中國中鐵股份有限公司
CHINA RAILWAY GROUP LIMITED

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

Stock Code : 390

2018 Annual Report

CONTENTS

RAILWAY CONSTRUCTION

Completed a total track laying length of railway main lane of **7,085** kilometers in 2018

NEW CONTRACTS

New contracts entered into in 2018 reached RMB **1,692.16** billion

MUNICIPAL WORKS

Completed a total civil engineering and laying length of urban metro and light rail lines of

329 kilometers and

531 kilometers in 2018

HIGHWAY CONSTRUCTION

Completed a total length of highway construction of

2,553 kilometers in 2018

COMPANY PROFILE

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

We are one of the largest multi-functional integrated construction group in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 56th on the 2018 Fortune 500 List. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

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

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

Summary of Consolidated Income Statement

	For the year ended 31 December					Change
	2018	2017	2016	2015	2014	2018 vs 2017
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**646,914**	611,095	559,223	544,207	518,022	5.9
Survey, Design and Consulting Services	**15,095**	13,761	12,312	10,711	10,265	9.7
Engineering Equipment and Component Manufacturing	**20,787**	18,521	17,063	15,782	14,519	12.2
Property Development	**43,991**	30,951	32,976	29,260	29,255	42.1
Other Businesses	**67,730**	53,074	42,671	40,044	54,963	27.6
Inter-segment Eliminations and Adjustments	**(54,134)**	(38,629)	(31,389)	(40,062)	(36,858)	
Total	**740,383**	688,773	632,856	599,942	590,166	7.5
Gross Profit	**71,658**	62,729	49,789	48,686	48,515	14.2
Profit before Tax	**24,945**	20,828	18,772	17,017	16,233	19.8
Profit for the Year	**17,436**	14,204	12,703	11,786	10,676	22.8
Profit for the Year Attributable to Owners of the Company	**17,198**	16,067	12,509	12,258	10,360	7.0
Basic Earnings per Share *(RMB)*	**0.718**	0.669	0.517	0.530	0.482	7.3

Summary of Consolidated Balance Sheet

	As at 31 December					Change
	2018	2017	2016	2015	2014	2018 vs 2017
		(Restated)				
			RMB million			*(%)*
Assets						
Current Assets	**652,040**	641,668	595,147	565,601	545,525	1.6
Non-current Assets	**290,473**	202,254	159,198	147,904	137,353	43.6
Total Assets	**942,513**	843,992	754,345	713,505	682,878	11.7
Liabilities						
Current Liabilities	**622,475**	579,303	506,603	470,447	471,140	7.5
Non-current Liabilities	**98,057**	95,061	98,746	103,820	102,844	3.2
Total Liabilities	**720,532**	674,364	605,349	574,267	573,984	6.8
Total Equity	**221,981**	169,558	148,996	139,238	108,894	30.9
Total Equity and Liabilities	**942,513**	843,992	754,345	713,505	682,878	11.7

CHAIRMAN'S REPORT

Li Changjin
Chairman, Executive Director and Secretary to the CPC Committee

Dear shareholders and investors,

From our tireless efforts made to cultivate seeds that were wisely sown early in advance, 2018 was the year of harvest as we proudly reaped a bounty of fruitful results. In 2018, in the face of a complex and ever-changing market environment and a challenging reform and development mission, we made great efforts to enhance the competitiveness by taking the market development as guiding factor, accelerated the change of growth drivers to be driven by reform and innovation, focused on the quality and safety to enhance the corporate reputation, increased employee well-being on the basis of cost reduction and efficiency improvement, and made great efforts to consolidate the foundation for development based on the improvement in all respects. Key indicators including the number of newly signed contracts, operating revenue and total profits have once again reached a historical high, with business scale recording a new high in adversity and development quality improving steadily in scaling up.

This year, we bravely shouldered our responsibilities in "China Construction". 2018 saw an endless stream of triumphant news for the key projects designed, constructed and operated by the Company. We made a vital contribution to "improve the weak links" for infrastructure construction overall. The Hong Kong-Zhuhai-Macao Bridge,"the project of the century" that the Company participated in the construction of, was completed and put into service. The new Badaling Tunnel of the Beijing-Zhangjiakou High-speed Railway, a key project for the Olympic Winter Games undertaken by the Company, was also safely connected. The highways invested in, completed, managed and operated by the Company were nearly 1,000 kilometers long, and proved profitable. Railway plays

an important role in China's strong transportation system, and the Company, being the main force in railway construction industry, vigorously participated in the construction of multiple key projects such as the Shangqiu-Hefei-Hangzhou High-speed Railway and the Inner Mongolia-Jiangxi Railway, which are both smoothly progressing in construction. Projects including Harbin-Mudanjiang High-speed Railway, Hangzhou-Huangshan Railway and Huaihua-Shaoyang-Hengyang Railway were also put into service in succession. The planning and design for the Sichuan-Tibet Railway project, which has attracted worldwide attention, is progressing at an efficient pace. Infrastructure construction plays a key role in the Belt and Road Initiative. The Company continuously improved the global layout of business, pushed forward the resource allocation around the world and promoted the interconnections with surrounding countries. The projects for promoting interconnections with surrounding countries, for which the Company is the main force in construction, were carried out in an orderly manner, including China-Laos Railway, Jakarta-Bandung High-speed Railway and Bangladesh Padma Bridge. Focusing on improving the supply based on market demand, the Company focused on developing the urban construction market, and actively engaged in the construction of urban railway systems for many cities, such as Beijing, Shanghai, Guangzhou, Shenzhen, Singapore and Tel Aviv. We have completed the construction of numerous crisscrossing urban railway network and inter-city rail lines, such as the Guangzhou-Shenzhen-Hong Kong High-speed Railway and the Jinan-Qingdao High-speed Railway. The Company also extensively participated in the development and construction of municipal and house construction projects in many fields, such as urban complexes, ecological restoration and urban restoration, sponge city plans and environmental governance, with an aim to inject life and vitality into cities. We overcame all the challenges and barriers, with the conviction to impact the world and, with the spirit of "rolling up our sleeves to work harder", we earned the reputation of going on an infrastructure spree in our journey of forging ahead, and vigorously promoted China's high-speed railway in becoming the best case study of China's "going out" journey in expanding its global presence.

In 2018, we continued to vigorously drive the concept of "Made in China" while also carrying out integral shifts from "Made in China" to "Created in China", from "China's Speed" to "China's Quality" and from "Chinese Products" to "Chinese Brands". We developed and manufactured "the pillars of a great power" with the spirit of a great country's craftsman, and promoted green and smart manufacturing. Nowadays, China has a Shenzhou spaceship which can go to the outer space, a manned deep sea submersible Jiaolong that can dive underwater and a shield machine which can tunnel underground. We established the International Tunnel Boring Machine Innovation and Research Center and successfully built the STM "Spring Breeze" with a diameter of 15.80 meters. The shield machine achieved the largest production and sales volume in the world. High-speed railway turnouts, electric railway equipment, gantry crane equipment and tunnel boring equipment that are developed and manufactured by the Company have become an excellent demonstration of China's high-end equipment manufacturing industry.

CHAIRMAN'S REPORT

This year, we had numerous highlights under the designation of "Created in China". In 2018, we adhered to being innovation-driven, made great achievements in scientific and technical innovation, further improved our competitiveness and enhanced our development momentum. This year, we were granted the National Award for Science and Technology Progress for four scientific research achievements and one National Award for Technological Invention, and we were among the forefront of the industry in terms of the number of national awards granted. We had 1,888 new patents this year, representing a year-on-year growth of 56.7%. We focused on precise innovation, which was guided by research and development, and established six professional R&D centers for monorail transportation, interconnection for the Belt and Road Initiative, subgrade and foundation engineering, explosion safety, smart city and pneumatic trains. We also added two national-level technical centers, 15 provincial-level technical centers and one provincial-level key lab. We developed a TWM, the first domestically produced underground construction equipment with an independent IP, which broke the monopoly that developed countries held in this field. Our team fostered a number of outstanding role-models, with many senior, middle-aged and young employees becoming "reform pioneers", "models of state-owned enterprise" and "figures with the power to move China", such as Tan Guoshun, Dou Tiecheng, Ju Xiaolin and Wang Dujuan. We created unbelievable construction miracles, such as the completion of Longyan Railway Station's line transfer construction in only nine hours. The video recording of the construction went viral on social media platforms, with both domestic and overseas media remarking that "the scene was like a movie blockbuster". The level of high speed and efficiency that we achieved is changing the world's standard.

The reform, development and permanent existence of the Company could not be realized without all the employees who have a stake in our fate, or the shareholders who support us. In 2018, we paid more attention to the opinions and suggestions of our investors, and strived to apply the suggestions of the shareholders and creditors at home and abroad into our management, to improve our quality and efficiency. We attached more importance to improving the channels and ways for investors to participate in our corporate governance, optimized the cumulative voting system of the general meeting in the Articles of Association, and further increased the frequency of roadshows and reverse roadshows. We applied greater emphasis on responding to the concerns of our investors, earnestly protected the legal rights and interests of investors in our profit distribution, and further established an integrous image of an open, honest, transparent, accountable and international public company.

To win a raging race in the river rapids, one must row with perseverance and persistence. The realization of great dreams requires persistence and action. In 2019, we will remain true to our original aspirations and keep our mission firmly in mind, adhere to the new development philosophy, seize strategic opportunities, spare no efforts to fight the "three critical battles", further promote the reform in quality, efficiency and growth drivers, speed up our steps toward building a "domestic leading and world-class" company, strive to create new prospects for high-quality development, and provide satisfactory returns to our employees and shareholders through outstanding performance, in order to make great achievements in this new era.

Li Changjin
Chairman

Beijing, China
29 March 2019

I. Changes in Share Capital

1. Changes in Shares

(1) Changes in shares

During the reporting period, total number of shares and share capital of the Company remained unchanged.

(2) Explanation for the changes in shares

Not applicable

(3) Impacts of changes in share on the financial indicators of earnings per share, net assets per share for the most recent year and the most recent tranche

Not applicable

(4) Other contents that the Company deems necessary or required by the securities regulatory authority

Not applicable

2. Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Increase in the number of shares with selling restrictions during the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Date of releasing selling restrictions
CREC	308,880,308	308,880,308	0	0	Selling restrictions imposed by non-public issuance of A shares	2018-07-14
Total	**308,880,308**	**308,880,308**	**0**	**0**		

Note: On 11 July 2018, the Company published the "Announcement of China Railway Group Limited on the Listing and Trading of Shares with Selling Restrictions from Non-public Issuance". All the 308,880,308 non-publicly issued shares with selling restrictions of the Company held by CREC were listed for trading on 14 July 2018, and all the Company's shares have become tradable shares with no selling restrictions. On 14 July 2018, the Company published the "Announcement of China Railway Group Limited Regarding the Undertaking by the Controlling Shareholder Not to Reduce Its Holding of Shares with Selling Restrictions in the Company", pursuant to which CREC undertakes that it will not reduce its holding of the 308,880,308 non-publicly issued shares with selling restrictions it subscribed for in 2015 within 12 months from the date of listing and trading (i.e. from 16 July 2018 to 16 July 2019).

II. Information of Shareholders and Ultimate Controller

1. Number of Shareholders

The total number of shareholders of ordinary shares as at the end of the reporting period	630,078
The total number of shareholders of ordinary shares at the end of the month preceding the disclosure date of the annual report	635,514
The total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0
The total number of shareholders of preference shares with reinstated voting rights at the end of the month preceding the disclosure date of the annual report	0

2. Shareholdings of the Top Ten Shareholders and Top Ten Shareholders of Tradable Shares (or Shareholders without Selling Restrictions) as at the End of the Reporting Period

Unit: Shares

Shareholdings of the top ten shareholders								
No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of pledged or frozen shares: Condition of shares	Number of pledged or frozen shares: Number	Nature of shareholder
1	CREC	-841,847,418	11,582,936,890	50.70	0	Nil	0	State-owned
2	HKSCC Nominees Limited *(Note 1)*	1,818,487	4,008,595,236	17.55	0	Nil	0	Other
3	China Securities Finance Corporation Limited	-268,606,209	683,615,678	2.99	0	Nil	0	Other
4	Guoxin Investment Co., Ltd.	424,904,009	424,904,009	1.86	0	Nil	0	Other
5	China Merchants Bank Co., Ltd. – Bosera CSI Central SOE Structural Reform ETF	369,566,595	369,566,595	1.62	0	Nil	0	Other
6	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	0	278,500,643	1.22	0	Nil	0	Other
7	Central Huijin Asset Management Ltd.	0	235,455,300	1.03	0	Nil	0	Other
8	Beijing Chengtong Financial Control Investment Co., Ltd.	162,780,809	162,780,809	0.71	0	Nil	0	Other
9	The Hong Kong Securities Clearing Company Limited	95,829,600	158,877,848	0.70	0	Nil	0	Other
10	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other
10	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	43,802,500	131,135,600	0.57	0	Nil	0	Other

Statement on the related relations and concerted actions between the shareholders above	CREC, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.

Shareholdings of the top ten shareholders of shares without selling restrictions				
No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Number
1	CREC	11,418,542,890	RMB-denominated ordinary shares	11,418,542,890
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited *(Note 1)*	4,008,595,236	RMB-denominated ordinary shares	4,008,595,236
3	China Securities Finance Corporation Limited	683,615,678	RMB-denominated ordinary shares	683,615,678
4	Guoxin Investment Co., Ltd.	424,904,009	RMB-denominated ordinary shares	424,904,009
5	China Merchants Bank Co., Ltd. – Bosera CSI Central SOE Structural Reform ETF	369,566,595	RMB-denominated ordinary shares	369,566,595
6	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	278,500,643	RMB-denominated ordinary shares	278,500,643
7	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
8	Beijing Chengtong Financial Control Investment Co., Ltd.	162,780,809	RMB-denominated ordinary shares	162,780,809
9	The Hong Kong Securities Clearing Company Limited	158,877,848	RMB-denominated ordinary shares	158,877,848
10	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
10	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600

Statement on the related relations and concerted actions between the shareholders above	CREC, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.

Note 1: H shares held by HKSCC Nominees Limited are held on behalf of its various clients, and the number of H shares held by CREC is already deducted.

Note 2: The data shown in the table is based on the register of members of the Company as at 31 December 2018.

*Note 3: In July 2018, pursuant to the "Circular on the Gratuitous Transfer of Part of the Shares Held by China Railway Engineering Group Company Limited in China Railway Group Limited" issued by the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") (Guo Zi Chan Quan [2018] No. 407), CREC, the controlling shareholder of the Company, proposed to gratuitously transfer each 424,904,009 A shares of the Company held by it to Beijing Chengtong Financial Control Investment Co., Ltd. and Guoxin Investment Co., Ltd. Upon completion of the aforesaid gratuitous transfer, the total share capital of the Company will remain unchanged, among which, CREC will hold 11,574,976,290 shares of the Company, representing 50.67% of the total share capital of the Company. Each of Beijing Chengtong Financial Control Co., Ltd. and Guoxin Investment Co., Ltd will hold 424,904,009 A shares of the Company, representing 1.86% of the total share capital of the Company respectively. Recognising the Company's value and having confidence in the continuous and stable development of the Company in the future, CREC, the controlling shareholder of the Company, acquired additional 7,960,600 A shares of the Company through centralized price bidding in the Shanghai Stock Exchange in December 2018, representing 0.0427% of the total A share capital of the Company. Following the increase in shareholding, CREC held 11,582,936,890 shares in the Company, representing 50.70% of the total share capital of the Company.*

3. Shareholdings of Top Ten Shareholders of Shares with Selling Restrictions and Terms of Selling Restrictions

Not applicable

4. Strategic Investors or General Legal Persons Becoming the Top Ten Shareholders by Placing New Shares

Not applicable

III. Information on Controlling Shareholder and Ultimate Controller

1. Details of Controlling Shareholder

(1) Legal person

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

(2) Natural person

Not applicable

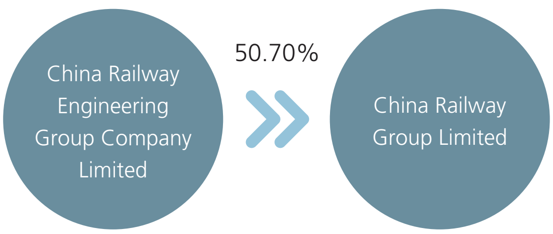
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

(5) The diagram of the interests and controlling relationships between the Company and the ultimate controller



2. Details of Ultimate Controller

(1) Legal person

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

(2) Natural person

Not applicable

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

Not applicable

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

Not applicable

(5) The diagram of the interests and controlling relationships between the Company and the ultimate controller

(6) Ultimate controller controlling the Company through trust or other asset management methods

Not applicable

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

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

V. Information on the Restrictions on Reduction of Shareholdings

Not applicable

BUSINESS OVERVIEW

ZHANG Zongyan
Executive Director, President and Deputy Secretary to the CPC Committee

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

I. Industry development overview

1. Infrastructure Construction Business

Domestically, in recent years, China's economic development has entered a new era and its economic operation has remained at a reasonable level, and showed a continuous trend of generally stable growth while making further progress. The State actively pushes forward major regional planning and new economic belt construction such as the Belt and Road Initiative, co-development of Beijing-Tianjin-Hebei, Yangtze River Economic Belt, Xiong'an New District, Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Zone, providing good development opportunities for the development of China's infrastructure construction industry. In 2018, the gross output value of the construction industry in China increased by 9.9% year-on-year and infrastructure investment increased by 3.8% over the previous year. The growth rate has slowed down compared with the same period of the previous year. However, since the second half of 2018, the State has taken the strengthening of areas of weakness in the infrastructure as an important measure to promote supply-side structural reform, consolidate economy's stable and positively progressing trend, improve employment, and enhance long-term comprehensive competitiveness of the State, focused on key areas of weakness in the field of infrastructure and maintained effective investment. **In respect of railways, highways and waterways**, the fixed asset investment in transport for the whole year amounted to approximately RMB3,100 billion. In particular, the fixed asset investment in railways amounted to RMB802.8 billion and the new railway operating mileage was 4,683 kilometers. The national railway operating mileage reached 131,000 kilometers (of which more than 29,000 kilometers were attributable to high-speed railway). The investment in highway and waterway construction amounted to RMB2,300 billion, with new highway mileage of approximately 86,000 kilometers (of which approximately 6,000 kilometers were new expressway mileage), making a total highway mileage of more than 4.86 million kilometers (of which approximately 142,000 kilometers were total expressway mileage) throughout the country. **In respect of urban rail transit**, with the continuous deepening of the supply-side structural reform of urban transportation, in 2018, 734.0 kilometers of new urban rail transit operating lines were realized for the whole year. As at the end of 2018, 35 cities were covered by operating urban rail transit lines, with an operating mileage of 5,766.6 kilometers and the mileage under construction exceeded 6,000 kilometers. In 2018, the operating mileage, passenger traffic, length of lines under construction, and length of planned lines of urban rail transit all reached record highs. Especially since the second half of last year, the State has accelerated the approval process for urban rail transit construction and planning, laying a foundation for the urban rail transit market to maintain a good development trend. China was ranked the top of the world in terms of the operating mileage of high speed railway, expressway and urban rail transit.

In recent years, with the continuous regulation and improvement of the PPP model by national policies, the PPP model has gradually entered a stage of stable and sustainable development. As at the end of 2018, 12,625 PPP projects were registered in the project database and reserve list of the National PPP Integrated Information Platform of the Ministry of Finance, covering 31 provinces (autonomous regions and municipalities directly under the Central Government) and the Xinjiang Construction Corps and 19 major social and economic fields with a total investment of RMB17,800 billion. Among them: there were 8,654 accumulated projects in the database with an investment of RMB13,200 billion and 3,971 projects in the reserve list with an investment of RMB4,600 billion. 4,691 projects in the database with a total investment of RMB7,200 billion were signed and put into implementation, translating into a project floor rate of 54.2% in the database.

