisition of subsidiaries	32,298	—
Including: Chongqing Hehui Real Estate Development Co., Ltd	157,093	—
Wuxi Rail Construction Design & Consulting Co., Ltd.	1,529	—
China Railway Transportation International Engineering Technology Co., Ltd	(34,006)	—
Chengdu Shenlong Real Estate Development Co., Ltd.	(92,318)	—

RMB'000

Item	2017	2016
(4) Net cash received from disposal of subsidiaries:		
Cash and cash equivalents received from disposal of subsidiaries in the year	3,059,155	—
Less: Cash and cash equivalents held by the subsidiary on the date of disposal	397,493	—
Net cash received from disposal of subsidiaries	2,661,662	—
Including: CRCC Shandong Jixu Highway Jiayu Co., Ltd	998,773	—
CRCC-Shandong Jinghu Highway Jile Co., Ltd	798,864	—
CRCC (Shandong) Deshang Highway Co., Ltd	640,350	—
Chongqing Tiefa Xiusong Highway Co., Ltd	276,796	—
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd	(191)	—
Beijing Xinda Real Estate Co., Ltd.	(2,234)	—
Xi'an Zhongtie Jingmao Real Estate Development Co., Ltd.	(9,415)	—
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	(20,546)	—
China Railway Construction Group Real Estate Suzhou Real Estate Co., Ltd.	(38,916)	—
Others	18,181	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB'000

	2017	2016
Reconciliation of net profit to cash flows used in operating activities:		
Net profit	16,919,190	14,850,831
Plus: Provision for impairment of assets	4,469,500	600,127
Depreciation of fixed assets	11,687,703	11,726,191
Amortization of intangible assets	611,351	389,002
Amortization of investment properties	120,684	84,311
Gains from disposal of fixed assets, intangible assets and other long-term assets	(15,756)	(87,934)
(Gains)/Losses from changes in fair value	(367,903)	222,416
Finance costs	6,267,530	2,049,034
Investment income	(337,004)	(147,524)
Increase in deferred tax assets	(780,267)	(443,983)
Increase in deferred tax liabilities	71,244	24,718
Increase in inventories	(13,756,153)	(14,619,759)
Increase in operating receivables	(34,452,341)	(16,418,053)
Increase in operating payables	35,203,827	39,763,100
Increase in the deposits with the central bank	(237,427)	(854,898)
Net Cash Flows Generated from/(Used In) Operating Activities	25,404,178	37,137,579

Major non-cash investing and financing activities:

RMB'000

Item	2017	2016
Fixed assets held under finance leases	1,028,735	2,699,495

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Supplementary information to the consolidated statement of cash flows (Continued)

(1) Supplementary information to the statement of cash flows (Continued)

Changes in cash and cash equivalents:

RMB'000

Item	2017	2016
Cash at the end of the year	109,326,251	113,584,200
Less: opening balance of cash	113,584,200	106,259,831
Plus: closing balance of cash equivalents	20,066,469	3,949,822
Less: opening balance of cash equivalents	3,949,822	2,210,722
Net increase in cash and cash equivalents	11,858,698	9,063,469

(2) Cash and cash equivalents

RMB'000

Item	31 December 2017	31 December 2016
Cash	109,326,251	113,584,200
Including: Cash on hand	110,347	132,932
Cash with banks/financial institutions without restriction	109,215,904	113,451,268
Cash equivalents	20,066,469	3,949,822
Closing balance of cash and cash equivalents	129,392,720	117,534,022

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Assets with title restrictions

RMB'000

Item	31 December 2017	31 December 2016	Reason
Intangible assets	28,101,597	29,812,658	Pledged for loans
Inventories	14,710,869	35,029,173	Mortgaged for loans
Cash and bank balances	9,899,905	8,574,340	Note
Fixed assets	653,950	225,402	Mortgaged for loans
Accounts receivable	—	901,810	Pledged for loans
Long-term receivables	—	5,896,550	Pledged for loans
Total	53,366,321	80,439,933	—

Note: As at 31 December 2017, the Group held frozen deposits of RMB106,691,000 (31 December 2016: RMB222,448,000), the residual amount of RMB5,672,818,000 (31 December 2016: RMB4,468,923,000) was a deposit. CRCC Finance Company Limited placed RMB4,120,396,000 (31 December 2016: RMB3,882,969,000) in the central bank as statutory reserves.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Foreign currency monetary items

31 December 2017:

RMB'000

<i>Item</i>	Closing balance of foreign currencies (‘000)	Exchange rate	Closing balance in RMB
Cash and bank balances			13,603,525
Including: U.S. Dollar	1,932,504	6.5342	12,627,367
Euro	56,172	7.8023	438,267
Others			537,891
Accounts receivable			733,778
Including: U.S. Dollar	59,767	6.5342	390,528
Others			343,250
Other receivables			468,512
Including: U.S. Dollar	53,073	6.5342	346,788
Others			121,724
Accounts payable			892,747
Including: Algerian Dinar	6,529,414	0.0563	367,606
Malaysian Ringgit	146,173	1.6071	234,914
U.S. Dollar	25,015	6.5342	163,454
Others			126,773
Other payables			368,914
Including: U.S. Dollar	24,669	6.5342	161,191
Algerian Dinar	2,211,616	0.0563	124,514
Saudi Riyal	14,759	1.7423	25,715
Others			57,494
Short-term loans			567,254
Including: U.S. Dollar	53,184	6.5342	347,514
Others			219,740
Long-term loans			1,949,285
Including: U.S. Dollar	186,000	6.5342	1,215,361
Euro	93,295	7.8023	727,913
Others			6,011
Bonds payable			7,919,066
Including: U.S. Dollar	1,211,941	6.5342	7,919,066

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VI. CHANGES OF CONSOLIDATION SCOPE

1. Disposal of subsidiaries

In 2017, the Group's scope of consolidation changed due to disposal of the following subsidiaries:

Name of subsidiary	Equity disposal proportion (%)	Proportion of remaining equity on the date of lost of control (%)	Determine method and major assumption of fair value of remaining equity on the date of lost of control	Equity disposal method	Date of lost of control	Basis to determine the date of lost of control
CRCC Shandong Jinghu Highway Jile Co., Ltd. (Note)	50	15	Determine method: future earnings method Major assumption: cash flow and discount rate	Agreement-based sale	6 December 2017	The date when the contract on the transfer of title is signed and the actual control is lost
CRCC Shandong Jixu Highway Jiyu Co., Ltd. (Note)	85	15	Determine method: future earnings method Major assumption: cash flow and discount rate	Agreement-based sale	6 December 2017	The date when the contract on the transfer of title is signed and the actual control is lost
CRCC (Shandong) Deshang Highway Co., Ltd. (Note)	85	15	Determine method: future earnings method Major assumption: cash flow and discount rate	Agreement-based sale	6 December 2017	The date when the contract on the transfer of title is signed and the actual control is lost
Chongqing Tiefu Xiusong Highway Co., Ltd. (Note)	85	15	Determine method: future earnings method Major assumption: cash flow and discount rate	Agreement-based sale	6 December 2017	The date when the contract on the transfer of title is signed and the actual control is lost
Qingdao Blue Silicon Valley Inter-city Rail Transit Co., Ltd.	50	50	N/A	Agreement-based sale	29 December 2017	The date when the contract on the transfer of title is signed and the actual control is lost

Note: In 2017, the Company's subsidiaries China Railway Construction Investment Group Co., Ltd. ("CRCC Investment") and CRCC Chongqing Investment Group Co., Ltd. ("Chongqing Investment") transferred their 85% of shares in CRCC Shandong Jixu Highway Jiyu Co., Ltd., CRCC (Shandong) Deshang Highway Co., Ltd. and Chongqing Tiefu Xiusong Highway Co., Ltd. as well as their 50% of shares in Shandong Jile to the Group's associate Tianjin Tiejian Hongtu Fengchuang Investment Partnership (LP) ("Tiejian Hongtu") at an aggregate consideration of RMB3,006,665,000.

In addition, CRCC Investment and Chongqing Investment has separately entered into certain forward equity contracts with Tiejian Hongtu to repurchase these shares of the above four companies in future with discount to the consideration under some conditions. The fair value of these forward equity contracts was RMB232,304,000 as at 31 December 2017. After the completion of the shares disposal transaction, according to the articles of association of the above companies, the Company can neither control nor jointly control the entities with other shareholders, but can exercise significant influence over the entities. Therefore, the Company is not included in the scope of consolidation and is accounted for an associate of the Group.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VI. CHANGES OF CONSOLIDATION SCOPE (CONTINUED)

1. Disposal of subsidiaries (Continued)

The gains of the subsidiaries disposed of by the Group, at the date of disposal in 2017, are as follows:

	<i>RMB'000</i>
Differences between disposal price and disposal investment corresponding to the share of the net assets of the subsidiary to the extent of consolidated financial statement	40,063
Carrying amount of remaining shares on the date of lost of control is	3,193,124
Fair value of remaining shares on the date of lost of control	3,332,605
Gains arising from remeasurement of remaining shares at fair value	139,481
Amount transferred to investment income from other comprehensive income related to equity investment of original subsidiary	—

2. Other reasons for changes in consolidation scope

In the current year, the Company invested to establish a wholly-owned subsidiary, CRCC Huanan Construction Co., Ltd. Except for the this event as well as disposal of subsidiaries set out in Note VI. 1, the consolidation scope of the Group's consolidated financial statements has no significant change compared to last year.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VII. EQUITY IN OTHER ENTITIES