Internationally, in recent years, joint efforts to pursue the Belt and Road Initiative are producing a pace-setting effect, cooperation mechanisms for countries along its routes are steadily improving, and the promotion of economic and trade cooperation as well as cultural and people-to-people exchanges are accelerated. The international large-channel projects such as China-Thailand Railway and Hungary-Serbia Railway have been steadily advanced, and China-Laos Railway and the Indonesian Jakarta-Bandung High-speed Railway have fully commenced construction. In 2018, the contract amount of new foreign contracting projects from countries along the Belt and Road contracted by enterprises in China was US$125.78 billion, representing 52.0% of the new contract amount of foreign contracting projects of China for the same period. The turnover completed was US$89.33 billion, representing 52.8% of the total turnover of completed foreign contracting projects of China during the same period.

2. Survey, Design and Consulting Services Business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business is integral to project construction as it offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. The huge development space of China’s infrastructure construction provides good development opportunities for the survey, design and consulting services industry. In 2018, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development issued the Guiding Opinions on Promoting the Development of Engineering Consulting Services in the Whole Process, which proposed that engineering consulting in the whole process in the construction industry will be vigorously promoted, and the engineering consulting market will be continuously optimized. This will accelerate the integration of domestic construction models with international construction management services. At the same time, the survey, design and consulting services business is also facing new challenges, mainly reflected in the continuously intensified inter-industry and cross-industry competition with the acceleration in marketization and the development of internet technology. In the future, industry competition will, to a large extent, focus on the entire industry chain competition. Therefore, enterprises of survey, design and consulting services should consider the industry as a whole and continuously improve their capabilities of providing services throughout the entire construction lifecycle as well as cooperating and collaborating effectively with the other enterprises. In the future, with the steady implementation of national infrastructure construction and the deepening of the development concept of “innovative, coordinative, green, open and sharing”, the survey, design and consulting service industry will maintain a sustained, healthy and rapid development trend, and the market will also impose higher requirements on the enterprises in terms of various aspects including innovation capability, technical know-how, quality standard, business scope and service pricing.

3. Engineering Equipment and Component Manufacturing Business

The State Council issued a series of industrial plans including Made in China 2025 and 13th Five-Year Plan for the Development of National Strategic Emerging Industries, which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. During the period of the "13th Five-Year Plan", China's fixed asset investment in railways will stay at a high level, and there is still much room for highways, urban rail transit, irrigation works and underground development. In addition, with the in-depth promotion of joint pursuit of the Belt and Road Initiative, the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow. In terms of policies, the release of the Action Plan for Promoting the Production and Application of Green Building Materials and the Guiding Opinions on Vigorously Developing Prefabricated Construction has provided strong policy support for the development of the steel structure industry. With the increasing application of steel structure products with the characteristics of "green, environmental friendly and circular economy" such as municipal bridge steel structure and high-rise building steel structure, the market demand for steel structure will further expand. However, the intensified competition in the industry has brought about some new changes in the market environment. To a certain extent, it has brought uncertain effects on the demand for tunnel construction equipment, turnout products for urban rail transit and electric equipment products in the future. In 2018, the added value of large-scale industries recorded a year-on-year increase of 6.2%, in which the high-tech manufacturing industry increased by 11.7% and the equipment manufacturing industry increased by 8.1%.

4. Property Development Business

In 2018, the main keynote of real estate control policy was still that "houses are built to be inhabited, not for speculation". Governments at all levels insisted on implementing policies according to different cities and locations, tailored their control measures to different categories of real estate market, introduced targeted control measures, and vigorously rectified and regulated the market order. The real estate market maintained a stable operation, the rapid rise in housing prices in hot cities was curbed, and positive changes took place in market expectation. In 2018, the investment in property development in China was RMB12,026.4 billion, representing a year-on-year increase of 9.5%. In particular, the investment in residential housing amounted to RMB8,519.2 billion, representing a year-on-year increase of 13.4%. The investment in office buildings amounted to RMB599.6 billion, representing a year-on-year decrease of 11.3%. The investment in commercial housing amounted to RMB1,417.7 billion, representing a year-on-year decrease of 9.4%. The sales area of commodity housing was 1,716.54 million square meters, representing a year-on-year increase of 1.3%. In particular, the sales area of residential housing increased by 2.2% year-on-year, the sales area of office buildings decreased by 8.3% year-on-year and the sales area of commercial housing decreased by 6.8% year-on-year. The area for sale of commercial housing was 524.14 million square meters, representing a year-on-year decrease of 65.1 million square meters. The sales amount of commercial housing was RMB14,997.3 billion, representing a year-on-year increase of 12.2%. In particular, the sales amount of residential housing increased by 14.7% year-on-year, the sales amount of office buildings decreased by 2.6% year-on-year and the sales amount of commercial housing increased by 0.7% year-on-year. The construction of 6.26 million houses under the national housing renovation of shantytowns commenced and 5.11 million houses were basically completed.

II. Business Development Overview

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

In 2018, the value of new contracts of the Group was RMB1,692.16 billion, representing a year-on-year increase of 8.7%, among which, the value of new contracts of domestic business was RMB1,587.26 billion, representing a year-on-year increase of 8.2%; the value of new contracts of overseas business was RMB104.90 billion, representing a year-on-year increase of 15.9%. Among which, the value of new contracts signed by the Group in the countries along the Belt and Road increased by 33% as compared with the last year to RMB72.06 billion. As at the end of the 2018, the value of contract backlog of the Group increased by 12.8% as compared with the end of 2017 to RMB2,901.92 billion. Details of the value of new contracts and the value of contract backlog of the Group are set out as below:

1. Infrastructure Construction Business

In 2018, the value of the Group's new contracts of infrastructure construction business was RMB1,434.63 billion, representing a year-on-year increase of 5.9%. As at the end of 2018, the value of the Group's contract backlog of infrastructure construction business was RMB2,686.49 billion, representing an increase of 24.6% from the end of 2017. **From a business area perspective:** ① **In respect of railway construction business,** the value of new contracts amounted to RMB254.08 billion, representing a year-on-year increase of 4.8% and the value of contract backlog amounted to RMB557.87 billion, representing a year-on-year increase of 1.7%. The market share in terms of the medium and large-sized railways construction in China reached 58.4% in 2018, and continued to be the first in China. During the year, the Group completed track laying of 7,085 kilometers of main railway line (new tracks and double tracks) and 6,686 kilometers of the line of the electrified railway network in total. ② **In respect of highway construction business,** the value of new contracts amounted to RMB301.63 billion in 2018, representing a year-on-year decrease of 11.0% and the value of contract backlog amounted to RMB514.71 billion, representing a year-on-year increase of 27.1%, primarily attributable to the year-on-year decrease in the highway construction orders obtained by the Group under the investment models (PPP, BOT, etc.). In the whole year, the Group completed 2,553 kilometers of highway construction in total, of which 1,304 kilometers were expressway. ③ **In respect of municipal works and other businesses,** with the further development of new urbanization construction and multiple regional planning, the Group increased the development of urban construction market. The value of new contracts of municipal works and other businesses was RMB878.92 billion, representing a year-on-year increase of 13.6% and the value of contract backlog amounted to RMB1,613.91 billion, representing a year-on-year increase of 33.9%. In particular, the value of new contracts of housing construction business was RMB248.9 billion, representing a year-on-year increase of 42% and the value of new contracts of urban rail transit business was RMB236.40 billion, representing a year-on-year decrease of 17%, mainly due to the year-on-year decrease in the total amount of bids for the national urban rail transit projects and the urban rail transit engineering orders obtained by the Group under the investment models in 2018. In the whole year, the Group participated in the construction of urban light rail and metro lines, among which, civil engineering and laying works accounted for 329 kilometers and 531 kilometers, respectively. **From a business model perspective:** In the whole year, the value of new contracts for infrastructure construction acquired by the Group through construction contracting model was RMB1,104.93 billion, representing a year-on-year increase of 12.3%. The value of new contracts for infrastructure projects obtained through investment models was RMB329.7 billion, representing a year-on-year decrease of 11.2%, mainly due to the fact that the Group has actively reduced the acquisition of infrastructure investment projects due to the regulation and cleanup of the PPP projects nationwide, the New Regulations for Asset Management and the implementation of the policy of deleveraging to mitigate risk.

During the reporting period, the key projects under construction and investment projects undertaken by the Group or in whose construction it participated have been smoothly promoted. The "project of the century", Hong Kong-Zhuhai-Macao Bridge, that the Group participated in the construction of, was officially put into service. The Badaling Tunnel of Beijing-Zhangjiakou High-speed Rail, a key project for Olympic Winter Games undertaken by the Group was safely connected. A number of key projects such as Addis Ababa–Djibouti Railway, Guangzhou-Shenzhen High-speed Railway, Jinan-Qingdao High-speed Railway and Huaihua-Shaoyang-Hengyang Railway were successfully completed or opened for operation. The construction of key projects under construction such as Shangqiu-Hefei-Hangzhou High-speed Railway, Inner Mongolia-Jiangxi Railway, Beijing Subway, Guangzhou Subway, China-Laos Railway, Jakarta-Bandung High-speed Railway and Bangladesh Padma Bridge were carried out in an orderly manner. Projects such as Egypt 10th of Ramadan City and Bangladesh Padma Bridge Rail Link which were undertaken in EPC mode have been put into full implementation with financing.

As one of the largest construction contractors in the world, the Group has always been a leader in China's infrastructure construction industry. It has the only National Key Laboratory of High Speed Railway Construction Technology, National Key Laboratory of Bridge Structural Stability and Safety and National Key Laboratory of Shield Tunneling and Drilling Technology in China. It is the largest construction group in the fields of railway infrastructure and urban rail transit infrastructure, and has always been in the leading position in China's infrastructure construction industry. At the same time, the Group is one of the major infrastructure construction forces in the construction of the Belt and Road Initiative. It is the main contractor of the representative projects in the Belt and Road Initiative including China-Laos Railway and the Indonesian Jakarta-Bandung High-speed Railway. In the domestic market, the Group's share in the railway's large and medium-sized infrastructure market has remained above 45%, its share in the urban rail transit infrastructure market is over 40%, and its share in the expressway infrastructure market is over 10%.

2. Survey, Design and Consulting Services Business

In 2018, the value of new contracts of the Group's survey, design and consulting services business was RMB22.11 billion, representing a year-on-year increase of 1.9%. In particular, the survey and design business in railway and urban rail transit accounted for a relatively large proportion. As at the end of 2018, the Group's value of contract backlog of survey, design and consulting services business was RMB41.35 billion, representing an increase of 18.9% from the end of 2017. In 2018, the survey and design work of Sichuan-Tibet Railway in which the Group participated and which has attracted worldwide attention, has been progressing at an efficient pace. The construction of Padma Bridge railway connecting line project in Bangladesh, whose survey and design work was undertaken by the Group, was commenced. The Hong Kong-Zhuhai-Macau Bridge, the world's longest cross-sea bridge whose design and construction were undertaken by the Group, was formally put into service.

As a backbone enterprise in China's survey, design and consulting services industry, the Group has played an important leading and dominant role in the field of engineering construction, especially in assisting in the formulation of railway industry standards for construction specifications and quality acceptance. In 2018, the Group ranked 16th among the 150 largest design companies in the world in ENR, up 9 places from the previous year.

3. Engineering Equipment and Component Manufacturing Business

In 2018, the value of new contracts of the engineering equipment and component manufacturing business of the Group was RMB36.8 billion, representing a year-on-year increase of 12.6%. The Group is a leader in the manufacture of special construction equipment for railways, highways, rail transit and other fields. As at the end of 2018, the Group's value of contract backlog of engineering equipment and component manufacturing business was RMB40.08 billion, representing an increase of 16.0% from the end of 2017. The Group occupied more than 60% of the large bridge steel structure and high-speed turnout markets in China. As Asia's largest and the world's second largest shield developer and manufacturer, the Group greatly improved its production and operation capacity and scale in shields, and equipped itself with an annual production capacity of 280 units of shields. In 2018, 160 units of shields/TBM were sold, 87 units of shields were remanufactured and 160 units of shields/TBM were manufactured. Meanwhile, while continuing to consolidate the domestic shield market, the Group stepped further into the international market, selling its shield products to 18 countries and regions including Singapore, Lebanon, United Arab Emirates, Italy and Qatar.

The Group has a leading position in the field of high-end equipment manufacturing related to transportation infrastructure such as railways, highways, urban rail transit and underground engineering in the country and even the world. The Group is currently the world's largest manufacturer of turnouts and bridge steel structures. It is China's largest and the world's second largest shield developer and manufacturer and China's largest manufacturer of special construction equipment for railways. In the domestic market, the Group's market share of high-speed turnout (above 250 km/h) business with high technical requirements is approximately 65%, and its market share in heavy-haul turnout market is over 50%. In the urban rail transit business, the market share of turnout is over 60%. The market share in the market of large steel structure bridge is over 60%. The market share in terms of the sales of shield is approximately 40%.

4. Property Development Business

In 2018, the Group had a total of 187 secondary property development projects located in 50 cities including Beijing, Shanghai, Guangzhou and Shenzhen. During the reporting period, the Group's property development business achieved a sales amount of RMB53.03 billion, representing a year-on-year increase of 47.1%, and its sales area was 4.32 million square meters, representing a year-on-year increase of 27.2%. The area that has commenced construction was 4.97 million square meters, representing a year-on-year increase of 29.1%; the area that has completed construction was 4.15 million square meters, representing a year-on-year increase of 64.7%; and the newly acquired land reserve was 4.4276 million square meters, up 3.7 times as compared to the corresponding period last year. As at the end of 2018, the Group's property projects under construction covered an area of 39.452 million square meters, and the land reserve area to be developed was 15.05 million square meters.

The Group is one of 16 central enterprises that the SASAC has identified as taking the real estate development as the main business. The Group's real estate development business strictly adhere to the national real estate policy. Oriented by market demand, it focused on innovation and upgrading of traditional commercial activities, and at the same time strengthened research and exploration of new real estate business models such as real estate for old-age care and health preserving, real estate for cultural tourism and characteristic towns to explore new business development space and new profit growth points.

5. Other Businesses

In 2018, mining development projects such as Luming Molybdenum Mine in Yichun, Heilongjiang controlled by the Group and Sicomines Copper-Cobalt Mine in which the Group invested have been operating smoothly, and the mining development business has entered a stage of steady development. The overall operation of the investment and operation projects for expressways and sewage treatment plants of the Group remained satisfactory. The merchandise trading business focused on the Group's internal centralized procurement and conducted stable external operations. Owing to an increase in market demand, the finance business grew at a high speed. By further consolidating internal resources, the Group solidly promoted the integration of industry and finance, created innovative investment and financing models and set up an industry-chain financial service system, which in turn helped to boost the development of its principal operations.

III. Scientific Research Investment and Technological Achievements

In 2018, following the State's guidance on technological development of "achieving innovation and focusing breakthroughs to support development and lead the future", by vigorously implementing the strategy of development through technology, the Group applied a lot of new technologies, new techniques, new materials and new equipment in project construction, which led to a further improvement in excellent rate of the quality of our projects and products. The innovation capability of the Group was further enhanced.

In 2018, to meet the actual needs for development and project construction, the Group had 1,293 new scientific research topics. Based on key projects including Yuxi-Mohan Railway, Chongqing-Kunming High-speed Railway, Yinchuan-Xi'an Railway, Zhengzhou Yellow River Grand Bridge, Chibi Yangtze River Highway Bridge, Shenzhen Chunfeng Tunnel, Jiaozhou Bay Undersea Tunnel, South Tianshan Mountain Extra-long Tunnel, Guangzhou Metro, Dalian Metro, Xuzhou Maglev Rail Transit Demonstration Line, Rail Transit Line 1 in Wuhu City, and Haikou Underground Utility Tunnels, these topics focused on studying key technologies for the research and construction of multifunctional STM, key technologies for mid- and high-speed maglev transport projects, comprehensive technologies for pneumatic light rail, key technologies for construction of extra-large-diameter shield-structured equipment under complicated urban environment, key technologies for straddle-type monorail, and key technologies for urban comprehensive underground pipe gallery and sponge city. The Group developed and manufactured the first domestically produced extra-large-tonnage bridge construction equipment with TWM and 1,300-ton box girder span for carrying and lifting.

In 2018, the Group won four National Advanced Science and Technology Prizes, one Technological Invention Award, 12 Zhan Tianyou Civil Engineering Prizes and 328 Provincial Technological Achievement Awards. The Group was granted 1,888 patents, 389 of which were invention patents. Four patents including "construction method for steel truss beam by continuously dragging it in a longitudinal way at multiple points (鋼桁梁縱向多點連續拖拉施工方法)", "a kind of method and equipment for borehole grouting and effectively stopping grouting (一種孔內注漿並有效止漿的方法及裝置)", "a kind of viscous damping method and damper via multistage valve in series and parallel connection (一種串並聯多級閥粘滯阻尼方法及阻尼器)", "rail charging system for super-capacitor tram (超級電容有軌電車充電軌系統)" were awarded the Outstanding Award at the 20th China Patent Awards. The Group had 377 provincial-level engineering methods. In 2018, the Group newly obtained 2 national enterprise technical centers, 15 provincial technical centers and six professional R&D centers namely interconnected research center for the Belt and Road Initiative, research center for Chinese monorail transport development, R&D center for subgrade and foundation engineering technology, R&D center for safe blasting technology, R&D center for smart city, and R&D center for pneumatic train. A total of 10 projects won the first batch of titles for China Railway's Green Construction Scientific and Technological Demonstration Projects, and 72 projects won the titles of China Railway's Standardized Construction Sites of Energy Saving and Emission Reduction. The enterprise standards namely Green Construction Specifications and Evaluation Standards were officially issued.

IV. Establishment and Implementation of Safety and Quality System

In 2018, the Group conscientiously implemented and complied with the standards of the quality management system, environmental management system, occupational health and safety management system (international quality management system: ISO 9001:2015; national quality management systems: GB/T 19001-2016/ ISO 9001:2015 and GB/T 50430-2007; international environmental management system: ISO 14001:2015; international environmental management system: GB/T 24001-2016/ISO 14001:2016; international occupational health and safety management system: GB/T 28001-2011/OHSAS 18001:2007). It also strictly implemented the domestic and international industrial standards and continuously improved its internal quality assurance system to make sure that its system and rules (including the Measures for Supervision on and Management of Construction Quality) are effectively compatible with those currently in force in relation to construction quality control, quality assurance and management, quality accident handling, and accountability for accidents, and that the management process is in an orderly and controllable condition, thus providing a solid foundation for the highly effective operation of the Group's quality management system. During the year, 13 projects of the Group won the Luban Prize, 51 projects won the National Outstanding Quality Project Award and 10 projects entered the list of national construction sites for safe construction and standardized production. The brand reputation of the construction quality of the Group was further enhanced.

V. Implementation of Environmental Protection Measures

In 2018, the Group actively carried out energy saving and emission reduction work, fully implemented China Railway's "13th Five-Year" energy saving and emission reduction plan, vigorously carried out standardized site construction of energy saving and emission reduction, promoted the application of new technologies, new processes and new equipment to improve energy efficiency while strictly controlling pollutant emissions, increased technological transformation and elimination of backward equipment, reduced emissions of waste gas and sewage, and made full use of waste residues and other waste. The Company revised and issued Selection Measures for China Railway's Green Construction Scientific and Technological Demonstration Project together with Selection and Management Measures for China Railway's Energy-saving and Low-carbon Technology. In 2018, the Group had neither environmental liability accident nor material illegal event on energy saving and emission reduction, and its pollutant emission reached both relevant national and local emission standards.

A total of 10 projects of the Group were recognised as the first batch of China Railway's Green Construction Scientific and Technological Demonstration Projects, and 72 projects were recognised as the China Railway's Standardized Construction Sites of Energy Saving and Emission Reduction. In 2018, China Railway further stepped up its efforts in the research and development of key technologies relating to energy saving and carbon emission reduction, launching more than 20 research subjects on energy saving, emission reduction and green environmental protection technologies, involving more than RMB500 million in research funding, and 37 technologies were recognised as the China Railway's Key Technologies in Energy Saving and Carbon Emission Reduction. The enterprise standards namely Green Construction Specifications and Evaluation Standards for Bridge Engineering were officially released, while the formulation of green construction specifications and evaluation standards for tunnels, underground engineering, railway engineering, highway engineering and urban rail transit engineering is being carried out and progressing smoothly. The Group also participated in the study on the development of the evaluation index system of green construction organised by China Association of Construction Enterprise Management.

The Group fulfilled its enterprise environmental protection responsibilities according to laws and regulations. In accordance with Environmental Protection Law of the People's Republic of China, Administrative Regulations on Environmental Protection of Construction Project and other related environmental protection laws and regulations, rules and systems as well as technical specifications, it released the details of key points and implementation requirements of environmental protection, and established enterprise environmental protection management system. In 2018, in order to fully implement the requirements for winning the pollution prevention and control battle, under the supervision and administration of national and local environmental protection authorities, the Group implemented a management model of unified leadership of a joint-stock company and responsibility undertaking at all levels of subsidiaries and branches, taking the road of cleaner production and sustainable development. In addition, it actively introduced ISO14001:2004 environmental management system standards to ensure that the environmental protection was orderly and controllable. The Company insisted on conducting environmental impact evaluation according to law and fulfilling environmental approval procedures. Its environmental protection projects must be included in the overall project construction design to ensure that the pollution prevention and control facilities of the relevant infrastructure and technological renovation projects are designed, constructed and put into operation simultaneously with the main project. In order to ensure the normal operation of pollution discharge and treatment facilities of various sources of pollution in the production and living areas, the Company continued to strengthen the control management on discharge of waste water (liquid), waste (smoke) gas, dust, noise (vibration), solid waste (fragments) and radioactive hazards, setting goals, developing measures and implementing responsibilities to ensure up-to-standard discharge. For the temporary land involved in the construction process, the Company strictly prepared land use and reclamation plans, with special attention to the environmental protection in densely populated areas, water source conservation areas, scenic areas, nature reserves and national key protected monuments. In addition, it carried out reclamation in accordance with the provisions after completion of the project to maximize the repair and use of the environment. For materials prone to dust in the workplace, the Company took dust-proof measures such as fencing and covering. The construction sewage and mud must be discharged after being precipitated in three sedimentation tanks and must be cleaned regularly by specially-assigned person so as to actively build a green construction site. It improved the recycle rate of industrial water, reduced water consumption per unit of product, and saved water resources.

In 2018, the Group actively implemented the green development philosophy of "Lucid waters and lush mountains are invaluable assets", and adhered to both resources conservation and environment protection so as to strive to build "environment-friendly and resource-saving" projects. In the early stage of project construction, the Company always organized professional institutions to evaluate the ecological environmental protection, made practical and effective protection program, especially focusing on construction site whose ecology is vulnerable, and planned and implemented the ecological environment and project construction simultaneously. Moreover, it carried out works such as conservation of water and soil, biodiversity protection, vegetation protection etc. In the construction process, the Company paid attention to the investment in ecological protection, applied environmental protection equipment, improved ecological construction process and optimized construction program, thus reducing the impact on water, air, vegetation and organism. No ecological destruction event occurred throughout the year.

VI. Compliance with Laws and Regulations

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

VII. Maintenance of Relationship with Stakeholders

The Group always maintains a cooperation relationship of harmony, mutual trust and mutual benefit with its stakeholders, insists on putting itself in the shoes of the stakeholders to consider issues and proactively responds to the important issues of the stakeholders' concern. The Group has in place a smooth, standardized and distinctive communication system with the stakeholders, and strives to achieve mutual, harmonious and win-win development with the stakeholders.

VIII. Prospects

In respect of the domestic infrastructure market, in recent years, the State has actively supported the construction of the Belt and Road Initiative, and pushed forward major regional planning and new economic belt construction such as the co-development of Beijing-Tianjin-Hebei, development of Yangtze River Economic Belt, construction of Xiong'an New District and Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Zone. The State has initiated the construction of a number of fundamental material projects, providing new growth points and development opportunities for the infrastructure market. At the same time, considering China's huge population base, vast land area and the need to improve its comprehensive economic strength, China still has a lot of room for infrastructure construction compared with developed countries. In particular, in October 2018, the General Office of the State Council issued the Guiding Opinions on Maintaining the Efforts to Strengthen Areas of Weakness in the Infrastructure Sector, which made it clear to center on winning the tough battles in relation to precision poverty elimination and pollution prevention, improve areas of weakness in sectors such as railways, highways, water transport, airports, irrigation works, energy, agriculture and rural areas, ecological environment protection, public services, urban and rural infrastructure, shantytown renovation and accelerate the promotion of major projects that have been included in the plan to further point out the direction for the development of China's construction industry.

From the perspective of construction market segment closely related to the Company's business, **in respect of urban infrastructure construction**, the continuous promotion of new urbanization, high-quality development of urban agglomeration, affordable housing projects, shantytown renovation, urban renewal and transformation, and cyclical changes in the real estate market will bring opportunities for the development of the municipal construction and housing construction market. Urban rail transit is still the focus of the development of urban public transport. In particular, since the National Development and Reform Commission resumed the approval of urban rail transit projects in August 2018, urban rail transit projects in Suzhou, Chongqing, Shanghai, Shenyang and other cities were approved. It is expected that in 2019, rail transit will usher in a new round of construction boom. In 2019, the construction of the comprehensive utility tunnels will be carried out in an orderly and smooth manner. The length of new construction will reach more than 2,000 kilometers. In 2020, the comprehensive construction rate of comprehensive utility tunnels for roads in cities in China will strive to reach 2%, the construction rate of comprehensive utility tunnels for new roads in urban new districts will reach 30% and the trunk lines and branch lines of underground comprehensive utility tunnels constructed will be more than 8,000 kilometers long. In 2020, more than 20% of the 658 urban built-up areas in China need to meet the requirements of sponge city construction. **In respect of railways**, in 2019, the planned national fixed asset investment in railways will be RMB800 billion and will maintain its intensity and scale to ensure a new railway operating mileage of 6,800 kilometers (including 3,200 kilometers of high-speed railway). The design of national key project Sichuan-Tibet Railway will be completed at the end of the second quarter and it will meet the conditions for commencement of construction at the end of the third quarter. With the gradual landing of the policy of strengthening of areas of weakness in the infrastructure in 2019 and the planning goal of the new railway of 25,000 kilometers during the "14th Five-Year Plan" period, it is expected that the tender volume of the railway market will increase in 2019. **In respect of highways**, the State will continue to promote the implementation of the National Highway Network Plan (2013-2030) in a rational and orderly manner, continue to improve the layout of the high-speed road network, and accelerate the construction of national highway network consisting of 7 capital radiations, 11 north-south vertical lines and 18 east-west horizontal lines. In 2019, the planned investment in highways and waterways will be RMB1.8 trillion, and the length of newly rebuilt rural roads will be 200,000 kilometers, focusing on strengthening the expansion and reconstruction of congested sections of main roads of national highways, and comprehensively improving the channel's service capacity. In addition, in 2019, a number of major irrigation works will be started nationwide, the investment in infrastructure such as inter-city transportation, logistics, municipal works, disaster prevention, civil and general aviation will be increased, and the construction of a new generation of information infrastructure will be strengthened.

In addition, the Report on the Work of the Government clarifies that in 2019, China will pursue a proactive fiscal policy with greater intensity and enhance its performance, and the prudent monetary policy will be eased or tightened to the right degree. In terms of funds, the State will increase financial support for projects under construction and major projects for the strengthening of areas of weakness, and reasonably guarantee the Group's normal financing needs on the financing platform. At the same time, the State will implement large-scale tax reduction and fee reduction. The Report on the Work of the Government has confirmed that the VAT rate for construction industry will be reduced from 10% to 9%, and the VAT rate for manufacturing industry will be reduced from 16% to 13%. In addition, the share borne by employers for basic pension insurance will be lowered. The above policies will create a good environment for improving the efficiency and development quality of construction enterprises.

In respect of the international infrastructure market, as the global economy enters a stage of intensified adjustment, infrastructure investment and construction have become the keys to driving economic recovery and realizing economic growth for different countries. With the progression of the Belt and Road Initiative and the international cooperation on production capacity promoted by China, different countries have quickened their steps in mutual cooperation and development, and their investments in infrastructure have been increasing. In particular, most of the 65 countries along the Belt and Road Initiative are developing countries with poor infrastructure and huge demand for infrastructure construction. This will definitely lead to continuous increase in the demand for infrastructure construction and create new development opportunities for the world's construction industry. According to the latest study conducted by the Development Research Center of the State Council, the funding needed for infrastructure development in countries along the Belt and Road Initiative will exceed US$10.6 trillion from 2016 to 2020. At the same time, in view of the needs to upgrade and renew the infrastructure, the developed countries in Europe and the Americas have also rolled out large-scale infrastructure renovation and construction plans. All in all, the future prospect of global infrastructure investment and construction is promising. In 2019, China will adhere to the principle of pursuing shared growth through discussion and collaboration and observe market principles and international rules. China will see the function of enterprises as the main actors, advance infrastructural connectivity, strengthen international cooperation on production capacity, and expand third-party market cooperation to promote the joint pursuit of the Belt and Road Initiative. The holding of the second Belt and Road Forum for International Cooperation will effectively promote the construction of the Belt and Road Initiative and the healthy and orderly growth of outbound investment and international cooperation.

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

IX. Operation Plan

In 2019, the Group plans to achieve total revenue of approximately RMB750 billion, costs of operation of approximately RMB674.6 billion, and four expenses of approximately RMB43.48 billion. It is estimated that the new contracts to be entered into will amount to approximately RMB1,800 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

I. Overview

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

In the year of 2018, the Group achieved revenue of RMB740.383 billion, representing a year-on-year increase of 7.5%. Profit for the year increased by 22.8% year-on-year to RMB17.436 billion while profit for the year attributable to owners of the Company increased by 7.0% year-on-year to RMB17.198 billion.

A comparison of the financial results for 2018 and 2017 is set forth below.

II. Consolidated Results of Operations

Revenue

In 2018, the Group's total revenue increased year-on-year by 7.5% to RMB740.383 billion. It was mainly due to the increase in revenue from infrastructure construction and property development business.

Cost of Sales and Gross Profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2018, the Group's cost of sales recorded a year-on-year increase of 6.8% to RMB668.725 billion while gross profit of the Group increased year-on-year by 14.2% to RMB71.658 billion. The overall gross profit margin for 2018 was 9.7%, representing an increase of 0.6 percentage point as compared to 9.1% in 2017, which was mainly attributable to the increase in gross profit margin of the infrastructure construction business.

Other Income

The Group's other income primarily consists of dividend income and subsidies from government. In 2018, the Group's other income was RMB2.379 billion, decreased by 15.6% from RMB2.819 billion of last year. The decrease of other income was primarily due to the decrease in revenue from other sundry operations.

Other Expenses

The Group's other expenses primarily includes expenditures on research and development. In 2018, other expenses increased by 21.0% from RMB11.103 billion of last year to RMB13.436 billion, mainly due to the fact that the Group continuously improved its technological innovation through research and development.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's net impairment loss on financial assets and contract assets mainly includes impairment loss on trade and other receivables, other financial assets at amortised cost and contract assets. In 2018, the Group's net impairment loss on financial assets and contract assets was RMB7.484 billion, which mainly comprised of impairment loss on trade and other receivables of RMB5.765 billion and on other financial assets at amortised cost of RMB1.274 billion.

Other Gains and Losses, Net

The Group's other gains and losses mainly include gains/losses on disposal/write-off of financial assets/liabilities, joint ventures, associates and subsidiaries, foreign exchange gains/losses, impairment loss on property, plant and equipment and other assets and changes in the fair value of financial assets through profit and loss. The other gains of RMB1.034 billion in 2018 (2017: Other losses of RMB9.480 billion) primarily included gains on disposal/write-off of subsidiaries of RMB0.747 billion (2017: Gain of RMB0.112 billion) and gains on disposal of financial assets/liabilities of RMB0.325 billion (2017: Nil).

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2018, the Group's selling and marketing expenses amounted to RMB3.537 billion, representing a year-on-year increase of 24.0%. Such increase was mainly due to the continuous strengthening in marketing effort for further implementation of regional and multi-dimensional operation as well as the increase in sales effort for property development projects and industrial products. The selling and marketing expenses as a percentage of the total revenue for 2018 was 0.5%, increased by 0.1 percentage point as compared to 0.4% for 2017.

Administrative Expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2018, the Group's administrative expenses increased year-on-year by 8.9% to RMB21.901 billion. Such increase was mainly due to the normal increase in salaries with profitability. Administrative expenses as a percentage of revenue for 2018 was 3.0%, increased by 0.1 percentage point as compared to 2.9% for 2017.

Finance Costs, Net

In 2018, the Group's net finance costs (finance costs less finance income) amounted to RMB5.384 billion, representing an increase of 99.6% from 2017. It was mainly due to (1) the decrease in imputed interest income as a result of the non-recognition of imputed interest income from retention receivables under the new standard on revenue, (2) increase in discount from the launch of certain asset securitization business and (3) increase in interest expenses brought by the increase in interest-bearing liabilities.

Profit Before Tax

As a result of the foregoing factors, the profit before tax for 2018 increased by RMB4.117 billion, or 19.8% to RMB24.945 billion from RMB20.828 billion for 2017.

Income Tax Expense

In 2018, the Group's income tax expense increased year-on-year by 13.4% to RMB7.509 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group decreased by 4.5 percentage points from 25.6% for 2017 to 21.1% for 2018. Such decrease was mainly due to (1) the increase in profitability of subsidiaries by improving business operation quality and efficiency, alleviating the unbalanced profit and loss situation among subsidiaries and (2) further entitlement on various preferential income tax treatments.

Profit for the Year Attributable to Owners of the Company

In 2018, profit for the year attributable to owners of the Company increased by 7.0% to RMB17.198 billion from RMB16.067 billion for 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2018 are set forth in the table below.

Business Segment	Revenue	Growth Rate	Profit Before Tax	Growth Rate	Profit Before Tax Margin[1]	Revenue as a Percentage of Total	Profit Before Tax as a Percentage of Total
	RMB million	*(%)*	*RMB million*	*(%)*	*(%)*	*(%)*	*(%)*
Infrastructure Construction	646,914	5.9	17,111	(12.3)	2.6	81.4	67.0
Survey, Design and Consulting	15,095	9.7	1,536	(1.8)	10.2	1.9	6.0
Engineering Equipment and Component Manufacturing	20,787	12.2	1,532	(0.1)	7.4	2.6	6.0
Property Development	43,991	42.1	4,603	41.4	10.5	5.6	18.0
Other Businesses	67,730	27.6	755	Loss turned into profit	1.1	8.5	3.0
Inter-segment Elimination and Adjustments	(54,134)		(592)				
Total	**740,383**	**7.5**	**24,945**	**19.8**	**3.4**	**100.0**	**100.0**

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

Infrastructure Construction Business

Revenue from the Group's infrastructure construction business is mainly derived from construction of railway, highway, municipal works and other constructions. Revenue from the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2018, the revenue from the infrastructure construction business accounted for 81.4% of the total revenue of the Group (2017: 84.0%). Benefiting from the increase of investment in domestic infrastructure construction market, the Group's revenue from highways and municipal works were significantly increased. In 2018, the Group's revenue from infrastructure construction business increased by 5.9% year-on-year to RMB646.914 billion. Gross profit margin and profit before tax margin of the infrastructure construction business for 2018 was 7.0% and 2.6% respectively (2017: 6.7% and 3.2% respectively). The increase in gross profit margin was mainly due to ① further enhancement on the structure of infrastructure construction business. ② higher gross profit margin for investment-driven infrastructure construction projects. ③ better economies of scale brought by further improvement in centralization for procurement of raw materials and equipment. The decrease in profit before tax margin was mainly due to the increase in research and development expenditures, administrative expenses and impairment loss on financial assets and contract assets.

Survey, Design and Consulting Services Business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and supervision services for infrastructure construction projects. In 2018, benefiting from the stable growth of investment in domestic infrastructure construction market and deepened co-implementation of Belt and Road Initiative, segment revenue of survey, design and consulting services business recorded RMB15.095 billion, representing a year-on-year increase of 9.7%. Gross profit margin and profit before tax margin for the segment for 2018 was 27.5% and 10.2% respectively (2017: 29.3% and 11.4% respectively). The decrease in gross profit margin and profit before tax margin were mainly due to ① the increase in staff costs and outsourcing costs as a result of business growth. ② relatively lower margin in certain overseas projects which were at early stage.

Engineering Equipment and Component Manufacturing Business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. In 2018, benefiting from the gradual increase in the scale in manufacture and installation of steel structures and engineering construction machinery manufacture as well as continuing steady development of manufacture of shields, revenue of the engineering equipment and component manufacturing business of the Group increased by 12.2% year-on-year to RMB20.787 billion. Gross profit margin and profit before tax margin was 22.5% and 7.4% respectively for 2018 (2017: 21.0% and 8.3% respectively). The increase in gross profit margin was mainly due to the further increase in profitability of turnout and shield products with a larger proportion of revenue as a result of enhanced research and development activities and cost management. The decrease in profit before tax margin was mainly due to the increase in administrative expenses.

Property Development Business

The Group strictly adhered to the national real estate policy, grasping market demand, focused on innovation and upgrade of traditional business mode, strengthened the exploration on new business models of property development business, opened up new business development opportunities and profitability drivers and strived to overcome the adverse impact brought by the national macro-control policies. In 2018, the Group further deepened the system and structure reform on property development business, promoted internal integration, increased resource efficiency, strengthened the brand building of property development business and accelerated the destocking of property development projects, revenue from property development business recorded RMB43.991 billion, increased by 42.1% year-on-year. Gross profit margin and profit before tax margin for 2018 was 24.1% and 10.5% respectively (2017: 24.0% and 10.5% respectively). The gross profit margin and profit before tax margin remained at a similar level as compared to last year.

Other Businesses

Riding on the continuous expansion of its core businesses, the Group strived to progressively implement the "limited and interrelated" diversification strategy in order to fully unleash its advantages on the whole industry chain in infrastructure construction business. Revenue from other businesses increased year-on-year by 27.6% to RMB67.730 billion in 2018. Gross profit margin for 2018 was 24.4% (2017: 24.2%), remained at a similar level as compared to last year. Profit before tax for 2018 was RMB0.755 billion (2017: Loss before tax of RMB3.768 billion), mainly due to the impairment loss on assets of RMB8.146 billion in 2017 (2018: RMB4.556 billion). Among which, ① revenue from operation of PPP and BOT projects was RMB3.868 billion, a year-on-year increase of 11.7% while gross profit margin was 39.9%, a decrease of 4.1 percentage points from last year. ② Revenue from mining was RMB4.924 billion, a year-on-year increase of 15.1% while gross profit margin was 47.6%, an increase of 3.2 percentage points from last year. ③ Revenue from merchandise trading was RMB44.232 billion, a year-on-year increase of 37.0% while gross profit margin was 8.3%, an increase of 0.2 percentage point from last year. ④ Revenue from financial business was RMB4.039 billion, a year-on-year decrease of 10.2% while gross profit margin was 82.5%, a decrease of 2.4 percentage points from last year.

As at 31 December 2018, the Group's mining resources information is shown below.

No	Project name	Mining resources Type	Grade	Resource/Reserve Unit	Quantity	Group's share (%)	Planned total investment of China Railway (RMB100 million)	Accumulated investment of China Railway (RMB100 million)	Investment in the reporting period (RMB100 million)	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.088%	Ten thousand tonne	68.4	83	60.17	60.26	0	Completed	Normal production and operation
2	Luishia Copper-Cobalt Mine, Comagnie Minière de Luisha S.A.S, Congo	Cooper	2.29%	Ten thousand tonne	60.37	72	21.38	18.53	0.89	Completed	Normal production and operation, system improvement projects in progress
		Cobalt	0.101%	Ten thousand tonne	2.66						
3	MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga sprl, Congo	Cooper	2.26%	Ten thousand tonne	4.51	80.2	11.95	12.35	0	Completed	Normal production and operation
		Cobalt	0.297%	Ten thousand tonne	0.59						
4	SICOMINES Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Cooper	3.42%	Ten thousand tonne	811.9	41.72	45.86	20.87	0	2021	Phase I commenced production with normal production and operation, phase II construction will commence in 2019
		Cobalt	0.24%	Ten thousand tonne	57.19						
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	1.58%	Ten thousand tonne	22.21	100	/	21.86	0	Completed	Normal production and operation
		Zinc	3.19%	Ten thousand tonne	44.83						
		Silver	66.23g/t	Tonne	931.81						
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead	0.95%	Ten thousand tonne	6.13	100	/	/	0	/	Not yet exploited
		Zinc	3.21%	Ten thousand tonne	20.68						
		Silver	114.5g/t	Tonne	736.89						
7	Gold mine, Guoxin Eerdesi Company, Mongolia	Gold	3g/t	Tonne	3	100	/	/	0	/	Not yet exploited
8	Lead and Zinc Mine, Chafu, Xianglong Mineral Co., Ltd., Mongolia	Lead	7%	Ten thousand tonne	8.97	100	/	3.3	0	/	Ceased production
		Zinc	5.09%	Ten thousand tonne	6.52						
		Silver	200.39g/t	Tonne	256.8						

Note: The "Planned total investment of China Railway" and "Accumulated investment of China Railway" in the table include the acquisition cost of the Company's project equity and the Company's direct investment in project construction; to more accurately reflect the Company's mineral resources investment data, some investment data were adjusted or corrected accordingly.