1. Subsidiaries

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

Subsidiaries acquired through establishment or investment

RMB'000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion(%)	
					Direct	Indirect
China Civil Engineering Construction Ltd.	Beijing	Beijing	Construction	3,000,000	100	–
China Railway 11 th Bureau Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Construction	5,030,000	100	–
China Railway 12 th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	5,060,677	100	–
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100	–
China Railway 14 th Bureau Group Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Construction	3,110,000	100	–
China Railway 15 th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	3,000,000	100	–
China Railway 16 th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	–
China Railway 17 th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	3,003,724	100	–
China Railway 18 th Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100	–
China Railway 19 th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	5,080,000	100	–
China Railway 20 th Bureau Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction	3,130,000	100	–
China Railway 21 st Bureau Group Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Construction	1,880,000	100	–
China Railway 22 nd Bureau Group Co., Ltd.	Beijing	Beijing	Construction	1,057,000	100	–
China Railway 23 rd Bureau Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Construction	2,000,000	100	–
China Railway 24 th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	2,000,000	100	–
China Railway 25 th Bureau Group Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Construction	2,000,000	100	–
China Railway First Survey and Design Institute Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Survey and design	200,000	100	–
China Railway Siyuan Survey and Design Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Survey and design	1,000,000	100	–
China Railway Construction Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	–
China Railway Electrification Bureau Group Co., Ltd.	Beijing	Beijing	Construction	710,000	100	–
China Railway Material Group Co., Ltd.	Beijing	Beijing	Purchase and sales of goods and materials	3,000,000	100	–
CRCC High-tech Equipment Co., Ltd.	Kunming, Yunnan	Kunming, Yunnan	Manufacturing operations	1,519,884	63.7	1.3
China Railway Construction Real Estate Group Co., Ltd.	Beijing	Beijing	Real estate development and operation	7,000,000	100	–
China Railway Construction Heavy Industry Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Manufacturing operations	3,850,000	100	–
China Railway Construction Investment Group Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Project investment	10,000,000	100	–
CRCC Finance Company Limited	Beijing	Beijing	Finance agency service	9,000,000	94	–
CRCC International Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	–
CRCC Assets Management Co., Ltd.	Beijing	Beijing	Assets management	3,000,000	100	–
CRCC Urban Construction Group Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Construction	2,000,000	100	–
CRCC Kunlun Investment Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Project investment	3,000,000	100	–
CRCC Chongqing Investment Group Co., Ltd.	Chongqing	Chongqing	Project investment	3,000,000	100	–

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

The subsidiary with significant non-controlling interests is as follows:

2017:

RMB'000

Subsidiary	Shareholding proportion of non-controlling interests	Net profit attributable to non-controlling interests	Dividends distribute to non-controlling shareholders	Accumulated balances of non-controlling interests at the reporting date
CRCC High-tech Equipment Co., Ltd.	35%	19,280	85,113	1,882,410

RMB'000

	31 December 2017	31 December 2016 (Restated)(Note)
Current assets	4,817,641	5,358,166
Non-current assets	2,022,293	1,744,842
Total assets	6,839,934	7,103,008
Current liabilities	1,428,712	1,529,147
Non-current liabilities	32,908	40,593
Total liabilities	1,461,620	1,569,740

RMB'000

	2017	2016 (Restated)(Note)
Operating revenue	1,846,254	3,711,990
Net profit	55,087	465,178
Total comprehensive income	93,399	451,959
Net cash flows generated from (used in) operating activities	796,554	(598,327)

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

Note: In April 2017, CRCC High-tech Equipment Co., Ltd. (hereinafter referred to as "CRCC Equipment") entered into an equity transfer agreement with another wholly-owned indirect subsidiary of the Group to acquire its 100% of equity in CRCC Yukun Co., Ltd. (hereinafter referred to as "CRCC Yukun"). As at 31 December 2017, related equity transfer was completed. Since CRCC Yukun is under common control of the Group before and after the business combination and the control is not transitory, CRCC Equipment takes this transaction as a business combination involving entities under common control and restates corresponding information in the consolidated financial statements.

2. Equity in joint ventures and associates

The Group did not have an individually significant joint venture or associate. Please refer to Note V. 12.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

1. Financial instruments by category

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows:

31 December 2017:

Financial assets

RMB'000

Item	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Held-to-maturity investments	–	41	–	–	41
Available-for-sale financial assets	–	–	–	8,382,301	8,382,301
Bills receivable	–	–	7,024,926	–	7,024,926
Accounts receivable	–	–	146,503,891	–	146,503,891
Loans and advances to customers	–	–	1,683,000	–	1,683,000
Interest receivables	–	–	202,550	–	202,550
Dividends receivable	–	–	37,256	–	37,256
Other receivables (excluding petty cash)	–	–	54,845,886	–	54,845,886
Long-term receivables	–	–	40,662,087	–	40,662,087
Current portion of non-current assets	–	–	8,591,799	–	8,591,799
Financial assets at fair value through profit or loss	489,712	–	–	–	489,712
Cash and bank balances	–	–	141,206,185	–	141,206,185
Total	489,712	41	400,757,580	8,382,301	409,629,634

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

31 December 2017: (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	29,499,098	29,499,098
Due to customers	–	804,834	804,834
Bills payable	–	41,411,304	41,411,304
Accounts payable	–	282,080,205	282,080,205
Interest payables	–	1,082,309	1,082,309
Dividends payable	–	158,560	158,560
Other payables	–	48,556,677	48,556,677
Other current liabilities	–	67,200	67,200
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	29,880,184	29,880,184
Long-term loans	–	58,826,793	58,826,793
Bonds payable	–	35,677,923	35,677,923
Long-term payables	–	1,962,636	1,962,636
Other non-current liabilities	712,677	55,900	767,677
Total	712,677	530,062,723	530,775,400

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

31 December 2016:

Financial assets

RMB'000

Item	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Held-to-maturity investments	–	41	–	–	41
Available-for-sale financial assets	–	–	–	6,554,829	6,554,829
Bills receivable	–	–	4,350,580	–	4,350,580
Accounts receivable	–	–	133,427,609	–	133,427,609
Loans and advances to customers	–	–	3,966,000	–	3,966,000
Interest receivables	–	–	239,390	–	239,390
Dividends receivable	–	–	55,436	–	55,436
Other receivables	–	–	45,626,287	–	45,626,287
Other current assets (excluding prepaid tax and others)	–	–	–	50,000	50,000
Long-term receivables	–	–	29,613,115	–	29,613,115
Current portion of non-current assets	–	–	9,618,385	–	9,618,385
Financial assets at fair value through profit or loss	323,376	–	–	–	323,376
Cash and bank balances	–	–	128,701,994	–	128,701,994
Total	323,376	41	355,598,796	6,604,829	362,527,042

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

31 December 2016: (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	30,428,522	30,428,522
Due to customers	–	1,480,764	1,480,764
Bills payable	–	28,511,489	28,511,489
Accounts payable	–	261,465,985	261,465,985
Interest payables	–	1,140,984	1,140,984
Dividends payable	–	612,510	612,510
Other payables	–	48,871,784	48,871,784
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	12,129,952	12,129,952
Other current liabilities	–	510,480	510,480
Long-term loans	–	69,032,432	69,032,432
Bonds payable	–	44,902,037	44,902,037
Long-term payables	–	1,843,183	1,843,183
Other non-current liabilities	1,212,856	–	1,212,856
Total	1,212,856	500,930,122	502,142,978

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

2. Transfer of financial assets

Transferred financial assets that are derecognised in their entirety

As at 31 December 2017, the Group have endorsed and discounted the bills receivable amounting to RMB1,080,233,000 (31 December 2016: RMB403,731,000). As at 31 December 2017, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse according to the Law of Bill. The Group considered the risks and rewards of the bills have been transferred. Therefore, the Group has terminated the bills receivable and related accounts payable that have been settled by the bills. The undiscounted cash flows and maximum losses of continuing involvement and repurchase equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

As at 31 December 2017, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been terminated. The endorsement happens evenly throughout the year.

Transferred financial assets that are not derecognised in their entirety

In 2017, the Group sold accounts receivable of RMB3,915,984,000 ("receivables ") to the assets-backed specific plan which set up by the financial institute who are also the managers of the assets-backed specific plan. The managers represented the assets-backed specific plan to issue senior assets-backed securities and junior assets-backed securities to investors. The Group holds some portion of the junior assets-backed securities. Meanwhile, the Group acts as a receivables service provider to provide management services associated with receivables and their recovery, contracts revision and other services to the assets-backed specific plan.

As the Group has restriction in the ability of guiding the operations of assets-backed specific plan, resulting in the degree which the Group using substantial rights to influence to obtain variable returns limited, the Group does not need to consolidate the assets-backed specific plan. Meanwhile, the Group has neither transferred nor retained substantially all the risks and rewards of the receivables ownership, and it retained control of the receivables transferred, the Group recognised the asset and associated liability to the extent of its continuing involvement in the transferred asset. As at 31 December 2017, the Group recognised an asset of RMB55,000,000 related to continuing involvement of receivables.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks

The Group's major financial instruments include loans, due to customers, bonds, convertible bonds and finance lease liabilities. The purpose of these financial instruments is to support daily operations of the Group. The Group also has various financial assets and liabilities arising from operation, such as accounts receivable, bills receivable, other receivables, long-term receivables, accounts payable, bill payable, other payables and long-term payables.

The major risks from the Group's financial instruments are credit risk, liquidity risk and market risk. As a common practice, management will hold meetings at least four times a year to analyze and make plans to manage these risks. Besides, the board will hold meetings at least twice a year to discuss and approve the suggestions from management. Generally, the Group introduces conservative strategies in risk management. As these risks for the Group are kept at a low level, the Group does not use any derivative instrument and other instruments to hedge these risks in the whole period.

Credit risk

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI.3 to the financial statements. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit facility to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group already has banking facilities from several PRC banks of up to RMB1,060,072,212,000 as at 31 December 2017, of which an amount of approximately RMB395,768,291,000 has been utilised.