IV. Cash Flow

In 2018, the Group responded to the funding pressure brought by the domestic tight liquidity and risk resolving of local governments, riding on the policy of increased investment in infrastructure construction in the second half of the year, actively adopted various measures to accelerate the recovery of project money and sales receipts, continuously strengthened cashflow planning and strived to improve the cashflow position. In 2018, net cash inflow from operating activities of the Group amounted to RMB11.962 billion. Besides, the Group strictly adhered to the meeting spirit of settlement of payables to privately-owned enterprises required by the state, timely repaid the downstream enterprises according to the contracts and increased the land reserve for promoting high quality development of property development business. Hence, the net cash inflow from operating activities of the Group decreased by RMB21.216 billion from last year.

In 2018, the net cash outflow from investing activities of the Group amounted to RMB39.333 billion, representing an increase in net cash outflow of RMB6.956 billion from RMB32.377 billion for 2017, which was mainly due to the increase in cash paid for equity investment in investment projects.

In 2018, the net cash inflow from financing activities of the Group amounted to RMB27.907 billion, an increase in net cash inflow of RMB26.366 billion from RMB1.541 billion of last year. It was mainly due to ① increase in external financing. ② increase in investment received from market driven debt-to-equity swap transaction.

Capital Expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure (excluding acquisition of subsidiaries) for 2018 was RMB18.793 billion (2017: RMB15.748 billion).

The following table sets forth the Group's capital expenditure by business segment in 2018.

For the year ended 31 December 2018	Infrastructure construction *RMB million*	Survey, design and consulting services *RMB million*	Engineering equipment and component manufacturing *RMB million*	Property development *RMB million*	Other businesses *RMB million*	Total *RMB million*
Property, plant and equipment	8,672	268	1,127	2,543	1,835	14,445
Land use rights	196	2	263	211	–	672
Investment properties	6	13	20	4	–	43
Intangible assets	42	23	74	3	3,482	3,624
Mining assets	–	–	–	–	9	9
Total	**8,916**	**306**	**1,484**	**2,761**	**5,326**	**18,793**

Working Capital

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Inventories	**38,553**	30,946
Properties under development for sale	**99,400**	74,253
Trade and bills receivables	**124,741**	202,049
Trade and bills payables	**343,801**	330,038
Turnover of inventory (days)	**19**	17
Turnover of trade and bills receivables (days)	**79**	95
Turnover of trade and bills payables (days)	**181**	181

At the end of 2018, the balance of the Group's inventories and properties under development for sale increased by 24.6% and 33.9% respectively from the end of 2017. It was mainly due to ① Increase in raw material reserve in order to ensure the construction progress of the Group's projects and in response to the increase in raw material prices. ② Increase in investment of property development. ③ Increase in work-in-progress as a result of increase in orders of industrial enterprises. The Group's inventory turnover days was 19 days in 2018, an increase of 2 days from 2017. The Group's trade and bills receivables decreased by 38.3% from the end of 2017 to RMB124.741 billion as at the end of 2018 while the turnover days of trade and bills receivables was 79 days in 2018, a decrease of 16 days as compared to 95 days in 2017. It was mainly because the Group. ① Accelerated the bills collection cycle as a result of strengthened bills management. ② Actively adopted various measures to accelerate the recovery of project money and sales receipts. ③ Accelerated the fund recovery by launching asset securitization business.

Trade and Bills Receivables

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than one year and the trade and bills receivables of more than one year accounted for 29.3% (31 December 2017: 26.2%) of the total receivables, which reflected the sound receivables management capability of the Group.

The following table sets forth the ageing analysis of the Group's trade and bills receivables (net of impairment) as at 31 December 2018 and 2017, based on invoice date.

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Less than one year	**88,218**	149,206
One year to two years	**20,566**	36,098
Two years to three years	**8,467**	8,494
More than three years	**7,490**	8,251
Total	**124,741**	202,049

Trade and Bills Payables

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 4.2% from end of 2017 to RMB343.801 billion as at the end of 2018. The turnover days of trade and bills payables was 181 days in 2018, remained the same as that in 2017. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 8.3% (31 December 2017: 9.0%) of the total payables.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 31 December 2018 and 2017, based on invoice date.

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Less than one year	**315,376**	302,219
One year to two years	**17,644**	17,149
Two years to three years	**5,243**	4,875
More than three years	**5,538**	5,795
Total	**343,801**	330,038

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2018 and 2017. As at 31 December 2018, 53.5% of the Group's borrowings were short-term borrowings (31 December 2017: 50.9%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Bank borrowings		
Secured	**29,317**	30,303
Unsecured	**113,892**	94,013
	143,209	124,316
Long-term debentures, unsecured	**30,672**	36,002
Other borrowings		
Secured	**2,162**	–
Unsecured	**14,877**	13,616
Total	**190,920**	173,934
Long-term borrowings	**88,808**	85,451
Short-term borrowings	**102,112**	88,483
Total	**190,920**	173,934

Bank borrowings carry interest rates ranging from 0.75% to 12.50% (31 December 2017: 0.75% to 8.00%) per annum. Long-term debentures carry fixed interest rates ranging from 2.88% to 4.88% per annum (31 December 2017: 2.88% to 6.40%). Other borrowings carry interest rates ranging from 4.11% to 6.30% (31 December 2017: 4.35% to 6.15%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 31 December 2018 and 2017.

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Less than one year	**102,112**	88,483
One year to two years	**31,900**	19,958
Two years to five years	**35,849**	38,387
More than five years	**21,059**	27,106
Total	**190,920**	173,934

As at 31 December 2018 and 2017, the Group's floating-rate borrowings amounted to RMB72.610 billion and RMB86.467 billion respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2018 and 2017. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
RMB	**179,432**	161,069
USD	**11,259**	12,652
Euro	**51**	64
Others	**178**	149
Total	**190,920**	173,934

The following table sets forth the details of the Group's secured borrowings as at 31 December 2018 and 2017.

	As at 31 December			
	2018		2017	
	Secured borrowings	**Carrying amount of pledged assets and contract value of certain rights**	Secured borrowings	Carrying amount of pledged assets and contract value of certain rights
	RMB million	***RMB million***	*RMB million*	*RMB million*
Property, plant and equipment	**7**	**6**	9	7
Intangible assets	**15,953**	**24,368**	20,586	29,317
Properties under development for sale	**11,750**	**25,032**	8,600	18,315
Trade receivables	**521**	**567**	1,108	3,389
Contract assets	**3,248**	**9,915**	—	—
Total	**31,479**	**59,888**	30,303	51,028

As at 31 December 2018, the Group's unused credit line facility from banks was RMB637.388 billion (31 December 2017: RMB595.122 billion).

The Group strived for optimizing business direction and asset structure, strengthening resources allocation and financial control, increasing equity capital and profitability, reducing low efficiency enterprises and assets, preventing and mitigating material operating risks, reasonably balancing operation development and decrease in leverage and further enhancing development quality. As at 31 December 2018, the Group's gearing ratio (total liabilities/total assets) was 76.4%, representing a decrease of 3.5 percentage points as compared with 79.9% as at 31 December 2017. In 2018, the Group actively tamped its asset quality and innovated new financing methods. RMB11 billion and RMB9 billion were raised from the issuance of renewable corporate bonds and medium-term notes respectively, RMB37.607 billion was raised from asset securitization of account receivables and factoring business and RMB11.597 billion was raised from debt-to-equity swap as detailed in "Acquisition by Issuance of New A Shares" under the "Report of the Directors" of this annual report.

VI. Contingent Liabilities

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

	As at 31 December	
	2018	2017
	RMB million	*RMB million*
Pending lawsuits		
– arising in the ordinary course of business *(Note 1)*	**3,615**	1,468
Outstanding guarantees *(Note 2)*	**31,669**	25,863

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

Note 2: The Group has provided guarantees to banks in respect of banking facilities utilized by certain related companies and third parties resulting in certain contingent liabilities. The following table sets forth the maximum exposure of these guarantees to the Group:

	As at 31 December			
	2018		*2017*	
	Amount	***Expiry period***	*Amount*	*Expiry period*
	RMB million		*RMB million*	
Guarantees given to banks in respect of banking facilities to:				
Associates	***2,904***	***2018-2025***	*5,077*	*2018-2023*
Joint ventures	***–***	***–***	*400*	*2018-2019*
A government-related entity	***60***	***2019***	*58*	*2019*
Property purchasers	***28,992***	***2018-2038***	*23,121*	*2018-2038*
Former associates	***554***	***2027***	*754*	*2020-2027*
Total	***32,510***		*29,410*	

Note 3: The Group has an unconditionally non-cancellable purchase arrangement to acquire the controlling shareholdings of an entity (being the owner of a construction project undertaken), then to offer shareholder's loan to repay its debts in condition that the entity fails to repay the loan principal and interest when they fall due. As at 31 December 2018, the entity has failed to repay its loan principal and interest. The Group is in the process of negotiating the debt settlement with the entities' shareholders.

VII. Business Risks

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

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

(2) **Policy risk**: The Group's business relies to a large extent on the policy priorities and investment expenditures of the Chinese government in the construction of railways, highways, municipal works and other public transport infrastructure. If the national infrastructure construction policy, PPP project policy, monetary policy, foreign exchange management policy, tax policy, real estate industry policy, etc. are adjusted, it would bring uncertain effects to the Company to a certain extent.

(3) **Operation risk**: For infrastructure construction business, the bidding prices of construction contracting projects are largely affected by market competition, and the fluctuation of engineering raw material prices has a certain impact on the Group's cost. Meanwhile, there are also certain operation risks for the Group to control the personnel expenses and to engage professional subcontractors, labour subcontractors.

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

(5) **Financial risk**: Due to the inadequate evaluation of the credit status of the owners and the lack of funds in the financial situation of the owners, the accounts receivable cannot be recovered or the accounts receivable turnover rate is low, or delay in payment by the owners could affect the Group's working capital and cash flow, and the failure to obtain sufficient funding could also affect the expansion plan and development prospects of the Group.

(6) **Investment risk**: The incomplete collection of investment information, insufficient feasibility study during the earlier stage of the projects, loose decision-making process, and wrong investment decision may lead to risks such as low capital use efficiency, return on investment which is lower than the expectation, and damaged corporate reputation.

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

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

I. Directors

LI Changjin
(Chairman, Executive Director and Secretary to the CPC Committee)

LI Changjin (李長進), aged 60, a member of the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC), senior engineer, currently is an executive director, Chairman, Secretary to the Committee of Communist Party of China ("**CPC Committee**"), Chairman of the Strategy Committee and Chairman of the Nomination Committee under the Board of the Directors of the Company. Mr. LI is also the Chairman, Secretary to the CPC Committee of CREC and the Chairman of the Listed Companies Association of Beijing. Mr. LI was the General Manager of CREC from June 2010 to March 2013. He was a director, Chairman and Deputy Secretary to the CPC Committee of CREC from June 2010 to November 2016. He has been the Chairman, an executive director and Secretary to the CPC Committee of the Company since June 2010. Mr. LI assumed the responsibilities of the President of the Company from January 2014 to March 2014. He has been a director, the Chairman and Secretary to the CPC Committee of CREC since November 2016.

ZHANG Zongyan
(Executive Director, President and Deputy Secretary to the CPC Committee)

ZHANG Zongyan (張宗言), aged 55, senior engineer, currently is an executive director, President, Deputy Secretary to the CPC Committee, Chairman of the Safety, Health and Environmental Protection Committee under the Board of the Directors of the Company, and is a director, General Manager and Deputy Secretary to the CPC Committee of CREC. Mr. ZHANG was the Vice President of China Railway Construction Corporation Limited from April 2009 to March 2013. Mr. ZHANG was the President and Deputy Secretary to the CPC Committee of China Railway Construction Corporation Limited and concurrently a director and Secretary to the CPC Committee of China Railway Construction Corporation from March 2013 to July 2015, and an executive director of China Railway Construction Corporation Limited from June 2013 to July 2015. Mr. ZHANG was a director and Secretary to the CPC Committee of CREC from July 2015 to November 2016. He has been the President of the Company since July 2015, an executive director of the Company since January 2016, and a director, General Manager and Deputy Secretary to the CPC Committee of CREC since November 2016.

ZHOU Mengbo
(Executive Director and Deputy Secretary to the CPC Committee)

ZHOU Mengbo (周孟波), aged 54, senior engineer, currently is an executive director and Deputy Secretary to the CPC Committee of the Company. He is also the Deputy Secretary to the CPC Committee of CREC. He was a Vice President of the Company from September 2007 to June 2017. He has been an executive director of the Company since June 2017, Deputy Secretary to the CPC Committee of the Company since September 2017 and Deputy Secretary to the CPC Committee of CREC since September 2017.

ZHANG Xian
(Executive Director and Standing Member of the CPC Committee)

ZHANG Xian (章獻), aged 58, senior engineer, currently is an executive director and Standing Member of the CPC Committee of the Company. He is also a Standing Member of the CPC Committee of CREC. He was a Vice President of the Company from August 2010 to June 2017. He has been an executive director of the Company since June 2017.

GUO Peizhang
(Independent Non-executive Director)

GUO Peizhang (郭培章), aged 69, senior economist, currently is an independent non-executive director and Chairman of the Remuneration Committee under the Board of the Directors of the Company. He is also an independent non-executive director of China Shenhua Energy Company Limited. Mr. GUO was the Chairman of the Supervisory Committee of GD Power Development Co., Ltd. from November 2007 to April 2011, an independent non-executive director of China Shenhua Energy Company Limited from June 2010 to June 2017, and an external director of China Dongfang Electric Corporation from December 2010 to September 2015. Mr. GUO has been an independent non-executive director of the Company since June 2014.

WEN Baoman
(Independent Non-executive Director)

WEN Baoman (聞寶滿), aged 67, senior political work professional, currently is an independent non-executive director of the Company and an external director of China Telecom Group. Mr. WEN was Deputy Secretary of the Party Committee with concurrent position as Headmaster of Party School of Ansteel Group, Chairman of Supervisory Committee of Angang Steel Company Limited and a Standing Committee Member of Anshan Municipal Committee from July 2005 to December 2011. Mr. WEN has been an external director of China Telecom Group since March 2012. He has been an independent non-executive director of the Company since June 2014.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

ZHENG Qingzhi
(Independent Non-executive Director)

ZHENG Qingzhi (鄭清智), aged 66, senior accountant, currently is an independent non-executive director of the Company, Chairman of the Audit and Risk Management Committee of the Board of the Directors of the Company and Deputy Chairman of China Agriculture Industrialisation Association. Mr. ZHENG was a director, General Manager and Deputy Secretary of the Party Committee of China National Agricultural Development Group Co., Ltd. from October 2004 to April 2013 with concurrent position as Chairman of the Board of Directors of China Animal Husbandry (Group) General Corporation, and concurrently served as the Secretary General of China Agriculture Industrialisation Association from April 2013 to April 2015. He has been the Deputy Chairman of China Agriculture Industrialisation Association from April 2013 to December 2018, an external director of Wuhan FiberHome Technologies Group since October 2015. He has been an independent non-executive director of the Company since June 2014.

CHUNG Shui Ming Timpson
(Independent Non-executive Director)

CHUNG Shui Ming Timpson (鍾瑞明), aged 67, a member of the 10th to 13th National Committee of the Chinese People's Political Consultative Conference and a Pro-Chancellor of the City University of Hong Kong. Mr. CHUNG is currently an independent non-executive director of Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation, China Unicom (Hong Kong) Limited and Jinmao Hotel and Jinmao (China) Investments Holdings Limited (all listed on the Hong Kong Stock Exchange). Mr. CHUNG served as a senior audit officer of PricewaterhouseCoopers, an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, the chairman of China Business of Jardine Fleming Holdings Limited, deputy chief executive officer of BOC International Limited, director-general of the Democratic Alliance for the Betterment and Progress of Hong Kong, chairman of the Advisory Committee on Art Developments, chairman of the Council of the City University of Hong Kong, chairman of the Hong Kong Housing Society, member of the Executive Council of the Hong Kong Special Administrative Region, vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, member of the Managing Committee of the Kowloon-Canton Railway Corporation, member of the Hong Kong Housing Authority, member of the Disaster Relief Fund Advisory Committee, independent non-executive director of Henderson Land Development Company Limited and Nine Dragons Paper (Holdings) Limited, independent director of China Everbright Bank Corporation Limited and China State Construction Engineering Corporation Limited, and external director of China Mobile Communications Corporation. Mr. CHUNG holds a bachelor of science degree from the University of Hong Kong and a master's degree of business administration from the Chinese University of Hong Kong and obtained a doctorate of Social Sciences honoris causa from the City University of Hong Kong in 2010. In 2000, he received the Gold Bauhinia Star from the Government of Hong Kong Special Administrative Region. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. He has been an independent non-executive director of the Company since June 2017.

MA Zonglin
(Non-executive Director)

MA Zonglin (馬宗林), aged 61, senior engineer, currently is a non-executive director of the Company. He served as a director, General Manager and Standing Member of the CPC Committee of Power Construction Corporation of China from August 2011 to February 2014, Secretary to the CPC Committee and director of Power Construction Corporation of China from February 2014 to November 2016, a director, General Manager and Standing Member of the CPC Committee of Powerchina Limited from February 2014 to December 2014, and Secretary to the CPC Committee and Vice Chairman of Powerchina Limited from December 2014 to November 2016. He has been a full-time external director of Central Enterprises since November 2016, and an external director of China South Industries Group Co., Ltd. since September 2018. He has been a non-executive director of the Company since June 2017. He is also an external director of China Forestry Group Corporation.

II. Supervisors

ZHANG Huijia
(Chairman of Supervisory Committee)

ZHANG Huijia (張回家), aged 58, senior economist, currently is the Chairman of Supervisory Committee of the Company. Mr. ZHANG was a Deputy Secretary of the Party Committee, Vice Chairman and General Manager of China Railway No.5 Engineering Group Co., Ltd. from November 2010 to May 2017. He served as a Secretary of the Party Committee, Chairman and legal representative of China Railway No.5 Engineering Group Co., Ltd. from June 2017 to June 2018. Mr. ZHANG has been a shareholder representative supervisor and Chairman of Supervisory Committee of the Company since June 2018.

LIU Jianyuan
(Supervisor)

LIU Jianyuan (劉建媛), aged 57, senior economist and political work professional, currently is an employee representative supervisor, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company, with concurrent position as an employee director and Chairperson of the Labour Union of CREC. She was Vice Chairperson of the Labour Union of the Company from January 2008 to June 2014. Ms. LIU has been an employee director of CREC since August 2012, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company since June 2014, Vice Chairperson of Female Staff Committee of All-China Federation of Railway Labour Union since December 2015, Executive Committee Member of All-China Federation of Labour Unions since January 2016 and Deputy Chief (part-time) of the Grassroots Department of All-China Federation of Labour Unions since October 2016. Ms. Liu has been a Standing Member of the seventh session of Female Staff Committee of All-China Federation of Labour Unions since February 2019, and an employee representative supervisor of the Company since January 2011.

WANG Hongguang
(Supervisor)

WANG Hongguang (王宏光), aged 59, senior economist, currently is an employee representative supervisor, Vice Secretary to the Disciplinary Committee and Head of Supervision Department of the Company, with concurrent position as Deputy Secretary to the Disciplinary Committee of CREC. Mr. WANG has been Deputy Secretary to the Disciplinary Committee and Head of Supervision Department of the Company since November 2009 with concurrent position as Deputy Secretary to the Disciplinary Committee of CREC. Mr. WANG has been an employee representative supervisor of the Company since June 2014.

CHEN Wenxin
(Supervisor)

CHEN Wenxin (陳文鑫), aged 55, senior economist, lawyer and corporate legal advisor, currently is a shareholder representative supervisor of the Company. Mr. Chen was a supervisor of China Railway South Investment & Development Co., Ltd. from December 2007 to August 2012 and the Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He was a director of Linha Railway Co., Ltd. from December 2010 to June 2015, and a director and Vice Chairman of Linha Railway Co., Ltd. from June 2015 to February 2018. He has been a director of China Railway Eastern International (Group) Limited since August 2016, as well as a shareholder representative supervisor of the Company since January 2011.

FAN Jinghua
(Supervisor)

FAN Jinghua (范經華), aged 53, senior auditor and senior accountant, currently is an employee representative supervisor and Head of Audit Department of the Company. He was a supervisor and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from October 2005 to May 2011, a supervisor, Deputy Chief Accountant and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from June 2011 to June 2013, Deputy Head of Audit Department of the Company from July 2013 to November 2013. Mr. FAN has been the Head of Audit Department of the Company since November 2013 and an employee representative supervisor of the Company since June 2014.

III. Senior Management

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

LIU Hui
(Vice President and Standing Member of the CPC Committee)

LIU Hui (劉輝), aged 58, senior engineer, is a state registered consulting engineer and first-grade state-registered architect, currently is the Vice President and Standing Member of the CPC Committee of the Company and a Standing Member of the CPC Committee of CREC. He is concurrently the Vice Chairman of China Railway Design Corporation. Mr. LIU has been a director and Vice Chairman of China Railway Design Corporation since January 2007, and a director and Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd. from June 2011 to March 2019. He was a Vice President and Chief Engineer of the Company from September 2007 to June 2018, and has been the Vice President of the Company since June 2018.

YANG Liang
(Chief Financial Officer and Standing Member of the CPC Committee)

YANG Liang (楊良), aged 49, senior accountant, currently is the Chief Financial Officer and a Standing Member of the CPC Committee of the Company. He is also a Standing Member of the CPC Committee of CREC. Mr. YANG was a supervisor of China Railway Resources Company Limited from April 2008 to March 2014, Head of Finance Department of the Company from September 2007 to March 2014 and a director of China Railway Trust Co., Ltd. from November 2013 to March 2014. He has been the Chief Financial Officer of the Company since March 2014.

YU Tengqun
(Vice President, General Legal Advisor and Standing Member of the CPC Committee)

YU Tengqun (于騰群), aged 49, senior economist, currently is the Vice President, General Legal Advisor and Standing Member of the CPC Committee of the Company. He is also a Standing Member of the CPC Committee of CREC. Mr. YU was the Secretary to the Board of Directors of the Company from December 2007 to March 2014 and Secretary to the Board of Directors and spokesperson of the Company from September 2010 to March 2014. He was the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from March 2014 to June 2018, Vice President, Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from June 2018 to August 2018. Mr. YU has been the Vice President and General Legal Advisor since August 2018.

DUAN Yongchuan
(Vice President)

DUAN Yongchuan (段永傳), aged 54, senior engineer, currently is the Vice President of the Company. Mr. DUAN was a director, General Manager and Deputy Secretary of the Party Committee of China Railway Construction Group Co., Ltd. from July 2008 to June 2014. He served as a General Manager, legal representative, Deputy Secretary of the Party Committee, and Vice Chairman of China Railway Construction Group Co., Ltd. from June 2014 to May 2016. He was a Secretary to the Party Committee, Chairman and legal representative of China Railway Construction Group Co., Ltd. from May 2016 to June 2018. Mr. DUAN has been the Vice President of the Company since June 2018.

LIU Baolong
(Vice President)

LIU Baolong (劉寶龍), formerly named as LIU Baolong (劉保龍), aged 54, senior engineer, currently is the Vice President of the Company. Mr. LIU was a Secretary to the Party Committee and Vice Chairman of China Railway No.3 Engineering Group Co., Ltd. from January 2013 to March 2014, Secretary to the Party Committee, Chairman and legal representative of China Railway No.3 Engineering Group Co., Ltd. from March 2014 to June 2018. Mr. LIU has been the Vice President of the Company since June 2018.

REN Hongpeng
(Vice President)

REN Hongpeng (任鴻鵬), aged 45, senior engineer, currently is the Vice President of the Company. Mr. REN was a Deputy General Manager of China Road and Bridge Corporation from September 2011 to August 2015, a Deputy General Manager and Standing Member of the CPC Committee of China Road and Bridge Corporation from August 2015 to December 2015. Mr. REN was a Deputy General Manager and Standing Member of the CPC Committee of China Road and Bridge Corporation and director of CCCG Real Estate Group Co., Ltd. from December 2015 to January 2016. He was a director of CCCG Real Estate Group Co., Ltd., director, General Manager (legal representative) and temporary Secretary to the Party Committee of CCCG Overseas Real Estate Pte. Ltd. from January 2016 to February 2017. Mr. REN was a director and temporary member of Party Committee of CCCG Real Estate Group Co., Ltd. and a director, General Manager (legal representative) and temporary Secretary to the Party Committee of CCCG Overseas Real Estate Pte. Ltd. from February 2017 to June 2018. He has been the Vice President of the Company since June 2018.

KONG Dun
(Chief Engineer)

KONG Dun (孔遁), aged 53, senior engineer, is the Chief Engineer of the Company. Mr. KONG was a General Manager, Deputy Secretary to the Party Committee and director of Shanghai Civil Engineering Co., Ltd of CREC from November 2010 to June 2018. He has been the Chief Engineer of the Company since June 2018.

MA Jiangqian
(Chief Economist)

MA Jiangqian (馬江黔), aged 50, senior economist, is the Chief Economist of the Company. Mr. MA was a General Manager, Deputy Secretary to the Party Committee and director of China Railway No.6 Engineering Group Co., Ltd. from January 2013 to June 2014. Mr. MA was a General Manager, Deputy Secretary to the Party Committee and Vice Chairman of China Railway No.6 Engineering Group Co., Ltd. from June 2014 to June 2018. He has been the Chief Economist of the Company since June 2018.

HE Wen
(Secretary to the Board of Directors and Joint Company Secretary)

HE Wen (何文), aged 54, senior accountant, is the Secretary to the Board of Directors and Joint Company Secretary of the Company. He is also the Head of Finance Department of the Company. Mr. HE was a Secretary to the Party Committee, Chairman of the Board of Supervisor and Secretary to the Disciplinary Committee of China Railway Trust Co., Ltd. from November 2013 to March 2014. Mr. HE was a Deputy Chief Accountant and Head of Finance Department of the Company from March 2014 to June 2017. He was the Head of Finance Department of the Company from June 2017 to August 2018. He has been the Secretary to the Board of Directors and Joint Company Secretary and concurrently the Head of Finance Department of the Company since August 2018.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung (譚振忠), aged 46, is the Joint Company Secretary and Qualified Accountant of the Company and also an independent non-executive director of Lap Kei Engineering (Holdings) Limited. Mr. TAM joined the Company in November 2007. Prior to joining the Company, Mr. TAM served as a Qualified Accountant and Joint Company Secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. TAM worked for a large international accounting firm as an assistant manager. Mr. TAM has over 24 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

Business Review

1. Business Review of the Financial Year

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

In the year of 2018, the Group was guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, deeply applied the guidelines of the 19th Congress, and seriously implemented each decision and deployment of the Central Committee of the Communist Party of China, the State Council and SASAC. It firmly grasped the two key factors of innovation-driven and quality, taking market development as the guiding factor, reform and innovation as the driven power, quality and safety as the premise, cost reduction and efficiency improvement as the basis. The Group actively responded to new situations and new challenges in infrastructure development, property and other relevant markets, and realized remarkable achievements in various works by taking advantage of the trend and forging ahead.

In the year of 2018, the Group achieved revenue of RMB740.383 billion, representing a year-on-year increase of 7.5%. In the year of 2018, the Group achieved net profit of RMB17.436 billion, representing a year-on-year increase of 22.8%. The profit for the year attributable to the owner of the Company was RMB17.198 billion, representing a year-on-year increase of 7.0%.

Further details of the Group's business review of the financial year are set out in Parts I to VII of "Business Overview" on pages 13 to 23 and Parts I to VI of "Management Discussion and Analysis" on pages 27 to 38 of this annual report.

2. Principal Risks and Uncertainties

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

Further details of the Group's principal risks are set out in Part VII of "Management Discussion and Analysis" on page 39.

3. Future Development of Businesses

The Group made a careful analysis on the foreign and domestic macroeconomy situation during the "13th Five-Year Plan" period, the industrial development trend as well as changes in industrial polices and impacts on the development of the enterprise therefrom. In accordance with the overall requirements from the Central Committee of the Communist Party of China and SASAC on the development of central enterprises, combined with the enterprise's own conditions, the Group specified the guidelines for the development of the enterprise during the "13th Five-Year Plan" period. The Group's comprehensive development strategy of "13th Five-Year Plan" is to set up one major target, establish six major ideas and make great efforts in six aspects. One major target is to implement the strategy of enhancement of both quality and efficiency to make the Company stronger and better with a bigger scale. Six major ideas refer to laying a solid foundation, refining the projects, creating new mechanism, tightening the management, strengthening the advantages and making the enterprise better. Making great efforts in six aspects includes driving by innovation, adjusting the structure, opening for cooperation, deepening the reform, strengthening party building and bringing benefits to employees.

Details of the Group's expectations to and plans of businesses future development are set out in Part VIII to Part IX of "Business Overview" on pages 24 to 26.

Financial Statements

The profits of the Group for the year ended 31 December 2018 and the financial positions of the Group as at such date are set out in the Financial Statements on pages 91 to 263.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.128 per share (including tax), totalling approximately RMB2.924 billion for the financial year ended 31 December 2018 (2017: RMB0.113 per share (including tax), totalling approximately RMB2.581 billion). The distribution plan will be implemented upon approval at the 2018 annual general meeting of the Company and the dividends are expected to be paid in around August 2019 to the shareholders of the Company.

For details of the specific policies for profit distribution of the Company, please refer to "I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Increase – 1. Formulation, implementation or adjustment of the cash dividend policy – (1) Specific policies for profit distribution" of "Significant Events" on page 264 of this annual report.

Donations

Donations made by the Group during the financial year amounted to RMB70.171 million (2017: RMB52.961 million).

Property, Plant and Equipment

Changes in property, plant and equipment of the Group during the financial year are set out in note 18 to the Financial Statements.

Share Capital

Details of the Company's share capital are set out in note 41 to the Financial Statements.

Distributable Reserves

As at 31 December 2018, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB48.166 billion.

Acquisition by Issuance of New A Shares

In order to implement market-driven dept-to-equity swap, on 13 June 2018, the Company and the nine Investors including China Reform Holdings Corporation Ltd. and China Great Wall Asset Management Co., Ltd. (collectively the "**Investors**") entered into investment agreements and debt conversion agreements. The Investors respectively agreed to make capital contribution to the subsidiaries of the Company, China Railway Erju Engineering Co., Ltd., China Railway No.3 Engineering Group Co., Ltd., China Railway No.5 Engineering Group Co., Ltd. and China Railway No.8 Engineering Group Co., Ltd. (collectively the "**Target Subsidiaries**"). The capital contribution is amounted to RMB11,596.60 million in aggregate. The proceeds from the capital contribution will be used to repay the debts of the Company. For details, please refer to the announcement published by the Company on 13 June 2018.

On 6 August 2018, the Company held the fourteenth meeting of the fourth session of the Board of Directors, at which, the Company considered and approved the Proposal on the Plan for the Acquisition of Assets by Issuance of Shares of the Company and other relevant proposals, the Company and nine Investors entered into the Equity Acquisition Agreement (the "**Equity Acquisition Agreement**") respectively, pursuant to which, the Company conditionally agreed to acquire and the Investors conditionally agreed to sell, the target equity at a consideration of approximately RMB11,653,711,805 (subject to final adjustment) which will be paid by the Company through issue of a total of approximately 1,696,319,023 new A shares of RMB1.00 each (the "**Consideration Shares**") (subject to final adjustment) at an issue price of RMB6.87 per Consideration Share to the Investors (the "**Restructuring**"). For details, please refer to the announcement published by the Company on 6 August 2018.

On 16 October 2018, the Company and nine Investors entered into the Equity Acquisition Supplemental Agreement (the "**Equity Acquisition Supplemental Agreement**") respectively to revise certain terms of the Equity Acquisition Agreements, including the final considerations of all proposed acquisitions and the number of the Consideration Shares to be issued. The total consideration under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements) is approximately RMB11,654,737,347, which will be paid by the Company through issuance of an aggregate of approximately 1,696,468,306 Consideration Shares of RMB1.00 each at an issue price of RMB6.87 per Consideration Share to the Investors. The relevant Consideration Shares will be issued and listed on the Shanghai Stock Exchange. Upon completion of the transactions under the Equity Acquisition Agreements (as amended by the Equity Acquisition Supplemental Agreements), the total A Shares of the Company held in aggregate by the Investors will represent approximately 10.43% of the total A Shares and approximately 8.64% of the total share capital of the Company as enlarged by the Issuance, and all of the Target Subsidiaries will become wholly-owned subsidiaries of the Company. For details, please refer to the announcement published by the Company on 16 October 2018. The Company held the 2018 first extraordinary general meeting on 7 December 2018, at which, the Company considered and approved the Proposal on the Plan for the Acquisition of Assets by Issuance of Shares of the Company and other relevant proposals. For details, please refer to the announcement published by the Company on 7 December 2018.

On 26 December 2018, the Company received the "Notice Regarding CSRC's First Feedback on the Review of Administrative Permission Items" (《中國證監會行政許可項目審查一次反饋意見通知書》) (the "**Feedback Opinions**") issued by China Securities Regulatory Commission (the "**CSRC**"), which required the Company to submit the written responses and comments on the relevant issues to the department for acceptance of administrative permission of the CSRC within 30 working days. For details, please refer to the announcement published by the Company on 27 December 2018. However, as the financial data contained in the application documents in relation to the Restructuring expired on 31 December 2018, the Company is required to provide the latest audited financial data of the Company and the Target Subsidiaries, but such data can only be provided after the 2018 annual audit of the Company is completed and the annual report is issued. The Company cannot complete such audit within a short period of time due to the substantial amount of work involving the Company and the Target Subsidiaries, so the Company expects that it is not able to submit its written reply to the CSRC in respect of the Feedback Opinions within 30 working days. In witness whereof, according to the relevant provisions of the Article 23 of the Provisions of China Securities Regulatory Commission on Implementing Procedures for Administrative Permissions, the Company submitted to the CSRC the "Request of China Railway Group Limited Regarding Suspension of the Review on the Application Documents of the Acquisition of Assets by Issuance of Shares" (《中國中鐵股份有限公司關於中止審查發行股份購買資產申請文件事宜的請示》) on 30 January 2019, applying on its own initiative for the CSRC's suspension of review on the acquisition of assets by issuance of shares by the Company, and the Company will timely apply for resuming the review after completing the 2018 annual audit and updating relevant financial data. On 2 February 2019, the Company received the "Notice Regarding Suspension of the Review Relevant to the Application for Administrative Permission from CSRC" (《中國證監會行政許可申請中止審查通知書》), where according to the relevant provisions of the Article 24 of the Provisions of China Securities Regulatory Commission on Implementing Procedures for Administrative Permissions, the CSRC decided to consent to the Company's application for suspension of the review. For details, please refer to the announcement published by the Company on 11 February 2019. As at the date of this report, the Company is actively promoting the Restructuring.

Reserves

Changes in reserves of the Group and the Company during the financial year are set out in the consolidated statement of changes in equity on pages 95 to 96 of this annual report.

Major Customers and Suppliers

The China State Railway Corporation (formerly known as China Railway Corporation), which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2018, sales to the China State Railway Corporation accounted for approximately 26.8% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the China State Railway Corporation) in aggregate accounted for approximately 29.2% of the total revenue of the Group. At no time during the financial year have the directors, their associates or any shareholder of the Company (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2018, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 1.3% of the total cost of sales of the Group in 2018.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2018 are set out in note 55 and note 24, respectively, to the Financial Statements.

Directors, Supervisors and Senior Management of the Company

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

Name	Position
LI Changjin	Chairman and Executive Director
ZHANG Zongyan	Executive Director
ZHOU Mengbo	Executive Director
ZHANG Xian	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
CHUNG Shui Ming Timpson	Independent Non-executive Director
MA Zonglin	Non-executive Director

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

Name	Position
ZHANG Huijia (elected on 25 June 2018)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan	Employee Representative Supervisor
WANG Hongguang	Employee Representative Supervisor
CHEN Wenxin	Shareholder Representative Supervisor
FAN Jinghua	Employee Representative Supervisor
LIU Chengjun (resigned on 8 June 2018)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor

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

Name	Position
ZHANG Zongyan	President
LIU Hui	Vice President (re-appointed on 25 June 2018) and Chief Engineer (resigned on 25 June 2018)
YANG Liang	Chief Financial Officer
YU Tengqun	Vice President and General Legal Advisor (re-appointed on 25 June 2018), Secretary to the Board of Directors and Joint Company Secretary (resigned on 6 August 2018)
DUAN Yongchuan (appointed on 13 June 2018)	Vice President
LIU Baolong (appointed on 13 June 2018)	Vice President
REN Hongpeng (appointed on 13 June 2018)	Vice President
KONG Dun (appointed on 25 June 2018)	Chief Engineer
MA Jiangqian (appointed on 25 June 2018)	Chief Economist
HE Wen (appointed on 6 August 2018)	Secretary to the Board of Directors and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant
MA Li (resigned on 6 August 2018)	Vice President

The Company received the written resignation report from Mr. LIU Chengjun on 8 June 2018. Due to change of work, Mr. LIU Chengjun has tendered his resignation as a shareholder representative supervisor of the Company and the chairman of Supervisory Committee. The resignation of Mr. LIU Chengjun shall take effect from 8 June 2018. The 2017 annual general meeting of the Company was held on 25 June 2018, at which Mr. ZHANG Huijia was elected as a shareholder representative supervisor of the Company for a term commenced from 25 June 2018 until the expiry of the term of the fourth session of the Supervisory Committee of the Company. At the eighth meeting of the fourth session of the Supervisory Committee convened on the same day following the annual general meeting, Mr. ZHANG Huijia was elected as the chairman of the fourth session of the Supervisory Committee for a term commenced from 25 June 2018 until the expiry of the term of the fourth session of the Supervisory Committee of the Company.

At the eleventh meeting of the fourth session of the Board of Directors held on 13 June 2018, each of Mr. DUAN Yongchuan, Mr. LIU Baolong and Mr. REN Hongpeng was appointed as the vice president of the Company for a term commenced from 13 June 2018 until the expiry of the term of the fourth session of the Board of Directors. At the twelfth meeting of the fourth session of the Board of Directors, Mr. YU Tengqun was appointed as vice president of the Company, and his positions as the secretary to the Board of Directors and general legal advisor of the Company would be remained, Mr. LIU Hui was re-appointed as the vice president of the Company, Mr. KONG Dun was appointed as the chief engineer of the Company, and Mr. MA Jiangqian was appointed as the chief economist of the Company. Each of the above appointments has a term commenced from 25 June 2018 until the expiry of the term of the fourth session of the Board of Directors. Mr. LIU Hui ceased to serve as the chief engineer of the Company.

At the fourteenth meeting of the fourth session of the Board of Directors held on 6 August 2018, Mr. HE Wen was appointed as the secretary to the Board of Directors and a joint company secretary of the Company for a term commenced from 6 August 2018 until the expiry of the term of the fourth session of the Board of Directors. Mr. YU Tengqun ceased to serve as the secretary to the Board of Directors and a joint company secretary of the Company, and his positions as the vice president and general legal adviser of the Company would be remained. Mr. MA Li ceased to serve as the vice president of the Company due to retirement.