The Group's policy is that not more than 75% of the borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2017, 38.1% (31 December 2016: 26.7%) of the Group's borrowings would mature in less than one year.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial assets and liabilities as at the balance sheet date, based on the undiscounted contractual cash flows:

RMB'000

Item	31 December 2017					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	29,650,632	-	-	-	29,650,632
Due to customers	804,834	-	-	-	-	804,834
Bills payable	-	41,411,304	-	-	-	41,411,304
Accounts payable	-	282,080,205	-	-	-	282,080,205
Interest payables	-	1,082,309	-	-	-	1,082,309
Dividends payable	-	158,560	-	-	-	158,560
Other payables	-	48,556,677	-	-	-	48,556,677
Other current liabilities	-	67,200	-	-	-	67,200
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	30,995,295	-	-	-	30,995,295
Long-term loans	-	2,495,993	18,697,514	22,471,313	42,652,736	86,317,556
Bonds payable	-	483,421	2,368,704	30,667,936	6,294,711	39,814,772
Long-term payables	-	28,272	745,071	1,043,623	280,716	2,097,682
Other non-current liabilities	-	-	-	55,000	-	55,000
Financial guarantees (Note XI.3)(excluding the real estate mortgage guarantee)	1,575,007	-	-	-	-	1,575,007
Total	2,379,841	437,009,868	21,811,289	54,237,872	49,228,163	564,667,033

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial assets and liabilities as at the balance sheet date, based on the undiscounted contractual cash flows: (Continued)

RMB'000

Item	On demand	31 December 2016				Total
		Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	–	30,428,522	–	–	–	30,428,522
Due to customers	1,480,764	–	–	–	–	1,480,764
Bills payable	–	28,511,489	–	–	–	28,511,489
Accounts payable	–	261,465,985	–	–	–	261,465,985
Interest payables	–	1,140,984	–	–	–	1,140,984
Dividends payable	–	612,510	–	–	–	612,510
Other payables	–	48,871,784	–	–	–	48,871,784
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	12,129,952	–	–	–	12,129,952
Other current liabilities	–	510,480	–	–	–	510,480
Long-term loans	–	10,881,770	22,591,685	24,316,614	51,066,219	108,856,288
Bonds payable	–	4,791,867	11,358,066	33,223,099	5,622,978	54,996,010
Long-term payables	–	74,683	997,495	355,823	489,865	1,917,866
Other non-current liabilities	–	–	67,200	1,145,656	–	1,212,856
Financial guarantees (Note XI.3) (excluding the real estate mortgage guarantee)	1,457,828	–	–	–	–	1,457,828
Total	2,938,592	399,420,026	35,014,446	59,041,192	57,179,062	553,593,318

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortized cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 31 December 2017, floating interest rate loans and fixed interest rate loans accounted for approximately 85.63% and 14.37% of the Group's borrowings respectively. Management would adjust the proportion of floating rate assets based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by 0.25% (Last year: 1%), with all other variables held constant, the consolidated operating results would have decreased/increased by approximately RMB111,806,000 for the year (Last year: RMB453,564,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2017 and the exposure to interest rate risk has been applied to those financial instruments in existence at that date. The estimated 0.25% (31 December 2016: 1%) of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from now until the end of the next annual reporting period.

Foreign currency risk

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions at 31 December 2017 and 31 December 2016 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the United States dollar, Euro and Algerian dinar, with all other variables held constant, of the Group's net profit and other comprehensive income net of tax.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

31 December 2017:

RMB'000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Other comprehensive income, net of tax Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	3%	56,917	—	56,917
Decrease in the United States dollar rate	(3%)	(56,917)	—	(56,917)
Increase in the Euro rate	5%	(11,406)	—	(11,406)
Decrease in the Euro rate	(5%)	11,406	—	11,406
Increase in the Algerian dinar rate	6%	(9,486)	—	(9,486)
Decrease in the Algerian dinar rate	(6%)	9,486	—	9,486

31 December 2016:

RMB'000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Other comprehensive income, net of tax Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	4%	297,700	—	297,700
Decrease in the United States dollar rate	(4%)	(297,700)	—	(297,700)
Increase in the Euro rate	8%	(11,700)	—	(11,700)
Decrease in the Euro rate	(8%)	11,700	—	11,700
Increase in the Algerian dinar rate	7%	(22,300)	—	(22,300)
Decrease in the Algerian dinar rate	(7%)	22,300	—	22,300

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2017 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period from now until the end of the next annual reporting period.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders and other equity investors.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes all loans, amounts due to customers, other current liabilities, bills payable, accounts payable, interest payables, dividends payable, other payables, bonds payable, long-term payables, the current portion of non-current liabilities (excluding the current portion of employee benefits payable) and other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the end of the reporting periods are as follows:

Notes to Financial Statements (continued)

For the year ended 31 December 2017

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

4. Capital management (*Continued*)

RMB'000

Item	31 December 2017	31 December 2016
Short-term loans	29,499,098	30,428,522
Long-term loans	58,826,793	69,032,432
Due to customers	804,834	1,480,764
Bills payable	41,411,304	28,511,489
Accounts payable	282,080,205	261,465,985
Interest payables	1,082,309	1,140,984
Dividends payable	158,560	612,510
Other payables	48,556,677	48,871,784
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	29,880,184	12,129,952
Other current liabilities	67,200	510,480
Bonds payable	35,677,923	44,902,037
Long-term payables	1,962,636	1,843,183
Other non-current liabilities	767,677	1,212,856
Less: cash and bank balances	141,206,185	128,701,994
Net debt	389,569,215	373,440,984
Owners of the Company	149,411,983	131,187,072
Non-controlling interests	29,236,862	17,528,914
Total equity	178,648,845	148,715,986
Total equity and net debt	568,218,060	522,156,970
Gearing ratio	69%	72%

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

RMB'000

31 December 2017

	Inputs of fair value measurement			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Continuous measurement of fair value				
Financial assets at fair value through profit or loss	257,408	—	232,304	489,712
Available-for-sale financial assets	1,929,900	570,761	380,415	2,881,076
Other non-current liabilities	—	—	712,677	712,677
Total	2,187,308	570,761	1,325,396	4,083,465

RMB'000

31 December 2016

	Inputs of fair value measurement			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Continuous measurement of fair value				
Financial assets at fair value through profit or loss	238,803	84,573	—	323,376
Available-for-sale financial assets	1,426,317	483,739	136,000	2,046,056
Other non-current liabilities	—	—	1,212,856	1,212,856
Total	1,665,120	568,312	1,348,856	3,582,288

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Assets and liabilities measured at fair value (Continued)

The Derivative financial instruments hold by the Group include the forward equity contracts to the unlisted companies' equity(Note VI.1(Note)) and embedded derivative of convertible bonds both adopted the Binomial tree option pricing model for valuation. The valuation model for the forward equity contracts to the unlisted companies' equity comprises several unobservable inputs, including volatility of the unlisted companies income, expected volatility of the stock price of the unlisted companies' comparable companies. The valuation model for the embedded derivative of convertible bonds comprises several unobservable inputs, including expected volatility of stock price and risk-free interest rate, etc.

Fair value of listed equity instruments is determined based on a quoted market price.

For the year of 2017, transfers of fair value measurements for both financial assets and financial liabilities between each level are as follows:

Shares of Hong Kong International Construction Investment Management Group Co., Limited ("HKICIM", HKEX Code:00687) held by the Group's wholly-owned subsidiary CRCC Investment are available-for-sale financial assets measured at fair value. As at 31 December 2016, HKICIM was still within the lock-up period, its shares were measured at fair value to present the liquidity risk and measure at Level 2. As at 31 December 2017, the lock-up period of HKICIM has ended, therefore, fair value measurement of such available-for-sale financial assets was transferred from Level 2 to Level 1. As at 31 December 2017, the book value of such available-for-sale financial assets was RMB99,105,000.

For the year of 2016, there was no transfer of fair value measurements between each level.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Fair value of assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the financial statements approximate to their fair values except the following items.

RMB'000

Item	Carrying amount		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Long-term loans	58,826,793	69,032,432	58,417,600	63,096,020
Bonds payable				
– Convertible bonds (Note)	6,937,052	7,287,788	6,778,214	7,458,580
– Other	29,861,677	39,168,034	30,057,285	42,566,768

Note: The carrying amounts of convertible bonds include the carrying amounts of corresponding embedded derivative instruments and equity components.

The fair value of the convertible bond is an unadjusted price quoted in an active market, which is determined by applying the first-level input value.

Fair value of long-term loans and bonds payable (excluding the convertible bonds) is determined by discounted future cash flow method, with market yield of other financial instruments with similar contractual terms, credit risk and remaining period, which used as the discount rate. As at 31 December 2017, its own default risk of long-term and short-term loans is evaluated as insignificant.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent

RMB'000

Company name	Place of registration	Business scope	Registered capital	Percentage of ownership interest in the Company	Percentage of voting rights in the Company
CRCCG	Beijing	Construction and management	9,000,000	55.73	55.73

2. Subsidiaries

Refer to Note XIV. – 3(i) “Subsidiaries”.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates

Company name	Related party relationship
Hunan Yuntong Rail Traffic Equipment Co., Ltd.	Joint venture
CRCC-HC-CR15G Joint Venture	Joint venture
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Joint venture
Dalian Jingcheng Real Estate Co., Ltd.	Joint venture
Hangzhou Jingping Real Estate Co., Ltd.	Joint venture
Hangzhou Jingbin Real Estate Co., Ltd.	Joint venture
Hangzhou Jianshen Real Estate Co., Ltd.	Joint venture
Beijing Liuzhuang Real Estate Co., Ltd.	Joint venture
Guangzhou Jingyue Bay Industry Development Co., Ltd.	Joint venture
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	Joint venture
Shanghai Hongjun Real Estate Co., Ltd.	Joint venture
Beijing Jiehai Real Estate Co., Ltd.	Joint venture
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Joint venture
Chengdu Tiecheng Real Estate Co., Ltd.	Joint venture
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Joint venture
Hangzhou Jingke Real Estate Co., Ltd.	Joint venture
Tianjin Wanhe Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Joint venture
Chengdu China Railway Huafu Real Estate Co., Ltd.	Joint venture
Guangzhou Xintie Xinjian Investment Co., Ltd.	Joint venture
Beijing Ruida Real Estate Co., Ltd.	Joint venture
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Joint venture
Beijing Xinda Real Estate Co., Ltd.	Joint venture
China Railway First Survey And Design Institution Group Shandong Architecture Design Institute Co., Ltd	Joint venture
PetroChina & CRCC Petroleum Marketing Co., Ltd.	Joint venture
Groupment Citic – CRCC Joint Venture	Joint venture
Sichuan Tianfu Airport Expressway Co., Ltd.	Joint venture
Chongqing Tiefu Jianxin Highway Co., Ltd.	Joint venture
Xi'an China Railway Jingmao Real Estate Co., Ltd.	Joint venture
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	Joint venture
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Joint venture
CRCC Shaanxi Highway Co., Ltd.	Joint venture
Nanchang Xinlong Real Estate Co., Ltd.	Associate
Fuzhou North Railway Station South Square Construction & Development Co., Ltd.	Associate
Gansu Zhuzhong Railway Co., Ltd.	Associate
Guizhou China Railway Construction Engineering Investment Co., Ltd.	Associate
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	Associate
Inner Mongolia BERUN New Energy Co., Ltd.	Associate
Chongqing Monorail Transit Engineering Co., Ltd.	Associate
Shenzhen China Railway Daweijun Storage & Transportation Co., Ltd.	Associate
China Railway 14th Bureau Group Wuhai Metro Investment & Construction Co., Ltd.	Associate

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates (Continued)