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

Directors' and Supervisors' Interests in Contracts

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

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

Details of the emoluments of the directors, supervisors and senior management of the Company in 2018 are set out in note 17 to the audited Financial Statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2018, none of the Company or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

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

Permitted Indemnity Provisions

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

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

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

Save as disclosed below, as at 31 December 2018, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of director/ supervisor	Capacity	Number of A shares held (long position) *(Shares)*	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
Director				
Mr. LI Changjin	Beneficial owner	105,700	0.0006	0.0005
Supervisor				
Ms. LIU Jianyuan	Beneficial owner	1,200	0.000006	0.000005

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

As at 31 December 2018, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of substantial shareholder	Capacity	Number of A shares held *(Shares)*	Nature of interest	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
CREC	Beneficial owner	11,418,542,890	Long position	61.27	49.98

Holders of H Shares

Name of substantial shareholders	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
BlackRock, Inc.	Interest of controlled corporations	374,579,497	Long position	8.90	1.64
		1,804,000	Short position	0.04	0.01
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
JPMorgan Chase & Co.	*(Note 1)*	253,708,769	Long position	6.03	1.11
		17,637,869	Short position	0.41	0.08
		161,086,793	Lending pool	3.82	0.71
The Bank of New York Mellon Corporation	Interest of controlled corporations	252,554,576	Long position	6.00	1.11
		246,501,576	Lending pool	5.86	1.08
Deutsche Bank Aktiengesellschaft	*(Note 2)*	229,803,271	Long position	5.46	1.01
		123,424,962	Short position	2.93	0.54
		10,406,000	Lending pool	0.25	0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.92
		94,560,550	Short position	2.25	0.41

Notes:

1 *According to the Corporate Substantial Shareholder Notice filed by JPMorgan Chase & Co. with the Hong Kong Stock Exchange dated 7 December 2018, the interests held by JPMorgan Chase & Co. were held in the following capacities:*

Capacity	Number of H shares (Long position)	Number of H shares (Short position)
Interest of controlled corporations	40,320,149	14,832,869
Investment manager	46,931,000	2,805,000
Person having a security interest in shares	5,370,827	–
Approved lending agents	161,086,793	–

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

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

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

	Long Position				Short Position			
Name of substantial shareholders	Listed equity derivative payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash	Listed equity derivatives payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash
JPMorgan Chase & Co	148,000	–	1,886,000	19,707,000	526,000	651,000	9,736,508	5,168,525
Black Rock, Inc.	–	–	–	7,343,000	–	–	–	538,000
Deutsche Bank Aktiengesellschaft	–	–	–	17,624,000	–	–	–	10,166,000
Lehman Brothers Holdings Inc.	–	–	10,000,000	–	–	–	60,000	–

Apart from the foregoing, as at 31 December 2018, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

None of the Company's directors held any interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group.

Connected Transactions

1. Continuing Connected Transactions Defined under the Listing Rules

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

(1) Comprehensive Services Agreement between the Company and CREC

Reference is made to the prospectus of the Company dated 23 November 2007 in relation to, among other things, the comprehensive services agreement (the "**Comprehensive Services Agreement**") entered into between the Company and CREC. The term of the Comprehensive Services Agreement commenced on the date of the agreement and has expired on 31 December 2009. Subsequently on 1 January 2010 and 28 March 2013, the Company entered into a comprehensive services renewal agreement with CREC respectively, with a further term of three years each. Pursuant to the Comprehensive Services Agreement and its renewal agreements, CREC and/or its associates will provide social services to the Group, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational disease and other special medical services to employees of the Group as well as training to the Group's employees.

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

On 27 December 2018, the Company further entered into another comprehensive services renewal agreement with CREC, effective from 1 January 2019 to 31 December 2021. As all the relevant percentage ratios of the transactions contemplated under this comprehensive services renewal agreement do not exceed 0.1%, this comprehensive service renewal agreement is exempt from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules.

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

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

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

The annual caps for the year of 2016, 2017 and 2018 under the Financial Services Framework Renewal Agreement are as follows:

	For the financial year ended 31 December		
	2016	2017	2018
	RMB	*RMB*	*RMB*
(i) Deposit service			
The maximum of daily deposit balance in China Railway Finance by CREC (including interest accrued)	20,000,000,000	20,000,000,000	20,000,000,000
(ii) Loan service			
The maximum of daily loan balance from China Railway Finance to CREC (including interest accrued)	3,500,000,000	3,500,000,000	3,500,000,000
(iii) Other financial services			
The aggregate annual amount of maximum service fees for financial services provided by China Railway Finance to CREC	80,000,000	80,000,000	80,000,000

The factors in determining the above annual caps include: (1) historical transaction amount; (2) the strategy of financial management of the Company by taking into account the cash flow and capital needs as required by the business expansion plan of the Group; and (3) the effective and reasonable control of financial risks. The Company has made announcement in respect of the Financial Services Framework Renewal Agreement on 29 December 2015.

On 27 December 2018, China Railway Finance and CREC further entered into a financial services framework renewal agreement, effective from 1 January 2019 to 31 December 2021. The Company has made announcement in respect of the financial services framework renewal agreement on 27 December 2018.

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

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

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

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the Company's Board of Directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

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

(ii) were not, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

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

(iv) have exceeded the cap.

In accordance with the above requirements, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 59 to 60 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company for submission to the Hong Kong Stock Exchange.

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

2. Significant Related Party Transactions as Defined under PRC Laws and Regulations

Details of the significant related party transactions as defined by PRC laws and regulations during the reporting period are set out on pages 274 to 277 of this annual report.

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

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

Pre-emptive Rights

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

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the financial year, or existed as at 31 December 2018.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2018 are set out in note 45 to the Financial Statements.

Management Contract

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

Financial Summary

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

Emolument Policy

The Group has been devoted to improving a remuneration management scheme that is scientific and reasonable, fair and equitable, normative and orderly, in accordance with the requirements of the modern enterprise system, focused on the incentive and constraint functions that of remuneration distribution may serve, and aimed to attract and retain the core talents of the Group and maintain the reasonable and orderly growth in remuneration. In respect of remuneration policies, the Group formulated the *Guiding Opinion of China Railway on Strengthening the Construction of Market-oriented Mechanism of Employees' Remuneration that May Increase and Decrease,* focusing on strengthening the construction of mechanism of aggregate salary which may increase and decrease, optimized the enterprise salary resource allocation and improved the scientific, resealable, normative and effective mechanism of salary which may increase and decrease which is adapted to market, oriented by benefits and linked with appraisal. Meanwhile, the Group has established and improved the salary determination and normal growth mechanism which is adapted to the labour market and linked with the enterprise benefits and labour productivity. The Group has also made special award incentive measures in relation to technology innovation and operational development, to arouse the positivity, proactivity and innovation of the employees and promote a more reasonable and organized salary allocation.

Employee remuneration of the Group comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. In accordance with applicable regulations, the Group makes contributions to the employee pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to employee housing provident fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and annuities for both current and retired employees.

The remuneration of executive directors of the Group is on an annual basis and consists of base salary and performance-based bonus. According to the *Salary (Remuneration, Work Subsidy) Management Measures of Directors and Supervisors of China Railway Group Limited*, the remuneration of an independent non-executive director shall be determined with reference to provisions on the board of directors' pilot scheme of remuneration and treatment of external directors of central enterprises issued by the SASAC. For the head of central enterprises who has left the current office and serves as an independent non-executive director, the remuneration shall be determined with reference to the requirements of the SASAC on the relevant matters regarding the payment of work subsidies for the head of central enterprises who has left the current office and serves as an external director. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 17 to the Financial Statements.

In 2018, the Group continued to improve the training and management system, further implemented the "Extensive Staff Training and Substantial Improvement in Staff's Quality" project. During the year, the headquarters of the Company held 86 training lessons for over 11,300 persons, which vigorously promoted the improvement of employees' quality and capability as well as building of talent team, and ensured the completion of each task for production and operation of the enterprise. The Group continued to make greater efforts in training, reform and creation, promote the practical application of the advanced training method and idea such as action learning. The Group launched the first micro lecture competition and awarded 45 micro lecture works, further strengthening the pertinence and modernity of training. The Group continuously deeply promoted the construction of internet learning platform, provided the employees with enormous online learning sources and strengthened the convenience, autonomy and pertinence of learning. Meanwhile, it formulated the *Measures on Internal Trainer Management*, which laid the foundation for the construction of internal trainers.

In 2019, the Group will continue to focus on the Group's strategy and key work, devote more efforts to the staff training, follow the "686" action plan, organize the training works for directors, supervisors, leaders of the enterprise, international personnel, investment and financing personnel, professional and technical personnel and other talents, promote the construction of internal trainers team, launch the first internal trainer selection and promote the development of micro lecture works, promote the training reform and innovation efforts and continuously improve the quality and efficiency of training, promote the transformation and upgrading of the Group and improve quality and efficiency.

REPORT OF THE DIRECTORS

The personnel expenses of the Company for the year ended 31 December 2018 were RMB39.969 billion. As at 31 December 2018, the number of employees hired by the Group was 282,256. The following table sets forth a breakdown of the Group's employees by professional composition as at 31 December 2018:

Professional composition	Number of employees as at 31 December 2018
Chief senior level	2,090
Senior level	27,647
Medium level	61,607
Assistant level	72,759
Primary level and below	27,698
Others	90,455
Total	**282,256**

Education level	Number of employees as at 31 December 2018
Doctorate	248
Postgraduate	8,737
Undergraduate	105,668
Junior college and below	167,603
Total	**282,256**

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 17 and note 47 to the Financial Statements.

Public Float

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

Compliance with the Corporate Governance Code

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 66 to 84 of this annual report.

Auditors

The 2018 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by PricewaterhouseCoopers, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by PricewaterhouseCoopers Zhong Tian LLP.

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu have been providing annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, according to the "Proposal in relation to the Engagement of the Auditors for 2017" and "Proposal in relation to the Engagement of Internal Control Auditors for 2017" which were considered and passed successively at the 31st meeting of the third session of the Board held on 30 March 2017 and at the annual general meeting for the year 2016 held on 28 June 2017, it was agreed to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2017 and engage PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors of the Company for 2017. For details, please refer to the announcements of the Company dated 30 March 2017 and 28 June 2017 respectively. The Company has engaged the aforesaid two accounting firms as its auditors since the 2017 annual audit.

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

By order of the Board of Directors
Li Changjin
Chairman

Beijing, the PRC
29 March 2019

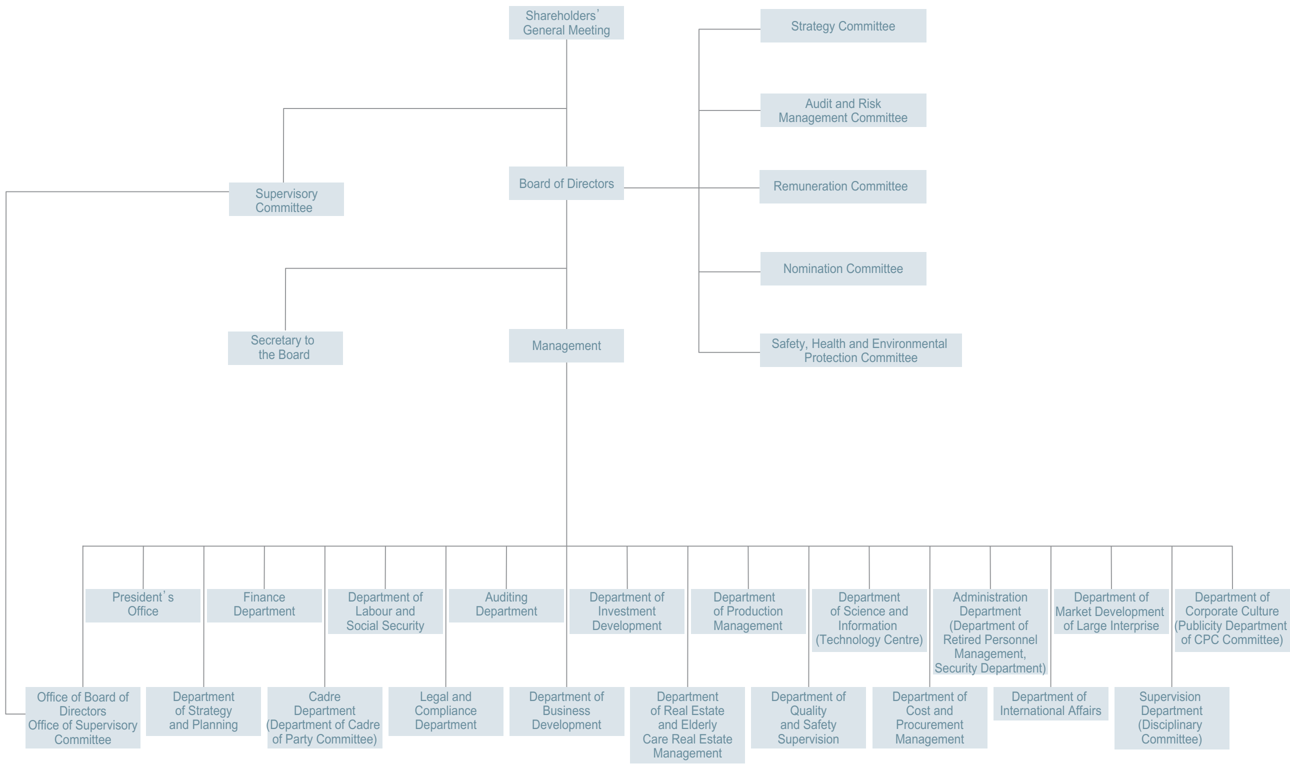
REPORT ON CORPORATE GOVERNANCE PRACTICES

Overview

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

Corporate Governance Framework

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



Compliance with the Code Provisions of the Corporate Governance Code

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

Shareholders' General Meeting

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

During the reporting period, the Company convened and held two shareholders' general meeting, being the 2017 annual general meeting held on 25 June 2018 and the 2018 first extraordinary general meeting held on 7 December 2018. At the 2017 annual general meeting, a total of 13 ordinary resolutions were considered and approved, including the 2017 report of the Board of Directors, the 2017 report of the Supervisory Committee, the 2017 work report of independent directors of the Company, the 2017 A share annual report and the abstract, H share annual report and results announcement for the year of 2017, the 2017 audited consolidated financial statements, the 2017 profit distribution plan, the proposal regarding The Plan for Shareholders' Return for 2018 to 2020 of China Railway Group Limited, the appointment of the external auditors for 2018, the appointment of internal control auditors for 2018, the provision of total amount of external guarantee by the Company for July 2018 to June 2019, the salary (remuneration, work subsidy) of directors and supervisors of the Company for the year of 2017, the purchase of liabilities insurance for directors, supervisors and senior management of the Company for the year of 2018, and the appointment of Mr. ZHANG Huijia as shareholder representative supervisor of the Company, and three special resolutions were also considered and approved, namely granting a general mandate to issue new shares to the Board of Directors, proposing the amendments to the Articles of Associations of the Company as set out in Appendix II of the circular of the Company dated 11 May 2018, and proposing the amendments to the Procedural Rules for the Board of the Company as set out in the Appendix III to the circular of the Company dated 11 May 2018. At the 2018 first extraordinary general meeting, a total of 11 special resolutions were considered and approved, namely the proposal on the fulfilment of the conditions for the acquisition of assets by issuance of shares of the Company, the proposal on the acquisition of assets by issuance of shares of the Company not constituting a related transaction, the proposal on the plan for the acquisition of assets by issuance of shares of the Company, the proposal on the acquisition of assets by issuance of shares not constituting major asset restructuring and restructuring listing, the proposal on considering the Report (Draft) on the Acquisition of Assets by Issuance of Shares of China Railway Group Limited and its summary, the proposal on entering into the conditional Equity Acquisition Agreements, the proposal on entering into the conditional Supplemental Agreements to the Equity Acquisition Agreements, the proposal on approving relevant financial reports and asset valuation reports of the acquisition of assets by issuance of shares, the proposal on impact analysis on dilution of immediate returns and remedial measures of the asset restructuring of the Company, the proposal on the grant of authorisation to the Board of Directors at the shareholders' general meeting to deal with relevant matters of the restructuring, and the proposal in relation to the issuance of domestic and overseas debt financing instruments. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	2	1	1
ZHANG Zongyan	2	1	1
ZHOU Mengbo	2	2	–
ZHANG Xian	2	1	1
GUO Peizhang	2	2	–
WEN Baoman	2	2	–
ZHENG Qingzhi	2	2	–
CHUNG Shui Ming Timpson	2	1	1
MA Zonglin	2	2	–

The Board of Directors

1. Composition of the Board of Directors

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

LI Changjin	Chairman and Executive Director
ZHANG Zongyan	Executive Director
ZHOU Mengbo	Executive Director
ZHANG Xian	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
CHUNG Shui Ming Timpson	Independent Non-executive Director
MA Zonglin	Non-executive Director

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

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

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

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

2. Board Meetings

In 2018, the Company held 11 Board meetings, 9 of which were on-site meetings. A total of 175 proposals were considered and passed at these Board meetings, including proposals in relation to strategic planning, periodical reports, internal control and investment, and heard 27 briefings regarding visits and inspections, rule of law and compliance, implementation of resolutions and market value management.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	9	9	–
ZHANG Zongyan	9	6	3
ZHOU Mengbo	9	7	2
ZHANG Xian	9	8	1
GUO Peizhang	9	9	–
WEN Baoman	9	8	1
ZHENG Qingzhi	9	9	–
CHUNG Shui Ming Timpson	9	6	3
MA Zonglin	9	8	1

3. Responsibilities and Operation of the Board

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

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

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

4. Model Code for Securities Transactions by Directors

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

5. Directors' Training

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

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

	Trainings		
Director	Thematic training for directors by the CSRC Beijing Bureau and Shanghai Stock Exchange	Thematic training for directors of enterprise owned by central government delivered by SASAC	Internal business training delivered by the Company
LI Changjin	1	–	2
ZHANG Zongyan	1	–	1
ZHOU Mengbo	2	–	1
ZHANG Xian	2	1	2
GUO Peizhang	2	1	3
WEN Baoman	1	1	2
ZHENG Qingzhi	1	1	3
CHUNG Shui Ming Timpson	1	1	–
MA Zonglin	1	1	3

6. Committees under the Board

During the reporting period, the composition of the committees under the Board of Directors was as follows: Mr. LI Changjin, Mr. ZHANG Zongyan, Mr. ZHOU Mengbo, Mr. GUO Peizhang and Mr. MA Zonglin were appointed as members and Mr. LI Changjin was appointed as Chairman of the Strategy Committee of the Board of Directors, Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. CHUNG Shui Ming Timpson were appointed as members and Mr. ZHENG Qingzhi was appointed as Chairman of the Audit and Risk Management Committee of the Board of Directors, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. MA Zonglin were appointed as members and Mr. GUO Peizhang was appointed as Chairman of the Remuneration Committee of the Board of Directors, Mr. LI Changjin, Mr. ZHANG Zongyan, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. LI Changjin was appointed as Chairman of the Nomination Committee of the Board, and Mr. ZHANG Zongyan, Mr. ZHANG Xian, Mr. ZHENG Qingzhi, Mr. CHUNG Shui Ming Timpson, and Mr. MA Zonglin were appointed as members and Mr. ZHANG Zongyan was appointed as Chairman of the Safety, Health and Environmental Protection Committee of the Board.

(a) Strategy Committee

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

During the reporting period, the Strategy Committee held 3 meetings and heard 5 reports including the *Report on the Execution of Company's Strategic Planning for 2017 and the Key Working Arrangement for 2018 of the Strategy Committee,* the *Analysis Report on Capital Markets and the Company's Stock Price and Market Value for 2017*, and the *Work Report of China Railway on Compliance Management*, and considered 2 proposals including the *Proposal on the Progressive Development Plan of China Railway Group Limited for 2018-2020* and the *Proposal on the Investment in and Control of Shanghai Fortune Intelligent Transportation Solutions Co., Ltd. by China Railway Electrification Engineering Group Co., Ltd.*

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	3	3	–
ZHANG Zongyan	3	2	1
ZHOU Mengbo	3	3	–
GUO Peizhang	3	3	–
MA Zonglin	3	3	–

(b) Audit and Risk Management Committee

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

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

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

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

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

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

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

The Audit and Risk Management Committee currently comprises Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. CHUNG Shui Ming Timpson who are independent non-executive directors, and is chaired by Mr. ZHENG Qingzhi.