Company name	Related party relationship
Ningxia China Railway Ningdong Road & Bridge Investment & Development Co., Ltd.	Associate
Changzhou China Railway Blue Flame Component Co., Ltd.	Associate
Ningxia Inter-City Railway Co., Ltd.	Associate
Jiangxi Jingcheng Real Estate Co., Ltd. of China Railway Construction 16th Bureau Group Real Estate	Associate
Yuxi China Railway Infrastructure Construction Co., Ltd.	Associate
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	Associate
Tianjin China Railway Guancheng Real Estate Co., Ltd.	Associate
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	Associate
Heilongjiang CRCC Longxing Investment & Development Co., Ltd.	Associate
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.	Associate
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	Associate
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	Associate
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	Associate
Guangzhou Hongxuan Real Estate Co., Ltd.	Associate
Guangzhou Hongjia Real Estate Co., Ltd.	Associate
Guangzhou Baorui Real Estate Co., Ltd.	Associate
Guangzhou Jingye Real Estate Co., Ltd.	Associate
Wuhan Lvyin Lawn Engineering Co., Ltd.	Associate
Hunan Maglev Transportation Development Co., Ltd.	Associate
CRCC Financial Leasing Co., Ltd.	Associate
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	Associate
Chongqing Yurong Highway Co., Ltd.	Associate
CRCC-Tongguan Investment Co., Ltd.	Associate
CRCC Real Estate Co., Ltd.	Associate
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	Associate
CRCC (Shandong) Deshang Highway Co., Ltd.	Associate
CRCC Shandong Jinghu Highway Jile Co., Ltd.	Associate
Chongqing Tiefsong Highway Co., Ltd.	Associate
Kunming Sanqing Highway Co., Ltd.	Associate
Kunming Fuyi Highway Co., Ltd.	Associate
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	Associate

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Company name	Related party relationship
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary
Beijing Railway Construction Technology Magazine Co., Ltd.	Fellow subsidiary
China Railway Jinli Assets Management Co., Ltd.	Fellow subsidiary
Beijing Lulu Advertising Co., Ltd.	Fellow subsidiary

5. Related party transactions

		RMB'000	
Item		31 December 2017	31 December 2016
(1) Revenue from construction services	Note 1		
Chongqing Tiefa Jianxin Expressway Co., Ltd.		1,726,563	429,787
Hohhot Metro Line 2 Construction & Management Co., Ltd.		1,437,836	–
Sichuan Tianfu Airport Expressway Co., Ltd.		1,306,106	–
Yuxi China Railway Infrastructure Construction Co., Ltd.		774,710	–
Changchun Chengyue Ecological Management & Construction Investment Co., Ltd.		612,933	394,891
Gansu Zhuzhong Railway Co., Ltd.		529,816	–
Guizhou China Railway Construction Engineering Investment Co., Ltd.		414,522	–
China Railway 14th Bureau Group Wuhai Metro Investment & Construction Co., Ltd.		372,547	–
Ningxia Inter-City Railway Co., Ltd.		232,925	–
CRCC Shaanxi Highway Co., Ltd.		221,223	–
Tianjin China Railway Yuhua Real Estate Co., Ltd.		219,211	–
Chongqing Monorail Transit Engineering Co., Ltd.		198,274	169,603
Hunan Magnetic Transportation Development Co., Ltd.		189,148	805,347
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.		185,650	–
Tianjin China Railway Guancheng Real Estate Co., Ltd.		173,794	–
Chongqing Yurong Expressway Co., Ltd.		87,101	115,631
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.		63,089	–
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.		45,792	129,892
CRCC-HC-CR15G Joint Venture		36,213	115,427
Ningxia China Railway Construction Ning Dong Road Bridge Investment Development Co., Ltd.		–	400,022
CRCC-Tongguan Investment Co., Ltd.		–	140,369
Groupment Citic – CRCC Joint Venture		–	54,868
CRCCG	Note 4	–	949
Total		8,827,453	2,756,786

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

RMB'000

Item	31 December 2017	31 December 2016
(2) Revenue from sales of goods		
CRCC Financial Leasing Co., Ltd.	1,546,705	467,262
Chongqing Tiefa Jianxin Highway Co., Ltd.	742,142	—
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	31,915	—
Total	2,320,762	467,262
(3) Other income		
Chengdu China Railway Huaifu Real Estate Co., Ltd.	137,631	—
Shanghai Hongjun Real Estate Co., Ltd.	96,132	80,416
Tianjin Wanhe Real Estate Co., Ltd.	83,634	—
Beijing Liuzhuang Real Estate Co., Ltd.	75,041	120,459
China Railway Construction Corporation	58,173	14,034
CRCC Financial Leasing Co., Ltd.	57,841	7,981
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	55,842	21,382
Beijing Jiehai Real Estate Co., Ltd.	39,757	7,595
Hangzhou Jingping Real Estate Co., Ltd.	39,251	46,826
Guangzhou Baorui Real Estate Co., Ltd.	38,933	31,272
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	26,981	3,925
Chengdu Tiecheng Real Estate Co., Ltd.	19,775	—
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	10,871	17,740
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	10,688	—
Tianjin China Railway Yuhua Real Estate Co., Ltd.	10,685	3,588
Guangzhou Hongxuan Real Estate Co., Ltd.	7,475	4,335
Guangzhou Jingyue Bay Industry Development Co., Ltd.	6,284	4,426
Guangzhou Hongjia Real Estate Co., Ltd.	4,792	8,062
Hangzhou Jingping Real Estate Co., Ltd.	3,267	32,566
Guangzhou Jingye Real Estate Co., Ltd.	2,022	1,609
Guangzhou Jingke Real Estate Co., Ltd.	—	13,680
Guangzhou Jianshen Real Estate Co., Ltd.	—	10,293
Total	785,075	430,189

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

Item		31 December 2017	31 December 2016
(4) Purchase of goods and receipt of services	<i>Note 5</i>		
PetroChina & CRCC Petroleum Marketing Co., Ltd.		180,569	63,022
China Railway First Survey And Design Institution			
Group Shandong Architecture Design Institute			
Co., Ltd		40,841	–
Ningbo Hangtong Prefabricated Components			
Engineering Co., Ltd.		18,956	–
Changzhou China Railway Blue Flame Component			
Co., Ltd		10,175	39,170
Beijing Lulu Advertising Co., Ltd.	<i>Note 4</i>	–	93
Wuhan Lvyin Garden Landscape Engineering			
Co., Ltd		–	31
Total		250,541	102,316
(5) Other expenses	<i>Note 5</i>		
CRCCG	<i>Note 4</i>	43,518	76,970
China Railway Jinli Assets Management Co., Ltd.	<i>Note 4</i>	3,009	30,421
CRCC Financial Leasing Co., Ltd.		2,815	14,000
Beijing Tongda Jingcheng Highway Co., Ltd.	<i>Note 4</i>	1,884	755
Chongqing Tiefa Jianxin Highway Co., Ltd.		1,269	–
Beijing Railway Construction Technology Magazine			
Co., Ltd.	<i>Note 4</i>	11	20
Total		52,506	122,166

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(6) Related party leasing

As the lessee:

RMB'000

Lessor	Leasing asset types	Amount recognised in the current year	Amount recognised in the prior year
CRCC Financial Leasing Co., Ltd.	Machinery	485,559	74,305
CRCCG	Buildings	75,786	53,844
China Railway Jinli Assets Management Co., Ltd.	Buildings	26,690	28,046
Total	—	588,035	156,195

(7) Guarantees granted to a related party

31 December 2017:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	980,130	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	282,277	20 May 2015	20 November 2023	No
CRCC Shandong Jinghu Highway Jile Co., Ltd	195,000	8 December 2016	7 December 2023	No
Total	1,457,407	—	—	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(7) Guarantees granted to a related party (Continued)

31 December 2016:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,040,550	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	299,678	20 May 2015	20 November 2023	No
Total	1,340,228	–	–	–

Note 1: The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.

Note 2: The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

Note 3: The terms of the agreements relating to rendering of or receiving other services entered into by the Group and related parties were mutually agreed by the parties. The other income from related parties was mainly interest income from loans receivable.

Note 4: The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Note 5: The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

(8) Assets transferred to a related party

For the current year, the Group disposed a certain portion of shares of the original subsidiaries to related parties. Refer to Note VI.(1) (2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

RMB'000

		31 December 2017		31 December 2016	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	<i>Note 1</i>				
CRCC Financial Leasing Co., Ltd.		346,831	-	331,743	-
Hohhot Metro Line 2 Construction & Management Co., Ltd.		324,589	-	-	-
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.		206,004	-	-	-
CRCC Shaanxi Highway Co., Ltd.		202,552	-	-	-
Chongqing Monorail Transit Engineering Co., Ltd.		181,122	-	245,949	-
Yuxi China Railway Infrastructure Construction Co., Ltd.		153,439	-	-	-
CRCC (Shandong) Deshang Highway Co., Ltd.		119,944	-	-	-
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.		69,341	-	-	-
Guizhou China Railway Construction Engineering Investment Co., Ltd.		68,047	-	-	-
Hubei Provincial Communications Investment Ziyun Railway Co., Ltd.		40,531	-	85,915	-
Chongqing Tieda Jianxin Highway Co., Ltd.		31,402	-	-	-
Inner Mongolia BERUN New Energy Co., Ltd.		29,767	-	44,767	-
CRCC-HC-CR15G Joint Venture		28,239	-	10,253	-
Chongqing Yurong Highway Co., Ltd.		6,924	-	120,941	-
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.		-	-	105,608	-
Hangzhou Jianshen Real Estate Co., Ltd.		-	-	8,367	-
Total		1,808,732	-	953,543	-
Bills receivable	<i>Note 1</i>				
Guizhou China Railway Construction Engineering Investment Co., Ltd.		100,000	-	-	-
Chongqing Monorail Transit Engineering Co., Ltd.		11,000	-	5,500	-
Total		111,000	-	5,500	-
Dividends receivable	<i>Note 1</i>				
CRCC Real Estate Co., Ltd.		24,751	-	-	-
Chongqing Monorail Transit Engineering Co., Ltd.		6,126	-	15,592	-
Changzhou China Railway Blue Flame Component Co., Ltd.		4,763	-	-	-
Total		35,640	-	15,592	-