During the reporting period, the Audit and Risk Management Committee held 7 meetings, at which a total of 40 proposals were considered, including the periodical reports, financial statements, and proposals on internal auditing, internal control assessment and risk management and heard 9 briefings.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHENG Qingzhi	7	7	–
Wen Baoman	7	7	–
CHUNG Shui Ming Timpson	7	5	2

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

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

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

(3) determining, as authorised by the Board of Directors the specific remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of Directors in relation to the remuneration of non-executive directors;

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

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

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

The Remuneration Committee currently comprises Mr. GUO Peizhang and Mr. WEN Baoman who are independent non-executive directors, and Mr. MA Zonglin who is the non-executive director, and is chaired by Mr. GUO Peizhang.

During the reporting period, the Remuneration Committee held 4 meetings, at which a total of 13 reports and proposals were considered, including the plan for the performance contract with senior management and the contract signing, remuneration assessment and payment for senior management, total remuneration management, performance remuneration and business payment management plan for personnel at all levels of the Company, performance assessment plan and remuneration management plan for responsible officer of the subordinate enterprises.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GUO Peizhang	4	4	–
WEN Baoman	4	4	–
MA Zonglin	4	4	–

The emolument payable to directors, supervisors and members of senior management of the Company are determined in accordance with the contractual terms under their respective service contracts. Details of the remuneration of directors and supervisors are set out in note 17 to the Financial Statements.

(d) Nomination Committee

The primary responsibilities of the Nomination Committee are:

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

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

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

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

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

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

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

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

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

During the reporting period, the Nomination Committee held 3 meeting at which a total of 11 proposals were considered including the *Proposal on the Appointment of the Vice President of China Railway Group Limited* and the *Proposal on the Appointment and Dismissal of 44 People including WANG Jiangang and the Adjustment to the Legal Person Governance Structure of 3 Subsidiaries including China Railway Academy*.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin	3	3	–
ZHANG Zongyan	3	2	1
GUO Peizhang	3	3	–
WEN Baoman	3	2	1
ZHENG Qingzhi	3	3	–

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

(e) Safety, Health and Environmental Protection Committee

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

The Safety, Health and Environmental Protection Committee currently comprises of Mr. ZHANG Zongyan and Mr. ZHANG Xian who are executive directors, Mr. ZHENG Qingzhi and Mr. CHUNG Shui Ming Timpson who are independent non-executive directors, and Mr. MA Zonglin who is non-executive director, and is chaired by Mr. ZHANG Zongyan.

During the reporting period, the Safety, Health and Environmental Protection Committee held 2 meetings, at which the *Report on Safety, Quality, Occupational Health and Environmental Protection of China Railway for 2017 and the Key Working Arrangement for 2018* and the *Report on Safety Quality, Health and Environmental Protection of China Railway for the First Half Year of 2018 and the Key Working Arrangement for the Second Half Year* were heard.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHANG Zongyan	2	2	–
ZHANG Xian	2	1	1
ZHENG Qingzhi	2	2	–
CHUNG Shui Ming Timpson	2	1	1
MA Zonglin	2	2	–

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

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

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

(3) examining the Company's financial matters;

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

(5) making proposals for shareholders' general meetings;

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

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

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

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

Mr. ZHANG Huijia (elected on 25 June 2018)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
Ms. LIU Jianyuan	Employee Representative Supervisor
Mr. WANG Hongguang	Employee Representative Supervisor
Mr. CHEN Wenxin	Shareholder Representative Supervisor
Mr. FAN Jinghua	Employee Representative Supervisor
Mr. LIU Chengjun (resigned on 8 June 2018)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor

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

During the reporting period, the Supervisory Committee held 9 meetings, considered a total of 54 proposals, and heard a total of 30 briefings.

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

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
Mr. ZHANG Huijia (elected on 25 June 2018)	6	6	–
Ms. LIU Jianyuan	9	7	2
Mr. WANG Hongguang	9	6	3
Mr. CHEN Wenxin	9	9	–
Mr. FAN Jinghua	6	6	–
Mr. LIU Chengjun (resigned on 8 June 2018)	3	2	1

Joint Company Secretaries

The Board of the Company announced on 6 August 2018 that Mr. HE Wen was appointed as a joint company secretary of the Company with effect from 6 August 2018 until the expiry of the term of the fourth session of the Board. Accordingly, Mr. YU Tengqun ceased to serve as a joint company secretary of the Company due to adjustment to positions. Mr. TAM Chun Chung will continue to act as the other joint company secretary of the Company. Mr. HE and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional trainings during the reporting period.

Shareholders' Rights

1. Convening of Extraordinary General Meeting

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

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

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

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

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

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

2. Putting Forward Proposals in the Shareholders' General Meeting

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

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

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

3. Enquiries to the Board

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

Amendment to the Articles of Association

Considering relevant situations including the change of company name of the controlling shareholder of the Company due to its enterprise reform, the discrepancy between the business scope of the Company as approved by the company registration authorities and that described in the current Articles of Association, the suggestions from the China Securities Investor Services Centre regarding cumulative voting mechanism for election of Directors or Supervisors, the regulatory requirement from the State Archives Administration on the term of preserving meeting materials, the adjustments to duties of strategy committee under the Board, the institutional reform of the State Council, as well as relevant regulations related to democratic corporate governance, and taking into account the actual situation of the Company, certain amendments to the Articles of Association were approved by the Company at the 2017 annual general meeting held on 25 June 2018. The latest version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Relationship with the Controlling Shareholder

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

The Company entered into the Comprehensive Services Agreement and its renewal agreements with CREC in relation to the mutual provision of comprehensive services between the CREC and the Group on 23 November 2007, 1 January 2010, 28 March 2013 and 30 December 2015 respectively, with each valid for three years. Pursuant to the Comprehensive Services Agreement and its renewal agreements, CREC and/or its associates will provide social services, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational diseases and other special medical services to employees of the Group as well as training to the Group's employees. On 27 December 2018, the Company entered into another comprehensive services renewal agreement with CREC, effective from 1 January 2019 to 31 December 2021. None of the relevant percentage ratios of the transactions under this comprehensive services renewal agreement is more than 0.1%, and is therefore exempted from all reporting, announcement and independent shareholders' approval under the Listing Rules.

On 29 April 2014, China Railway Finance (a subsidiary of the Company, with 95% of its equity interest being held by the Company and 5% of its equity interest being held by CREC) entered into the Financial Services Framework Agreement with CREC, effective form 16 March 2014 to 31 December 2015. Pursuant to the Financial Services Framework Agreement, China Railway Finance agreed to provide deposit services, lending services and miscellaneous financial services to CREC. On 29 December 2015, China Railway Finance and CREC entered into the Financial Services Framework Renewal Agreement, effective from 1 January 2016 to 31 December 2018, to renew the Financial Services Framework Agreement. On 27 December 2018, China Railway Finance and CREC entered into another financial services framework renewal agreement, effective from 1 January 2019 to 31 December 2021, to further renew the Financial Services Framework Agreement.

Auditors' Remuneration

The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (collectively the "**External Auditors**") as the international and domestic auditors of the Company for 2018, respectively.

Fees paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2018 are approximately RMB39 million.

Information Disclosure

The Secretary to the Board of Directors and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company actively studied and reacted to new changes in regulatory policies in the Chinese capital market and domestic and overseas securities markets, and continuously adapted itself to the new requirements on information disclosure by regulatory authorities; it continued to advocate for voluntary information disclosure as a supplement to statutory disclosure requirements, intensified its efforts in internal report and approval on material matters, strengthened targetedness and effectiveness of content of periodical reports, and effectively increased transparency in information disclosure by the Company. The Company published 530 announcements and circulars in total, among which, announcements for A shares totalled 247, and announcements and circulars for H shares totalled 283. All of the announcements and circulars are duly published through the Shanghai Stock Exchange, Hong Kong Stock Exchange and designated newspapers.

Risk Management and Internal Control

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

In terms of identification, evaluation and management of significant risks, the Company formed a normalised mechanism of risk management evaluation and reporting. Through preparation of risk evaluation questionnaire and comprehensive application of qualitative and quantitative methods, the Company identifies, distinguishes and evaluates various types of risks and determines the priority of control of significant risk, principle risk and general risk. Based on the above, the Company formulates risk management strategies, solutions and control methods, and forms comprehensive risk management report.

In terms of reviewing the effectiveness of the risk management and internal control system, the Company has established three defence lines in order to review and oversee the effectiveness of the risk management and internal control system:

- The first defence line consists of the functional departments and business units who are in charge of significant risk management control, so as to implement the risk management and control mechanism into specific business procedures;

- The second defence line consists of the leading team of internal control construction system of the Company, management of the Company and the functional department in charge of risk management, which are responsible for the supervision of the formulating and implementing process of significant risk management strategies and solutions of the members of the Company; and

- The third defence line consists of the Board of Directors, the Supervisory Committee, the audit department, the supervision department and external auditors. The audit department of the Company is responsible for organizing and implementing assessment work on risk management and internal control. The supervision department is responsible for supervising the execution of significant risk management strategies and solutions, recognising problems and proposing rectification methods by carrying out various specific investigation activities and reporting to the Board regularly. The Supervisory Committee is responsible for supervising the implementation status of the risk management and internal control of the Board, and putting forward improvement suggestions.

In view of the potential defects of internal control, the Company has established corporate governance structure including the shareholders' general meeting, the Board of Directors, the Supervisory Committee and senior management, clearly defined the boundaries of power on decision-making, implementation and supervision, formed scientific and efficient mechanism of divisions and balances of duties so as to ensure the effective operation of the internal control system.

In terms of the procedures and internal control for the handling, dissemination and internal supervision of inside information, the Company has formulated the Insiders Registration and Management System and specified the procedures and relevant internal control methods for dissemination of inside information in accordance with the Securities Law, the Administrative Measures for the Disclosure of Information of Listed Companies and other relevant laws and regulations.

The Board is responsible for the on-going supervision of the risk management and internal control system of the Company and reviewing their effectiveness through the Audit and Risk Management Committee. The Audit and Risk Management Committee assists the Board to perform the duties of supervision and corporate governance and review the effectiveness of the risk management and internal control systems of the Group at least annually, including the functions of financial, management, compliance, risk management and internal control, and financial resources and internal audit of the Group.

During the reporting period, the Audit and Risk Management Committee has reviewed the effectiveness of risk management and internal control system of the Group, covering all material aspects, including financial, operational and compliance controls, and taking into account the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, compliance, risk management, internal audit and financial reporting, and has reported relevant matters to the Board. No significant defect in respect of internal control has been discovered by relevant reviews. The Board is of the view that the current risk management and internal control system of the Group is adequate to protect the interests of the shareholders during the reporting period.

In addition, the Company carefully complied with regulatory rules and prepared 2018 annual social responsibility report and appraisal report on internal control. The Company engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors of the Company for 2018. PricewaterhouseCoopers Zhong Tian LLP has audited the effectiveness of the Company's internal control in relation to financial statements in 2018 and PricewaterhouseCoopers Zhong Tian LLP issued standard clean opinions in this respect.

Accountability of the Directors in Relation to Financial Statements

The directors of the Company are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2018, the directors of the Company have selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimation so as to give a true and fair view of the financial position, results and cash flow of the Group for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 85 to 90 of this annual report.

Investors Relations

In 2018, the Company has fully exerted the functions of investors' hotlines, IR mailbox and Shanghai Stock Exchange e-interaction platform. Through a variety of activities including convening results briefings, receiving investors' visits, convening annual general meeting, convening illustration meeting on cash dividend distribution, attending investment summits and holding reverse roadshow, the Company communicated and interacted with domestic and overseas investors in stocks and bonds, improved the understanding and recognition of the Company by the shareholders and creditors of the Company, and established the Company's capital market image of openness, transparency and integrity.

During the reporting period, the Company has organized 8 domestic and overseas results briefings and press conferences, attended 25 domestic and overseas investment institution summits, held 17 phone conferences with famous domestic and overseas investment institutions, held 40 domestic and overseas results promoting roadshow conferences, held 1 reverse roadshow in Guangzhou area, picked 1,176 hotlines from investors, processed 8,210 IR emails, and replied 39 Shanghai Stock Exchange e-interaction enquiries. Through above communication, the understanding and recognition of shareholders and investors of the Company has been strengthened and the management level and transparency of the Company has increased.

During the reporting period, the Company received the honours of, including but not limited to, "The Most Respected Listed Company by Investors 2017" and "Top 100 Enterprises in China" awarded by the China Association for Public Companies, "Tianma Award – the Best Board of Directors in China Main Board Listed Companies" and "Golden Round Table Award – the Best Board of Directors" awarded by Securities Times, and Top 10 Capital Operation Projects awarded by New Fortune with regard to the asset swap project between China Railway and China Railway Industry (600528).

Continuous Evolvement of Corporate Governance

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

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

Opinion

What we have audited

The consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 91 to 263, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition from infrastructure construction contracts
- Recoverability of trade receivables

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from infrastructure construction contracts	
Refer to Note 2.32(a), Note 5.1, and Note 6 to the consolidated financial statements. The Group's revenue from infrastructure construction contracts is recognised over the period of the contract. For the year ended 31 December 2018, the revenue from infrastructure construction contracts amounted to RMB624,211 million. Revenue from infrastructure construction contracts is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, depending on the nature of the contract, is measured mainly by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract. Management estimates the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of contract revenue and contract costs if circumstances change, such as variations in contract work, claims and incentive payments. The increases or decreases in estimated total contract revenue or total contract costs resulted in the adjustments to the extent of progress toward completion and revenue recognised in the period in which the circumstances that give rise to the revision becomes known by management. We identified the recognition of revenue from infrastructure construction contracts as a key audit matter as it involves significant estimations and judgements by management.	We performed the following procedures in relation to management's estimates of contract revenue and contract costs, and accounting for percentage of completion of contracts: – We obtained an understanding of, evaluated and tested the relevant controls in place on estimates of contract revenue, budget preparation and revenue recognition of the infrastructure construction contracts; – We obtained the list of infrastructure construction contracts from management, and compared the list with the infrastructure construction contracts summary and revenue sub-ledger on a sample basis; – We checked construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials receipt notes and labour cost records on a sample basis; – In respect of projects under construction, we performed the following procedures on a sample basis: (i) Reviewed the terms and conditions of the infrastructure construction contracts, inspected the contract sum, budget information, variation orders, claims and incentive payments, if any, on which the estimated total contract revenue and total contract costs were based, and evaluated the appropriateness of management's estimation; (ii) Tested the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; (iii) Confirmed key contract terms with owners of infrastructure construction projects; and (iv) Visited the selected sites of infrastructure construction projects to observe the progress of the contract work, and discussed with the site project management the extent to completion of the contract work. Based on our work, we found the judgement and estimates adopted by management in determining the revenue from infrastructure construction contracts are supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 2.20, Note 5.2, and Note 34 to the consolidated financial statements. As at 31 December 2018, the gross carrying amounts of trade receivables amounted to RMB110,797 million, with loss allowances amounted to RMB4,888 million. The Group assesses expected credit loss allowances of trade receivables using the risk parameters including exposure at default and expected credit loss rate, which is determined based on probabilities of default and default rates. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors. In assessing forward-looking information, the Group considers factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. We identified the recoverability of trade receivables as a key audit matter as it involves significant estimations and judgements by management.	We performed the following procedures in relation to management's assessment on recoverability of trade receivables: – We obtained an understanding of, evaluated and tested the relevant controls in place on management's assessment on the recoverability of trade receivables; – For trade receivables assessed individually, on a sample basis, we reviewed management's assessment of financial position and creditworthiness of customers, historical payment records and forecasted future economic conditions. We also corroborated management's assessment against available evidence, including searching for customers' background, historical transactions with the Group and respective collection pattern, examined the basis of determining forward-looking factors; – For trade receivables assessed collectively by reference to the credit risk characteristics, we assessed the reasonableness of the grouping and the respective expected credit loss based on the historical credit loss incurred, current conditions and forward looking factors, including: recalculation of migration rate and historical default rate, assessing the reasonableness of expected credit loss rate by reference to historical audit experience and the basis of determining of forward-looking information, tested the accuracy of the grouping and aging of the trade receivables on a sample basis, and assessed the mathematical accuracy of calculation of the expected credit loss allowance; and – We tested the cash collections subsequent to end of the reporting period on a sample basis. Based on our work, we found the judgement and estimates adopted by management in determining the recoverability of trade receivables are supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of Directors and Audit and Risk Management Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Risk Management Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Risk Management Committee 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 Audit and Risk Management Committee 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TANG Wai Tung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2018	2017
	Note	**RMB million**	RMB million
Revenue	*6*	**740,383**	688,773
Cost of sales and services	*11*	**(668,725)**	(626,044)
Gross profit		**71,658**	62,729
Other income	*7*	**2,379**	2,819
Other expenses	*7*	**(13,436)**	(11,103)
Net impairment losses on financial assets and contract assets	*8*	**(7,484)**	—
Other gains/(losses), net	*9*	**1,034**	(9,480)
Selling and marketing expenses	*11*	**(3,537)**	(2,852)
Administrative expenses	*11*	**(21,901)**	(20,119)
Operating profit		**28,713**	21,994
Finance income	*10*	**1,764**	2,075
Finance costs	*10*	**(7,148)**	(4,773)
Share of profit of joint ventures	*25*	**61**	224
Share of profit of associates	*25*	**1,555**	1,308
Profit before income tax		**24,945**	20,828
Income tax expense	*13*	**(7,509)**	(6,624)
Profit for the year		**17,436**	14,204
Profit attributable to:			
– Owners of the Company	*14*	**17,198**	16,067
– Non-controlling interests		**238**	(1,863)
		17,436	14,204
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*15*	**0.718**	0.669
– Diluted	*15*	**0.718**	0.669

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB million	RMB million
Profit for the year	**17,436**	14,204
Other comprehensive (expenses)/income, net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement and other supplemental benefit obligations	**(169)**	9
Changes in the fair value of equity investments at fair value through other comprehensive income	**(1,021)**	—
Income tax relating to items that will not be reclassified	**273**	(8)
	(917)	1
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(89)**	(364)
Fair value losses on available-for-sale financial assets	**—**	(493)
Reclassification adjustments for the cumulative loss included in profit or losses upon disposal of available-for-sale financial assets	**—**	(3)
Share of other comprehensive income/(expenses) of associates	**87**	(47)
Fair value losses on cash flow hedging instrument	**(2)**	(5)
Income tax relating to items that may be reclassified subsequently	**–**	125
	(4)	(787)
Other comprehensive expenses for the year, net of tax	**(921)**	(786)
Total comprehensive income for the year	**16,515**	13,418
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	**16,319**	15,397
– Non-controlling interests	**196**	(1,979)
	16,515	13,418

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB million	2017 RMB million (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**64,687**	59,769
Deposits for acquisition of property, plant and equipment		**1,664**	926
Lease prepayments	*19*	**12,439**	11,952
Deposits for land use rights		**270**	176
Deposits for investments	*20*	**2,187**	1,047
Investment properties	*21*	**8,543**	4,787
Intangible assets	*22*	**46,200**	35,995
Mining assets	*23*	**3,873**	4,142
Contract assets	*34*	**67,516**	—
Investments in joint ventures	*25*	**19,597**	11,154
Investments in associates	*25*	**15,672**	9,848
Goodwill	*27*	**899**	829
Financial assets at fair value through other comprehensive income	*28*	**5,792**	—
Available-for-sale financial assets	*29*	**—**	13,418
Other financial assets at amortised cost	*30*	**12,474**	—
Other loans and receivables	*31*	**—**	7,777
Financial assets at fair value through profit or loss	*37*	**7,366**	—
Deferred tax assets	*49*	**6,866**	5,731
Other prepayments		**415**	294
Trade and other receivables	*34*	**14,013**	34,409
		290,473	202,254
Current assets			
Lease prepayments	*19*	**337**	237
Properties held for sale	*32*	**27,288**	22,806
Properties under development for sale	*32*	**99,400**	74,253
Inventories	*33*	**38,553**	30,946
Available-for-sale financial assets	*29*	**—**	1,272
Trade and other receivables	*34*	**212,747**	245,748
Contract assets	*35*	**122,947**	—
Amounts due from customers for contract work	*36*	**—**	114,459
Current income tax recoverable		**2,263**	1,602
Other financial assets at amortised cost	*30*	**9,732**	—
Other loans and receivables	*31*	**—**	16,990
Financial assets at fair value through profit or loss	*37*	**4,296**	—
Held-for-trading financial assets	*38*	**—**	2,963
Restricted cash	*39*	**16,709**	13,704
Cash and cash equivalents	*40*	**117,768**	116,688
		652,040	641,668
Total assets		**942,513**	843,922

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB million	2017 RMB million (Restated)
EQUITY			
Share capital	*41*	**22,844**	22,844
Share premium and reserves	*42*	**136,666**	120,335
Perpetual notes	*43*	**32,109**	12,038
		191,619	155,217
Non-controlling interests		**30,362**	14,341
Total equity		**221,981**	169,558
LIABILITIES			
Non-current liabilities			
Trade and other payables	*44*	**2,617**	2,911
Borrowings	*45*	**88,808**	85,451
Obligations under finance leases	*46*	**160**	54
Retirement and other supplemental benefit obligations	*47*	**3,029**	3,161
Provisions	*48*	**1,002**	637
Deferred government grant and income		**1,278**	1,841
Deferred tax liabilities	*49*	**1,163**	1,006
		98,057	95,061
Current liabilities			
Trade and other payables	*44*	**421,814**	469,483
Contract liabilities	*35*	**91,999**	—
Amounts due to customers for contract work	*36*	**—**	14,964
Current income tax liabilities		**6,081**	5,572
Borrowings	*45*	**102,112**	88,483
Obligations under finance leases	*46*	**11**	349
Retirement and other supplemental benefit obligations	*47*	**369**	395
Financial liabilities at fair value through profit or loss	*37*	**71**	—
Provisions	*48*	**18**	–
Held-for-trading financial liabilities	*38*	**—**	57
		622,475	579,303
Total liabilities		**720,532**	674,364
Total equity and liabilities		**942,513**	843,922

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 91 to 263 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf.