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB'000

		31 December 2017		31 December 2016	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Interest receivable					
Tianjin China Railway Yuhua Real Estate Co., Ltd.		10,685	—	—	—
China Railway Construction Kunlun Yunan Real Estate Co., Ltd.		2,542	—	—	—
Total		13,227	—	—	—
Loans and advances to related parties					
CRCCG	Note 3	1,700,000	17,000	1,400,000	—
CRCC Financial Leasing Co., Ltd.		—	—	2,566,000	—
Total		1,700,000	17,000	3,966,000	—
Other receivables					
Beijing Xinda Real Estate Co., Ltd.		3,927,327	—	—	—
Tianjin Wanhe Real Estate Co., Ltd.		2,752,386	—	—	—
Chengdu China Railway Huafu Real Estate Co., Ltd.		2,666,937	—	—	—
Beijing Ruida Real Estate Co., Ltd.		1,892,899	—	—	—
Beijing Liuzhuang Real Estate Co., Ltd.	Note 2	1,592,548	—	1,804,231	—
Shanghai Hongjun Real Estate Co., Ltd.	Note 2	1,072,139	—	2,407,923	—
Chengdu Tiecheng Real Estate Co., Ltd.	Note 2	842,027	—	180,000	—
China Railway Construction Kunlun Yunan Real Estate Co., Ltd.		702,295	—	—	—
Guangzhou Baorui Real Estate Co., Ltd.	Note 2	549,786	—	422,368	—
Xi'an China Railway Jingmao Real Estate Development Co., Ltd.		448,612	—	—	—
CRCC Shandong Jinghu Highway Jile Co., Ltd.		435,000	—	—	—
CRCC-Tongguan Investment Co., Ltd.		433,581	—	380,201	—
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Note 2	337,407	—	1,184,241	—
Guangzhou Jingyue Bay Industry Development Co., Ltd.		291,100	—	235,438	—
CRCC Shaanxi Highway Co., Ltd.		262,290	—	—	—
Yuxi China Railway Infrastructure Construction Co., Ltd.		261,000	—	—	—
Chongqing Tiefsa Jinxin Highway Co., Ltd.		202,924	—	—	—
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Note 2	198,640	—	604,103	—
Guangzhou Hongjia Real Estate Co., Ltd.	Note 2	182,331	—	177,539	—
Beijing Jiehai Real Estate Co., Ltd.	Note 2	181,371	—	641,266	—
Tianjin China Railway Guancheng Real Estate Co., Ltd.		153,555	—	—	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB'000

		31 December 2017		31 December 2016	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Other receivables (Continued)					
Guangzhou Hongxuan Real Estate Co., Ltd.	Note 2	120,457	—	112,982	—
Hohhot Metro Line 2 Construction & Management Co., Ltd.		100,000	—	—	—
Guangzhou Jingye Real Estate Co., Ltd.	Note 2	47,411	—	45,477	—
CRCC Shandong Jixu Highway Jiyu Co., Ltd.		30,000	—	—	—
Chongqing Monorail Transit Engineering Co., Ltd.		9,526	—	60	—
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Note 2	7,500	—	3,588	—
CRCC Financial Leasing Co., Ltd.		6,033	69	37	—
Shenzhen China Railway Daweijun Storage & Transportation Co., Ltd.		1,383	—	1,378	—
Hunan Yuntong Rail Traffic Equipment Co., Ltd.		561	168	561	—
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Note 2	—	—	1,035,420	—
Hangzhou Jingbin Real Estate Co., Ltd.	Note 2	—	—	662,592	—
Hangzhou Jingke Real Estate Co., Ltd.	Note 2	—	—	319,892	—
Hangzhou Jianshen Real Estate Co., Ltd.	Note 2	—	—	148,028	—
Dalian Jingcheng Real Estate Co., Ltd.	Note 2	—	—	38,465	—
Nanchang Xinlong Real Estate Co., Ltd.		—	—	26,599	475
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		—	—	8,928	—
Heilongjiang CRCC Longxing Investment & Development Co., Ltd.		—	—	23	—
Total		19,709,026	237	10,441,340	475

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB'000

		31 December 2017		31 December 2016	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Long-term receivables	<i>Note 2</i>				
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.		4,902,454	-	-	-
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.		32,337	-	-	-
Total		4,934,791	-	-	-

RMB '000

		31 December 2017	31 December 2016
Accounts payable	<i>Note 1</i>		
PetroChina & CRCC Petroleum Marketing Co., Ltd.		54,566	22,718
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		19,083	-
China Railway Yiyuan Group Shandong Architecture Design Institute Co., Ltd.		15,834	-
Wuhan Ivyin Garden Landscape Engineering Co., Ltd.		2,374	2,574
Changzhou China Railway Blue Flame Component Co., Ltd.		-	9,685
Total		91,857	34,977
Advances from customers	<i>Note 1</i>		
Chongqing Tiefu Jianxin Highway Co., Ltd.		206,104	301,985
China Railway Construction 14th Bureau Wuhan Metro Investment Construction Co., Ltd.		138,722	-
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.		82,088	-
CRCC-HC-CR15G Joint Venture		57,950	-
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.		38,425	-
PetroChina & CRCC Petroleum Marketing Co., Ltd.		-	13,936
Total		523,289	315,921

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

		31 December 2017	31 December 2016
Other payables	<i>Note 1</i>		
Hangzhou Jingbin Real Estate Co., Ltd.		586,739	—
Hangzhou Jianshen Real Estate Co., Ltd.		500,000	—
Nanjing Xincheng Guanghong Real Estate Co., Ltd.		437,000	—
Hangzhou Jingping Real Estate Co., Ltd.		392,000	252,000
CRCC 16TH Bureau Group Real Estate Jiangxi Jingcheng Real Estate Co., Ltd.		239,695	122,403
Kunming Sanqing Highway Co., Ltd.		200,000	—
Kunming Fuyi Highway Co., Ltd.		190,829	—
Chongqing Tiefsong Highway Co., Ltd.		184,161	—
Hangzhou Jingke Real Estate Co., Ltd.		178,482	—
Sichuan Tianfu Airport Expressway Co., Ltd.		161,686	—
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.		132,595	—
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.		85,000	—
CRCC-HC-CR15G Joint Venture		69,241	72,713
CRCC (Guangzhou) North Station New Town Investment Construction Co., Ltd.		32,097	—
China Railway Jinli Assets Management Co., Ltd.		8,145	395
CRCCG	<i>Note 4</i>	5,180	331,803
PetroChina & CRCC Petroleum Marketing Co., Ltd.		400	1,591
Groupment Citic – CRCC Joint Venture		—	291,643
Chongqing Yurong Highway Co., Ltd.		—	63,427
Total		3,403,250	1,135,975

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB '000

	31 December 2017	31 December 2016
Advances to suppliers		
CRCC Financial Leasing Co., Ltd.	37,740	–
Total	37,740	–
Due to customers		
<i>Note 5</i>		
China Railway Jinli Assets Management Co., Ltd.	337,721	274,233
Beijing Tongda Jingcheng Highway Co., Ltd.	242,485	110,601
CRCCG	170,549	250,978
CRCC Real Estate Co., Ltd.	27,518	–
Guangzhou Xintie Xinjian Investment Co., Ltd.	20,256	–
Beijing Railway Construction Technology Magazine Co., Ltd.	3,136	1,064
PetroChina & CRCC Petroleum Marketing Co., Ltd.	1,714	–
Shijiazhuang Pipeline Corridor Engineering Co., Ltd.	974	–
Beijing Xinda Real Estate Co., Ltd.	456	–
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	25	–
CRCC Financial Leasing Co., Ltd.	–	808,939
Chongqing Tiefa Jianxin Highway Co., Ltd.	–	34,949
Total	804,834	1,480,764
Long-term loans		
<i>Note 6</i>		
CRCCG	780,564	771,770
Total	780,564	771,770
Long-term payables		
<i>Note 7</i>		
CRCC Financial Leasing Co., Ltd.	538,938	36,769
Total	538,938	36,769

Notes to Financial Statements (continued)

For the year ended 31 December 2017

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

Note 1: The amounts due from/to related parties were interest-free, unsecured, and had no fixed terms of repayment.

Note 2: The amounts due from related parties were loans for cooperative development project from the Group's real estate development segments, with the interest rate agreed in the contracts.

Note 3: The amounts due from CRCCG and CRCC Financial Leasing Co., Ltd. were borrowings from CRCC Finance Company Limited.

Note 4: The amounts due to CRCCG were mainly the funds contributed by CRCCG in the Funds Center of the Group.

Note 5: The amounts due to the Group's related parties were deposits in CRCC Finance Company Limited.

Note 6: The amounts are appropriations from the Ministry of Finance to CRCCG and considered as the entrusted loans granted to the Group by CRCCG. The interest rate of such entrusted loans is determined by the benchmark interest rate in the market.

Note 7: The amounts due to CRCC Financial Leasing Co., Ltd. are rental expenses on financial leasing.

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

RMB'000

	31 December 2017	31 December 2016
Contracted, but not provided for:		
Capital commitments	364,024	860,324
Investment commitments	3,515,230	3,507,371
Other commitments	8,462,504	7,080,179
Total	12,341,758	11,447,874

2. Contingencies

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advices. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

3. Guarantees

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

RMB'000

The Group	31 December 2017	31 December 2016
Associates	1,457,407	1,340,228
Other entities	117,600	117,600
Total	1,575,007	1,457,828

The above guarantees exclude guarantees in respect of the banking facilities other than mortgages. As at 31 December 2017, the guarantees in respect of mortgages amounted to RMB21,552,828,000 (31 December 2016: RMB24,882,246,000). Until 31 December 2017, the purchasers of the underlying properties rarely defaulted payments to the banks, thus the Group considered the risks related to the guarantees were low and the fair value was immaterial.

The above guarantees in respect of mortgages are granted to the purchasers of the Group's properties and secured by the mortgages.

The Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

RMB'000

The Company	31 December 2017	31 December 2016
Subsidiaries	19,754,232	24,505,929
Associates	1,457,407	1,340,228
Other entities	117,600	117,600
Total	21,329,239	25,963,757

In addition, no interest-bearing bank and other loans of the Company were guaranteed by the subsidiaries of the Company as at 31 December 2017 (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit Distribution

Pursuant to the resolution approved in the 3rd session of the 4th board of directors meeting held on 29 March 2018, the Board of Directors proposed that cash dividends may be distributed to all shareholders by the Company at RMB1.8 per 10 shares (i.e. cash dividend of RMB0.18 per share). The cash dividend of RMB2,444,317,000 is proposed to be distributed based on the issued shares of 13,579,541,500, and the above proposal is yet to be approved by the shareholders' general meeting.

2. The Public Issuance of 2018 Renewable Corporate Bonds (First tranche)

On 19 March 2018, the Company issued RMB3,000,000,000 in an aggregate principal amount of 2018 renewable corporate bonds (First tranche).

XIII. OTHER SIGNIFICANT EVENTS

1. Leases

As lessee

Finance leases: As at 31 December 2017, the balance of unrecognised financing charges was RMB110,802,000 (31 December 2016: RMB117,184,000), which was amortized using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

	31 December 2017	31 December 2016
Less than 1 year (including 1 year)	742,472	1,189,007
1 to 2 years (including 2 years)	365,001	621,788
2 to 3 years (including 3 years)	276,087	211,915
Over 3 years	267,269	109,326
Total	1,650,829	2,132,036

RMB'000

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Leases (Continued)

As lessee (Continued)

Significant operating leases: according to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

RMB'000

	31 December 2017	31 December 2016
Less than 1 year (including 1 year)	680,585	231,752
1 to 2 years (including 2 years)	538,920	217,670
2 to 3 years (including 3 years)	237,077	191,714
Over 3 years	210,289	108,257
Total	1,666,871	749,393

As at 31 December 2017, payments under operating leases recognised in profit or loss for the year amounted to RMB437,884,000 (2016: RMB194,782,000).

2. Segment reporting

Operating segments

For management purposes, the Group is organised into the following five operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc;
- (3) The manufacturing operations segment engages in the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc;
- (4) The real estate operations segment engages in the development, construction and sale of residential properties and commercial properties; and
- (5) The other business operations segment mainly comprises trade and logistics, finance and insurance.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate operations	Other business operations	Eliminations and adjustments	Total
2017:							
Revenue from external customers	576,173,510	14,367,124	12,531,803	42,587,234	35,321,456	-	680,981,127
Inter-segment sales	7,954,225	171,511	1,703,515	-	23,848,971	(33,678,222)	-
Total	584,127,735	14,538,635	14,235,318	42,587,234	59,170,427	(33,678,222)	680,981,127
Share of profits/(losses) of joint ventures and associates	65,871	(44,488)	155,145	(19,269)	123,452	-	280,711
Impairment losses recognised	2,739,125	11,619	59,167	1,491,898	167,691	-	4,469,500
Depreciation and amortization	11,159,374	201,677	333,960	59,421	665,306	-	12,419,738
Profit before tax	10,601,319	2,249,683	1,648,371	3,427,212	3,568,715	(239,536)	21,255,764
Other disclosures:							
Increase in non-current assets other than long-term equity investments	17,672,984	465,961	1,415,887	167,527	13,475,995	-	33,198,354
31 December 2017:							
Segment assets (Note 1)	515,723,414	25,133,993	30,396,750	181,530,772	218,358,762	(149,256,232)	821,887,459
Segment liabilities (Note 2)	417,738,497	17,375,465	15,841,303	154,822,322	182,588,213	(145,127,186)	643,238,614
Other disclosures:							
Long-term equity investments in joint ventures and associates	9,113,647	246,449	1,103,038	2,424,956	4,981,435	-	17,869,525

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate operations	Other business operations	Eliminations and adjustments	Total
2016:							
Revenue from external customers	534,279,796	12,247,604	12,082,809	38,319,888	32,396,993	-	629,327,090
Inter-segment sales	5,854,816	9,852	2,257,698	-	14,904,687	(23,027,053)	-
Total	540,134,612	12,257,456	14,340,507	38,319,888	47,301,680	(23,027,053)	629,327,090
Share of profits/(losses) of joint ventures and associates	29,846	(19,999)	20,171	(16,443)	(42,887)	-	(29,312)
Impairment losses recognised	44,388	12,313	7,615	29,454	506,357	-	600,127
Depreciation and amortization	11,266,645	182,979	365,666	48,233	335,981	-	12,199,504
Profit before tax	9,386,216	1,408,265	1,751,510	4,885,357	1,850,456	(312,229)	18,969,575
Other disclosures:							
Increase in non-current liabilities other than long-term equity investments	15,428,400	695,720	1,250,080	96,202	12,054,152	-	29,524,554
31 December 2016							
Segment assets (Note 1)	529,048,219	19,336,193	27,778,988	160,297,025	145,207,428	(122,322,819)	759,345,034
Segment liabilities (Note 2)	451,635,018	14,078,375	14,266,040	138,222,220	101,288,523	(108,861,128)	610,629,048
Other disclosures:							
Long-term equity investments in joint ventures and associates	2,589,249	392,473	1,124,224	774,574	3,055,906	-	7,936,426

Note 1: Segment assets do not include deferred tax assets of RMB3,577,034,000 (31 December 2016: RMB2,811,397,000), as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB152,833,266,000 (31 December 2016: RMB125,134,216,000) are eliminated on consolidation.

Note 2: Segment liabilities do not include deferred tax liabilities of RMB289,431,000 (31 December 2016: RMB276,491,000) and corporate income tax payable of RMB2,146,938,000 (31 December 2016: RMB2,357,370,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB147,563,555,000 (31 December 2016: RMB111,494,989,000) are eliminated on consolidation.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Group information

Geographical information

Revenue from external customers

RMB'000

	2017	2016
Mainland China	643,004,000	596,478,794
Outside Mainland China	37,977,127	32,848,296
Total	680,981,127	629,327,090

Total non-current assets (*Note*)

RMB'000

	31 December 2017	31 December 2016
Mainland China	109,155,101	99,970,644
Outside Mainland China	2,684,943	2,628,077
Total	111,840,044	102,598,721

In the geographical information above, revenue from external customers is based on the locations of the customers. Non-current asset information above is based on the locations of the non-current assets.

Note: Non-current assets consisted of investment properties, fixed assets, construction in progress, intangible assets, long-term prepayments and investments in joint ventures and associates.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer at 31 December 2017 (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information

- (i) Pension scheme contributions

<i>RMB'000</i>		
Item	2017	2016
Pension scheme contributions (defined contribution plans)	5,195,765	4,498,675
Pension scheme costs (defined benefit plans)	35,310	39,829

As at 31 December 2017, there were no forfeited contributions available to reduce the Group's contributions to its pension scheme in the next year (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

- (ii) Directors', supervisors' and key management's remuneration

RMB'000

Item	2017	2016
Directors' and supervisors' remuneration	6,871	4,490

Name and remuneration of directors and supervisors for the current year are as follows:

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
2017				
Executive director				
Mr. MENG Fengchao (board chairman)	195	563	64	822
Mr. ZHUANG Shangbiao (president)	195	563	61	819
Mr. XIA Guobin (Note. 1)	166	505	60	731
Mr. LIU Ruchen (Note. 1)	166	502	60	728
Sub-total	722	2,133	245	3,100
Non-executive director				
Mr. GE Fuxing	—	—	—	—
Subtotal	—	—	—	—
Independent non-executive director				
Mr. WANG Huacheng	190	—	—	190
Mr. Patrick SUN	155	—	—	155
Mr. CHENG Wen	60	—	—	60
Ms. Amanda Xiao Qiang LU	147	—	—	147
Sub-total	552	—	—	552

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors', supervisors' and key management's remuneration (Continued)

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
Supervisor				
Mr. CAO Xirui (<i>Note.2</i>)	239	387	49	675
Mr. LIU Zhengchang (<i>Note.2</i>)	240	273	50	563
Mr. ZHANG Liangcai	264	427	53	744
Mr. HUANG Shaojun (resignation since December 2017)	16	476	–	492
Mr. LI Xuefu (resignation since December 2017)	267	427	51	745
Sub-total	1,026	1,990	203	3,219
Total	2,300	4,123	448	6,871

Note 1: Mr. XIA Guobin and Mr. LIU Ruchen have been executive directors of the Company since December 2017. Their annual remuneration in 2017 is their remuneration as the key management personnel of the Company to provide services for the Company.

Note 2: Mr. CAO Xirui and Mr. LIU Zhengchang have been supervisors of the Company since December 2017. Their annual remuneration in 2017 is their remuneration as the other position of the Company to provide services for the Company.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors', supervisors' and key management's remuneration (Continued)

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
2016				
Executive director				
Mr. MENG Fengchao (board chairman)	173	494	45	712
Mr. QI Xiaofei(resignation since November 2016)	173	492	45	710
Mr. ZHUANG Shangbiao (president)	173	471	43	687
Sub-total	519	1,457	133	2,109
Non-executive director				
Mr. GE Fuxing	—	—	—	—
Subtotal	—	—	—	—
Independent non-executive director				
Mr. WANG Huacheng	192	—	—	192
Mr. Patrick SUN	163	—	—	163
Mr. CHENG Wen	122	—	—	122
Ms. Amanda Xiao Qiang LU	145	—	—	145
Sub-total	622	—	—	622
Supervisor				
Mr. HUANG Shaojun	138	419	45	602
Mr. ZHANG Liangcai	267	277	44	588
Mr. LI Xuefu	264	264	41	569
Sub-total	669	960	130	1,759
Total	1,810	2,417	263	4,490

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors', supervisors' and key management's remuneration (Continued)

Note: In 2017 and 2016, the above remuneration to executive directors and supervisor were charged for rendering management-related service to the Company and the Group and the above remuneration to independent non-executive directors were charged for rendering service as a director to the Company.

There is no other remuneration payable to independent executive director for 2017 and 2016.

There is no arrangement that any director or supervisor waived or agreed to waive any remuneration 2017 and 2016.

Top 5 paid employees

The analysis of top 5 paid employees of the Group is as follows:

	2017	2016
Employee that is neither a director nor a supervisor	5	5

Details of remuneration of the above employee that is neither a director nor a supervisor:

	2017	2016
Salaries, housing welfare and other allowances and physical benefits	1,433	1,226
Performance bonus	22,918	14,550
Defined benefit plan	380	67
Total	24,731	15,843

RMB'000

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors', supervisors' and key management's remuneration (Continued)

Number of employee that is neither a director nor a supervisor of the following remuneration ranges is as follows:

Item	2017	2016
HKD2,500,000 to 3,000,000(including3,000,000)	—	1
HKD3,000,000 to 3,500,000 (including3,500,000)	—	2
HKD3,500,000 to 4,500,000 (including 4,500,000)	1	1
HKD4,500,000 to 5,000,000(including 5,000,000)	3	1
More than HKD5,000,000	1	—
Total	5	5

4. Comparative figures

The presentation of several items have been modified to meet relevant requirements in Note III, 35. Accordingly, several comparative figures have been reclassified and restated to meet the presentation and accounting treatment requirements for this year.

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

An aging analysis of accounts receivables is listed as follows:

<i>RMB'000</i>		
Aging	31 December 2017	31 December 2016
Within 1 year	3,869,332	4,145,134
1 to 2 years	501,066	267,502
Total	4,370,398	4,412,636

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

Accounts receivable are disclosed by category as follows:

RMB'000

Category	31 December 2017			
	Amount	Percentage %	Provision for bad debts	Percentage %
Individually significant and subject to separate provision for bad debts	4,370,398	100.00	—	—

RMB'000

Category	31 December 2016			
	Amount	Percentage %	Provision for bad debts	Percentage %
Individually significant and subject to separate provision for bad debts	4,412,636	100.00	—	—

As at 31 December 2017, no amount due from shareholders that held 5% or more of the Company's voting rights or other related parties was included in the aforesaid balance of accounts receivable (31 December 2016: Nil).

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

As at 31 December 2017, accounts receivable from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	901,890	Within 1 year	20.64
Company 2	Third party	764,339	Within 1 year	17.49
Company 3	Third party	653,529	Within 1 year	14.95
Company 4	Third party	618,377	Within 1 year	14.15
Company 5	Third party	383,035	Within 2 years	8.76
Total	—	3,321,170	—	75.99

As at 31 December 2016, accounts receivable from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total accounts receivable (%)
Company 1	Third party	966,727	Within 1 year	21.91
Company 2	Third party	852,031	Within 1 year	19.31
Company 3	Third party	626,857	Within 1 year	14.21
Company 4	Third party	529,123	Within 1 year	11.99
Company 5	Third party	439,289	Within 1 year	9.95
Total	—	3,414,027	—	77.37

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

An ageing analysis of other receivables is listed as follows:

RMB'000

Aging	31 December 2017	31 December 2016
Within 1 year	32,005,039	41,593,684
1 to 2 years	429,877	7,412
2 to 3 years	30	1,639
Over 3 years	173,237	171,612
Total	32,608,183	41,774,347

Other receivables are disclosed by category as follows:

RMB'000

Category	31 December 2017			
	Amount	Percentage %	Provision for bad debts	Percentage %
Individually significant and subject to separate provision for bad debts	32,494,958	99.65	—	—
Individually not significant but subject to separate provision for bad debts	113,225	0.35	—	—
Total	32,608,183	100.00	—	—

RMB'000

Category	31 December 2016			
	Amount	Percentage %	Provision for bad debts	Percentage %
Individually significant and subject to separate provision for bad debts	41,683,007	99.78	—	—
Individually not significant but subject to separate provision for bad debts	91,340	0.22	—	—
Total	41,774,347	100.00	—	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 31 December 2017, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	20,515,014	Within 1 year	62.91
Company 2	Subsidiary	5,498,231	Within 1 year	16.86
Company 3	Subsidiary	2,119,142	Within 1 year	6.50
Company 4	Subsidiary	1,128,468	Within 1 year	3.46
Company 5	Subsidiary	731,297	Within 1 year	2.24
Total	—	29,992,152	—	91.97

As at 31 December 2016, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	22,515,599	Within 1 year	53.90
Company 2	Subsidiary	5,613,404	Within 1 year	13.44
Company 3	Subsidiary	3,059,472	Within 1 year	7.32
Company 4	Subsidiary	1,123,750	Within 1 year	2.69
Company 5	Subsidiary	1,072,200	Within 1 year	2.57
Total	—	33,384,425	—	79.92

As at 31 December 2017, no balance due from shareholders that held 5% or more of the company's voting rights was included in the aforesaid balance of other receivables (31 December 2016: Nil).

As at 31 December 2017, the amount due from related parties is listed as follows:

RMB'000

Item	31 December 2017	31 December 2016
Amount due from subsidiaries	32,256,606	41,263,814

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

RMB'000

Item		31 December 2017	31 December 2016
Equity investment accounting for cost method			
– Subsidiaries	(i)	90,125,915	84,458,327
Equity investment accounting for equity method			
– Interests in joint ventures	(ii)	678,396	715,490
Total		90,804,311	85,173,817

Note: All the long-term equity investments are investments in unlisted companies, except of CRCC Equipment.

(i) Subsidiaries

RMB'000

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2017 (%)	Carrying amount as at 31 December 2017	Carrying amount as at 31 December 2016
China Civil Engineering Construction Corporation	100	2,946,507	2,946,507
China Railway 11 th Bureau Group Co., Ltd.	100	1,893,912	1,893,912
China Railway 12 th Bureau Group Co., Ltd.	100	1,957,277	1,957,277
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	100	2,460,480	2,460,480
China Railway 14 th Bureau Group Co., Ltd.	100	2,130,105	2,130,105
China Railway 15 th Bureau Group Co., Ltd.	100	1,585,152	1,585,152
China Railway 16 th Bureau Group Co., Ltd.	100	1,482,412	1,482,412
China Railway 17 th Bureau Group Co., Ltd.	100	1,717,837	1,714,582
China Railway 18 th Bureau Group Co., Ltd.	100	1,103,234	1,103,234

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Subsidiaries (Continued)

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2017 (%)	Carrying amount as at 31 December 2017	Carrying amount as at 31 December 2016
China Railway 19 th Bureau Group Co., Ltd	100	3,954,638	3,954,638
China Railway 20 th Bureau Group Co., Ltd.	100	1,615,144	1,615,144
China Railway 21 st Bureau Group Co., Ltd.	100	1,557,251	1,557,251
China Railway 22 nd Bureau Group Co., Ltd.	100	1,295,286	1,295,286
China Railway 23 rd Bureau Group Co., Ltd.	100	1,545,004	1,545,004
China Railway 24 th Bureau Group Co., Ltd.	100	1,346,917	1,346,917
China Railway 25 th Bureau Group Co., Ltd.	100	1,078,597	1,078,597
China Railway Construction Group Co., Ltd.	100	2,868,346	2,868,346
China Railway Construction Electrification Bureau Group Co., Ltd.	100	1,105,530	1,105,530
China Railway Construction Real Estate Group Co., Ltd.	100	7,233,191	7,233,191
China Railway First Survey and Design Institute Group Co., Ltd.	100	623,730	623,730
China Railway Siyuan Survey and Design Group Co., Ltd.	100	1,015,309	1,015,309
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100	318,196	318,196
China Railway Shanghai Design Institute Group Co., Ltd.	100	267,624	267,624
China Railway Material Group Co., Ltd.	100	3,314,805	3,314,805
CRCC High-tech Equipment Co., Ltd.	63.70	1,714,797	1,714,797
China Railway Construction Heavy Industry Co., Ltd.	100	4,048,245	4,042,705
Chenghe Insurance Broker Co., Ltd.	100	113,290	113,290

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Subsidiaries (Continued)

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2017 (%)	Carrying amount as at 31 December 2017	Carrying amount as at 31 December 2016
China Railway Construction (Beijing) Business Management Co., Ltd.	100	28,313	28,313
China Railway Construction Investment Group Co., Ltd.	100	10,538,793	10,000,000
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	100	1,385,891	1,385,891
CRCC Finance Company Limited	94	8,460,000	5,640,000
CRCC International Group Co., Ltd.	100	3,000,102	3,000,102
CRCC Assets Management Co., Ltd.	100	1,520,000	520,000
CRCC Urban Construction Group Co., Ltd.	100	2,000,000	2,000,000
Beijing CRCC Tianrui Machinery Equipment Co., Ltd.	98.04	2,000,000	2,000,000
China Railway Strait Construction Group Co., Ltd.	50	500,000	500,000
CRCC Kunlun Investment Group Co., Ltd.	100	3,000,000	3,000,000
CRCC Huabei Investment & Development Co., Ltd.	100	1,000,000	200,000
CRCC Nanfang Construction and Investment Co., Ltd.	100	200,000	200,000
CRCC Chongqing Investment Group Co., Ltd.	100	3,000,000	3,000,000
China Railway Maglev Transportation Investment Construction Co., Ltd.	70	700,000	700,000
CRCC Huanan Construction Co., Ltd. (Note VI, 2)	100	500,000	—
Total		90,125,915	84,458,327

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Interests in joint ventures

2017:

RMB'000

Investee	Investment Cost	1 January 2017	Recovery of Investment	share of profits under equity method	Distribution of dividends	31 December 2017	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	667,490	-	10,906	-	678,396	57.29	57.29
Chongqing Tiefa Jianxin Highway Co., Ltd. (Note)	-	48,000	48,000	-	-	-	-	-
Total	654,930	715,490	48,000	10,906	-	678,396	-	-

2016:

RMB'000

Investee	Investment Cost	1 January 2016	Increase in investment	share of profits under equity method	Distribution of dividends	31 December 2016	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	667,282	-	208	-	667,490	57.29	57.29
Chongqing Tiefa Jianxin Highway Co., Ltd. (Note)	48,000	-	48,000	-	-	48,000	24.00	24.00
Total	702,930	667,282	48,000	208	-	715,490	-	-

Note: China-Africa Lekkil and Tiefa Jianxin are accounted for as joint ventures by the Company with more details are included in Note V 12.

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Other payables

Other payables are disclosed by category:

RMB'000

Item	31 December 2017	31 December 2016
Guarantees and deposits	163,860	181,507
Payables for advances	20,770,858	22,689,555
Others	1,395,309	1,559,624
Total	22,330,027	24,430,686

5. Long-term loans

RMB'000

Item	31 December 2017	31 December 2016
Credit loans	8,424,271	12,570,981
Total	8,424,271	12,570,981

The maturity profile of the long-term loans as at the end of the reporting period is listed as follows:

RMB'000

Item	31 December 2017	31 December 2016
Within one year or paid on demand	7,037,479	260,375
In the second year (<i>inclusive</i>)	2,650,000	7,029,589
In the third year (<i>inclusive</i>)	3,780,564	3,561,392
Over three years	1,993,707	1,980,000
Total	15,461,750	12,831,356

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Revenue

Revenue is presented as follows:

<i>RMB'000</i>		
Item	2017	2016
Revenue from principal operations	16,586,511	13,814,138
Other operating revenue	73,813	52,151
Total	16,660,324	13,866,289

Operating cost is presented as follows:

Item	2017	2016
Operating cost	16,150,909	13,338,990

7. Finance costs

<i>RMB'000</i>		
Item	2017	2016
Interest expenses	2,117,763	2,118,004
Less: interest income	1,868,243	1,734,344
Exchange (gains)/losses	(350,516)	722,430
Bank charges and others	46,989	37,050
Total	(54,007)	1,143,140

The Company's interest expenses are as follows:

<i>RMB'000</i>		
Item	2017	2016
Interest on bank loans and other loans	816,791	1,107,624
Interest on corporate bonds	1,300,972	1,010,380
Total	2,117,763	2,118,004

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

8. Investment income/(loss)

RMB'000

Item	2017	2016
Share of net profits/(losses) of the joint ventures	10,906	208
Investment income received from long-term equity investments under cost method	4,528,075	3,992,511
Other	9,817	10,766
Total	4,548,798	4,003,485

As at 31 December 2017, the investment income mentioned above was composed of investment income of RMB164,732,000 (31 December 2016: RMB71,563,000) from listed companies and RMB4,384,066,000 from unlisted companies (31 December 2016: RMB3,931,922,000).

As at 31 December 2017, the remittance of the Company's investment income was not subject to significant restriction.

9. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB'000

Item	2017	2016
Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,973,339	2,738,963
Plus: Depreciation of fixed assets	12,123	16,610
Amortization of intangible assets	2,222	1,817
Loss from disposal of fixed assets	123	90
(Gains)/losses from changes in fair value	(436,066)	313,753
Finance costs	2,455,289	1,106,091
Investment income	(4,548,798)	(4,003,485)
Decrease/(increase) in deferred tax assets	89,867	(63,794)
Increase/(decrease) in deferred tax liabilities	19,910	(14,094)
Decrease/(Increase) in inventories	2,970,906	(975,658)
Increase in operating receivables	(2,502,185)	(7,447,518)
(Decrease)/increase in operating payables	(5,994,428)	9,522,000
Net cash flows (used in)/generated from operating activities	(2,957,698)	1,194,775

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Supplementary information to the statement of cash flows (Continued)

(2) Cash and cash equivalents

RMB'000

Item	31 December 2017	31 December 2016
Cash	12,318,553	13,198,369
Including: Cash on hand	28	67
Cash with banks/financial institutions without restrictions	12,318,525	13,198,302
Closing balance of cash and cash equivalents	12,318,553	13,198,369

10. Related party transaction

(1) Significant transactions between the Company and its related parties

RMB'000

Item	2017	2016
(1) Revenue from other related party transactions Subsidiaries	1,804,693	1,746,105
Total	1,804,693	1,746,105
(2) Purchase of goods and receipt of services Subsidiaries	15,987,777	12,023,944
Total	15,987,777	12,023,944
(3) Other expenses Subsidiaries	468,893	569,942
Other related parties	38,762	46,283
Total	507,655	616,225

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

10. Related party transaction (Continued)

(2) Balance due to/from related parties

RMB'000

Item	31 December 2017 Gross carrying amount	Provision for bad debts	31 December 2016 Gross carrying amount	Provision for bad debts
Other receivables Subsidiaries	32,256,606	—	41,263,814	—
Total	32,256,606	—	41,263,814	—
Prepayments Subsidiaries	506,692	—	488,622	—
Total	506,692	—	488,622	—
Cash and bank balances Subsidiaries	8,257,321	—	11,953,147	—
Total	8,257,321	—	11,953,147	—
Long-term receivables Subsidiaries	10,129,000	—	—	—
Total	10,129,000	—	—	—
Current portion of non- current assets Subsidiaries	1,600,000	—	—	—
Total	1,600,000	—	—	—

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

10. Related party transaction (Continued)

(2) Balance due to/from related parties (Continued)

RMB'000

Item	31 December 2017	31 December 2016
Accounts payable		
Subsidiaries	6,864,045	5,214,561
Other related parties	—	—
Total	6,864,045	5,214,561
Other payables		
Subsidiaries	21,365,759	22,976,963
Other related parties	5,180	5,180
Total	21,370,939	22,982,143
Long-term loans		
Subsidiaries	3,500,000	—
Other related parties	780,564	771,770
Total	4,280,564	771,770

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XV. SUPPLEMENTARY INFORMATION

1. Summary of non-recurring profit or loss

<i>RMB'000</i>		
Item	2017	2016
Gains from disposal of non-current assets	15,756	87,934
(Losses)/Gains from disposal of long-term equity investments	(166,256)	46,522
Investment income from remeasurement of the remaining shares at fair value after disposal of part of shares	139,481	–
Government grants recognised through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	622,176	553,610
Investment income from remeasurement of shares previously held at fair value after acquisition of control	95,759	–
Net gains from debt restructuring	2,804	73,606
Investment (loss)/income from disposal of financial instruments at fair value through profit or loss	(60,858)	1,122
Investment income from disposal of available-for-sale financial assets	8,666	6,705
Gains/(losses) from changes in fair value of financial instruments at fair value through profit or loss	367,903	(222,416)
Reversal of impairment of accounts receivable	766,248	728,718
Other non-operating income and expenses other than the above items	(180,912)	102,789
Impact on income tax	(328,627)	(299,325)
Impact on non-controlling interests (after tax)	4,145	(8,167)
Non-recurring profit or loss	1,286,285	1,071,098

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

1. Summary of non-recurring profit or loss (Continued)

Government grants recognised in profit or loss but not included in non-recurring profit or loss items for being closely related to normal operating activities and continuously granted following the national policies and certain quota are as follows:

RMB'000

	2017	2016	Reason for being recognised in profit or loss
Special equipment appropriation from the Ministry of Railway	1,000	20,000	Related to normal operating activities
Special equipment appropriation from the Ministry of Finance	53,050	300	Related to normal operating activities
Total	54,050	20,300	–

2. Return on net assets and earnings per share ("EPS")

2017:

	Weighted average return on net assets (%)	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	12.16	1.16	1.09
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	11.17	1.07	1.00

Notes to Financial Statements (continued)

For the year ended 31 December 2017

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share (“EPS”) (Continued)

2016:

	Weighted average return on net assets (%)	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	11.55	1.03	1.01
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	10.66	0.95	0.94

On 29 January 2016, the Company issued a five-year Zero Coupon Convertible Bond at USD500 million, of which the conversion rights will expire on 29 January 2021. Based on the adjusted conversion price of HK\$10.02 per share, the bonds are convertible to 388,942,115 shares. On 21 December 2016, the Company issued a five-year Coupon Convertible Bond at RMB3.45 billion, of which the conversion rights will expire on 29 December 2021. Based on the adjusted conversion price of HK\$13.59 per share, the bonds are convertible to 285,303,590 shares.

The above weighted average return on equity and earnings per share are calculated in accordance with *Compilation Rules No.9 for Information Disclosure by Companies Offering Securities to the Public – Calculation and Disclosure of Return on Equity and Earnings Per Share (Revised in 2010)*.

Section XIV Five Years' Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

RMB'000

Item	2017	2016	2015	2014 (Restated)	2013
Revenue	680,981,127	629,327,090	600,538,730	593,302,675	586,789,590
Cost of sales	618,059,386	571,377,532	531,756,328	528,374,916	527,247,896
Taxes and surcharges	4,950,483	8,144,208	18,016,474	18,042,432	16,827,296
Selling and distribution expenses	4,530,901	4,177,673	3,703,662	3,272,163	2,509,220
General and administrative expenses	26,057,966	24,089,617	22,835,612	22,889,544	22,719,838
Finance costs	2,875,908	2,731,705	4,385,029	4,368,885	3,749,441
Losses from impairment of assets	4,469,500	600,127	3,564,615	1,583,440	1,431,257
Gains/(Losses) on fair value change	367,903	-222,416	-27,495	8,293	942
Investment income	337,004	147,524	359,528	179,240	-22,172
Gain on disposal of assets	15,756	87,934	—	—	—
Other income	152,158	—	—	—	—
Operating profit	20,909,804	18,219,270	16,609,043	14,958,828	12,283,412
Non-operating income	1,090,270	933,679	808,618	830,662	966,248
Non-operating expenses	744,310	183,374	304,623	257,056	209,920
Net non-operating income	345,960	750,305	503,995	573,606	756,328
Profit before tax	21,255,764	18,969,575	17,113,038	15,532,434	13,039,740
Income tax expenses	4,336,574	4,118,744	3,738,604	3,472,424	2,600,357
Net profit	16,919,190	14,850,831	13,374,434	12,060,010	10,439,383
Profit or loss attributable to owners of the company	16,057,235	13,999,610	12,645,478	11,734,664	10,344,658
Profit or loss attributable to non-controlling interests	861,955	851,221	728,956	325,346	94,725
Basic earnings per share (RMB/share)	1.16	1.03	0.98	0.95	0.84
Diluted earnings per share (RMB/share)	1.09	1.01	0.98	0.95	0.84

Section XIV Five Years' Financial Summary (continued)

TOTAL CONSOLIDATED ASSETS AND LIABILITIES

Unit: thousand yuan

Item	2017	2016	2015	2014 (Restated)	2013
Total assets	821,887,459	759,345,034	696,096,330	623,565,997	553,018,596
Total liabilities	643,238,614	610,629,048	567,277,165	518,382,651	469,193,880
Total Shareholders' equity	178,648,845	148,715,986	128,819,165	105,183,346	83,824,716

Section XV Documents for Inspection

DOCUMENTS FOR INSPECTION

1. Financial statements signed and sealed by the chairman, chief financial officer and head of accounting department;
2. Original audit report with the seal of Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed and sealed by certified public accountant;
3. Original copies of all documents and announcements of the Company which had been disclosed to the public on the newspapers designated by CSRC and the website of Shanghai Stock Exchange during the Reporting Period;
4. CRCC 2017 Self-evaluation Report on Internal Control; and
5. CRCC 2017 Social Responsibility Report.

Chairman: MENG Fengchao
Submission Date Approved By the Board: 29 March 2018

Revision Information

☐ Applicable ☒ Not Applicable

By order of the Board
China Railway Construction Corporation Limited
Chairman
MENG Fengchao

Beijing, PRC
29 March 2018

As at the date of this announcement, the Board comprises Mr. MENG Fengchao (Chairman and Executive Director), Mr. ZHUANG Shangbiao (President and Executive Director), Mr. XIA Guobin (Executive Director), Mr. LIU Ruchen (Executive Director), Mr. GE Fuxing (Non-executive Director), Mr. WANG Huacheng (Independent Non-executive Director), Mr. Patrick SUN (Independent Non-executive Director), Mr. CHENG Wen (Independent Non-executive Director) and Ms. Amanda Xiao Qiang LU (Independent Non-executive Director).