Director
Li Changjin

Director
Zhang Zongyan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Capital reserve (Note 42)	Statutory reserves (Note 42)	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes (Note 43)	Total	Non-controlling interests	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2017		22,844	43,982	(2,818)	7,056	(74)	490	56,651	12,038	140,169	8,827	148,996
Profit/(losses) for the year		–	–	–	–	–	–	15,280	787	16,067	(1,863)	14,204
Other comprehensive income/ (expenses) for the year		–	–	3	–	(312)	(361)	–	–	(670)	(116)	(786)
Total comprehensive income/ (expenses) for the year		–	–	3	–	(312)	(361)	15,280	787	15,397	(1,979)	13,418
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		–	–	2,553	–	–	–	–	–	2,553	7,133	9,686
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	639	639
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	48	48
Assets restructuring and non-public offering in exchange of assets of subsidiaries		–	–	208	–	–	–	(199)	–	9	(9)	–
2016 final dividend	16	–	–	–	–	–	–	(2,010)	–	(2,010)	–	(2,010)
Dividends paid and payable to non-controlling interests		–	–	–	–	–	–	–	–	–	(318)	(318)
Dividends paid and payable to perpetual notes holders		–	–	–	–	–	–	–	(787)	(787)	–	(787)
Performance compensation to a non-controlling shareholder		–	–	(114)	–	–	–	–	–	(114)	–	(114)
Transfer to reserves		–	–	–	2,473	–	–	(2,473)	–	–	–	–
Balance at 31 December 2017		22,844	43,982	(168)	9,529	(386)	129	67,249	12,038	155,217	14,341	169,558

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Share capital	Share premium	Capital reserve *(Note 42)*	Statutory reserves *(Note 42)*	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes *(Note 43)*	Total	Non-controlling interests	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2018		22,844	43,982	(168)	9,529	(386)	129	67,249	12,038	155,217	14,341	169,558
Change in accounting policies	*3*	–	–	–	7	–	829	222	–	1,058	(5)	1,053
Restated total equity as at 1 January 2018		22,844	43,982	(168)	9,536	(386)	958	67,471	12,038	156,275	14,336	170,611
Profit/(losses) for the year		–	–	–	–	–	–	16,409	789	17,198	238	17,436
Other comprehensive expenses for the year		–	–	(125)	–	(139)	(615)	–	–	(879)	(42)	(921)
Total comprehensive (expenses)/income for the year		–	–	(125)	–	(139)	(615)	16,409	789	16,319	196	16,515
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		–	–	1,856	–	–	–	–	–	1,856	13,446	15,302
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		–	–	(54)	–	–	–	11	–	(43)	(355)	(398)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	3,567	3,567
Share of other reserves of associates and joint ventures		–	–	511	–	–	–	–	–	511	–	511
2017 final dividend	*16*	–	–	–	–	–	–	(2,581)	–	(2,581)	–	(2,581)
Dividend paid and payable to non-controlling interests		–	–	–	–	–	–	–	–	–	(828)	(828)
Dividend paid and payable to perpetual notes holders		–	–	–	–	–	–	–	(709)	(709)	–	(709)
Transfer to reserves		–	–	–	1,360	–	–	(1,360)	–	–	–	–
Issuance of perpetual notes		–	–	–	–	–	–	–	19,991	19,991	–	19,991
Balance at 31 December 2018		22,844	43,982	2,020	10,896	(525)	343	79,950	32,109	191,619	30,362	221,981

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 RMB million	2017 RMB million
Cash flows from operating activities			
Cash generated from operations	*50*	**20,268**	39,613
Income tax paid		**(8,306)**	(6,435)
Net cash generated from operating activities		**11,962**	33,178
Cash flows from investing activities			
– Additions of property, plant and equipment		**(13,719)**	(13,100)
– Deposits for acquisition of property, plant and equipment		**(1,436)**	(1,228)
– Disposal of property, plant and equipment		**1,014**	1,187
– Deposits paid for land use rights		**(136)**	(107)
– Additions of land use rights		**(546)**	(630)
– Additions of mining assets		**(9)**	(7)
– Additions of investment properties		**(43)**	(14)
– Disposal of land use rights		**434**	146
– Disposal of investment properties		**9**	13
– Disposal of intangible assets		**165**	77
– Disposal of mining assets		**36**	–
– Additions of intangible assets		**(3,089)**	(196)
– Acquisition of subsidiaries		**(6,757)**	(121)
– Disposal of subsidiaries		**794**	263
– Investments in associates		**(4,672)**	(2,627)
– Investments in joint ventures		**(10,068)**	(6,452)
– Purchase of other financial assets at fair value through profit or loss		**—**	(14,131)
– Proceeds from disposal of other financial assets at fair value through profit or loss		**—**	10,900
– Purchase of financial assets at fair value through profit or loss		**(10,601)**	—
– Disposal of financial assets at fair value through profit or loss		**10,976**	—
– Purchase of available-for-sale financial assets		**—**	(4,837)
– Disposal of available-for-sale financial assets		**—**	2,665
– Purchase of financial assets at fair value through other comprehensive income		**(1,408)**	—
– Disposal of financial assets at fair value through other comprehensive income		**387**	—
– Net cash flow in respect of other loans and receivables		**—**	(6,726)
– Net flow in respect of other financial assets at amortised cost		**(1,580)**	—
– Interests received		**1,695**	312
– Decrease of restricted cash		**1,330**	934
– Increase of restricted cash		**(2,521)**	(723)
– Proceeds from disposal of joint ventures		**480**	897
– Proceeds from disposal of associates		**250**	244
– Government grants received for acquisition of property, plant and equipment		**–**	46
– Deposits paid for investments		**(1,212)**	(47)
– Dividends received		**894**	885
Net cash used in investing activities		**(39,333)**	(32,377)

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2018	2017
	Note	**RMB million**	RMB million
Cash flows from financing activities	*50*		
– Capital contributions from non-controlling shareholders of subsidiaries		**15,302**	9,686
– Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		**(485)**	–
– Net proceeds from issue of debentures		**–**	3,267
– Net proceeds from issue of perpetual notes		**19,991**	–
– Repayment of debentures		**(5,660)**	(1,000)
– Proceeds from bank borrowings		**118,343**	79,648
– Repayments of bank borrowings		**(108,094)**	(76,424)
– Proceeds from other borrowings		**3,211**	215
– Repayment of other borrowings		**(1,707)**	(2,910)
– Interests paid		**(8,405)**	(7,773)
– Repayments of obligations under finance leases		**(365)**	(150)
– Dividends paid to non-controlling shareholders of subsidiaries		**(934)**	(299)
– Dividends paid to owners of the Company		**(2,581)**	(2,010)
– Dividends paid to holders of perpetual notes		**(709)**	(709)
Net cash generate from financing activities		**27,907**	1,541
Net increase in cash and cash equivalents		**536**	2,342
Cash and cash equivalents at beginning of year		**116,688**	114,830
Effect of foreign exchange rate changes		**544**	(484)
Cash and cash equivalents at end of year		**117,768**	116,688

The accompanying notes are an integral part of these financial statements.

1. General Information

China Railway Group Limited (the "Company") was established in the People's Republic of China (the "PRC") on 12 September 2007 as a joint stock company with limited liability, as part of the group reorganisation ("Reorganisation") of China Railway Engineering Group Company Limited ("CREC") in preparation for the listing of the Company's A shares on Shanghai Stock Exchange and H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

The address of the Company's registered office is 918, Block 1, No.128 South 4th Ring Road West, Fengtai District, Beijing, the PRC. The Company's ultimate holding company is CREC, established in the PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, property development, mining and merchandise trading, financial trust management, comprehensive financial services and insurance agent.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2019.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards and interpretation adopted by the Group

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2018.

	Effective for accounting periods beginning on or after
IFRS 9 "Financial instruments"	1 January 2018
IFRS 15 "Revenue from contracts with customers"	1 January 2018
Amendments to IFRS 4, "Applying IFRS 9 financial instruments with IFRS 4 insurance contracts"	1 January 2018
Amendment to IFRS 2 "Classification and measurement of share-based payment transactions"	1 January 2018
Amendment to IFRS 1 "First time adoption of IFRS"	1 January 2018
Amendment to IAS 28 "Investments in associates and joint ventures"	1 January 2018
Amendment to IAS 40 "Transfers of investment property"	1 January 2018
IFRIC 22 "Foreign currency transactions and advance consideration"	1 January 2018

Except for the new standards as described in Note 3, the adoption of above did not have any material impact on the Group's results for the year ended 31 December 2018 and the Group's financial position as at 31 December 2018 or result in any significant changes in the Group's accounting policies.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretation not yet adopted by the Group

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing the consolidated financial statements.

	Effective for accounting periods beginning on or after
IFRS 16 "Leases"	1 January 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	1 January 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	1 January 2019
Amendments to IAS 19 "Plan Amendment, curtailment or settlement"	1 January 2019
Amendments to IFRS 3 "Business combinations"	1 January 2019
Amendments to IFRS 11 "Joint arrangements"	1 January 2019
Amendments to IAS 12 "Income taxes"	1 January 2019
Amendments to IAS 23 "Borrowing costs"	1 January 2019
IFRIC 23 "Uncertainty over income tax treatments"	1 January 2019
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or join venture"	to be determined

Except as described below, the adoption of above new and amended standards and interpretation will have no material impact on the Group's results and financial position.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretation not yet adopted by the Group (Continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016, and will supersede IAS 17 Leases and the related interpretations when it becomes effective. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

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

In accordance with IFRS 16, the lessee will recognize right-of-use assets and lease liabilities for almost all leases in the balance sheet, record depreciation or amortisation and finance cost accordingly, and also classify cash repayments of the lease liability into principal portion and an interest portion for presentation in the statement of cash flows.

The Group has preliminarily completed the review and evaluation of leasing contracts effective as at 1 January 2019, and expected the adoption of IFRS 16 will have a material impact on the Group's consolidated financial statements to certain extent as the Group expects a corresponding increase in its assets and liabilities. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

For the operating lease arrangements the Group expects to recognise right-of-use assets of approximately RMB2,382 million on 1 January 2019, lease liabilities of RMB2,240 million (after adjustments for prepayments), net current assets will be RMB1,342 million lower due to the presentation of a portion of the liability as a current liability.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from 2019.

The Group will apply the standard from its mandatory adoption date of 1 January 2019.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in Note 26.

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

In the Company's balance sheet, investments in joint ventures are stated at cost less provision for impairment losses. The results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.13.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for the acquisitions of subsidiaries of the Group, except for those acquisitions which are considered as a business combination under common control in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the ultimate controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling party's interest.

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

Merger accounting for common control combinations (Continued)

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous end of the reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

Acquisition method of accounting for non-common control combinations

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the
- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

Acquisition method of accounting for non-common control combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the board of directors of the Company (the "Directors"), who is the chief operating decision-maker. The Directors are responsible for allocating resources and assessing performance of the operating segments, and making strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	15-50 years
– Infrastructure construction equipment	8-15 years
– Transportation equipment	4-12 years
– Manufacturing equipment	8-18 years
– Testing equipment and instruments	5-10 years
– Other equipment	3-10 years

Construction-in-progress represents buildings, machinery and equipments under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Costs include construction and acquisition costs, and interest charges arising from borrowings used to finance the assets during the construction period. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and available for use. When the assets concerned become available for use, the costs are transferred to appropriate category of property, plant and equipment and depreciated in accordance with the policy as stated above.

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net" in the consolidated income statement.

2.8 Investment properties

Investment properties, principally comprising leasehold buildings, are held for long-term rental yields and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net" in the consolidated income statement.

2.9 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights and are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

2.10 Intangible assets

(a) Service concession arrangements

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g. toll highways and others) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with the IFRIC Interpretation 12 Service Concession Arrangement (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group classifies the non-current assets linked to the long-term investment as ''service concession arrangements'' within intangible assets on the balance sheet if the intangible asset model is adopted. Such concession assets represented the consideration received for its construction service rendered (Note 2.32). Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the expected useful lives or the term of the concession, whichever is shorter, using traffic flow method or straight-line method under the intangible asset model.

(b) Patent and non-patented technologies

Separately acquired patent and non-patented technologies are shown at historical cost. Patent and non-patented technologies acquired in a business combination are recognised at fair value at the acquisition date. Patent and non-patented technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 2 to 10 years.

(c) Computer software

Acquired computer software license costs recognised as assets are amortised over their estimated useful lives of 2 to 10 years.

2. Summary of Significant Accounting Policies (Continued)

2.11 Mining assets

(a) Exploration and evaluation assets

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

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

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

(b) Mining rights

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

2.12 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the individual acquisition group level within respective operation segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. Summary of Significant Accounting Policies (Continued)

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, or exploration and evaluation assets, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Investments and other financial assets

2.14.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. Summary of Significant Accounting Policies (Continued)

2.14 Investments and other financial assets (Continued)

2.14.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.14.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at financial assets at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" and impairment expenses are presented as separate line item in the statement of profit or loss.

2. Summary of Significant Accounting Policies (Continued)

2.14 Investments and other financial assets (Continued)

2.14.3 Measurement (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other gains/(losses), net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.14.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 34 for further details.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2. Summary of Significant Accounting Policies (Continued)

2.16 Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.17 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 4. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2. Summary of Significant Accounting Policies (Continued)

2.17 Derivatives and hedging activities (Continued)

(i) Cash flow hedge that quantity for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "other gains/(losses), net".

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through "cost of sales").

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2. Summary of Significant Accounting Policies (Continued)

2.17 Derivatives and hedging activities (Continued)

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "other gains/(losses), net".

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "other gains/(losses), net".

2.18 Inventories

Inventories comprise raw materials and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out, weighted average or specific identification method for inventories with a different nature or use. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.19 Properties held for sale/properties under development for sale

Properties held for sale and under development for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs eligible for capitalisation incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion. Properties held for sale and under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2. Summary of Significant Accounting Policies (Continued)

2.20 Trade and other receivables

Trade receivables are amounts due from customers for services performed or products sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 34 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.21 Contract assets and liabilities

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to the customer. A contract asset becomes a receivable when the Group's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

The Group applied the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for contract assets, see Note 35 for further details.

A contract liability is the Group's obligation to transfer, or to stand ready to transfer goods or services to the customer that the Group has received consideration or the amount is due from the customer. The Group derecognised a contract liability when the Group transfers goods or services and, therefore satisfies performance obligation.

Contract in the financial statements is presented as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

2.22 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Summary of Significant Accounting Policies (Continued)

2.24 Financial instruments classified as equity

Financial instruments issued by the Group are classified as equity instruments when all the following conditions have been met:

(i) The financial instruments have no contracted obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavorable circumstance;

(ii) The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Financial instruments classified as equity instruments are recognised initially at fair value, net of transaction costs incurred.

2.25 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.26 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

2. Summary of Significant Accounting Policies (Continued)

2.26 Borrowings (Continued)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.27 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.28 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of Significant Accounting Policies (Continued)

2.28 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of Significant Accounting Policies (Continued)

2.29 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

For defined contribution plans, the full-time employees of the Group in the Mainland China are covered by the government-sponsored state-managed retirement plans under which the employees are entitled to a monthly pension based on certain formula. The relevant government agencies are responsible for the pension liability to these retired employees. The Group pays contributions to these pension plans monthly, on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense as incurred.

The Group also provides supplementary pension subsidies to retired employees in Mainland China. Such supplementary pension subsidies are considered as defined benefit plans. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The present value of the defined benefit plans is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Remeasurement, comprising actuarial gains and losses is reflected immediately in the consolidated balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

Employees who retire after 31 December 2006 will no longer be entitled to such supplementary pension subsidies.

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

2. Summary of Significant Accounting Policies (Continued)

2.29 Employee benefits (Continued)

(b) Other post-employment obligations

The Group provides post-retirement healthcare benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises 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 recognise costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(e) 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.

2.30 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2. Summary of Significant Accounting Policies (Continued)

2.30 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.31 Government grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment and intangible assets are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.32 Revenue recognition

Revenue is measured at the transaction price agreed under the contract. Revenue is shown, net of discounts and after eliminating sales within the Group. The Group considers the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer to determine the transaction price.

Revenues are recognised when or as the control of the asset is transferred to the customer and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. Summary of Significant Accounting Policies (Continued)

2.32 Revenue recognition (Continued)

(a) Revenue from infrastructure construction contracts and bridge steel structure manufacturing and installation services

Revenue from infrastructure construction contracts and bridge steel structure manufacturing and installation services is recognised when or as the constructions projects and bridge steel structure products and related installation services are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects and bridge steel structure products and related installation services may transfer over time or at a point in time. If the construction projects and the bridge steel structure manufacturing and installation services have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time, and therefore, recognises revenue over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of the performance obligation, in an amount that reflects the consideration expected to be entitled and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work.

(b) Services rendered

Revenue for services rendered including surveying, design, consulting, research and development, feasibility study, compliance certification services with respect to infrastructure projects, is recognised over the period of services are rendered by the progress towards complete satisfaction of that performance obligation measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; (b) stage of completion of the specific transactions and when it is probable that the economic benefits associated with the transaction will flow to the entity.

For (a) and (b) above, estimates of revenue, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers is recognised as contract assets. The excess of cumulative billings to customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

(c) Sale of properties

Revenue from sale of properties is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

2. Summary of Significant Accounting Policies (Continued)

2.32 Revenue recognition (Continued)

(d) Sale of goods

Sales of goods are recognised when an entity has transferred the products to the customer, and the customer has obtained control of the products.

2.33 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2.34 Dividends

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.35 Leases

2.35.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties in the consolidated balance sheet. Lease income on operation leases is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

2. Summary of Significant Accounting Policies (Continued)

2.35 Leases (Continued)

2.35.2 Finance leases

(a) As a lessee

Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance costs. The corresponding rental obligations, net of finance costs, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the expected useful life of the asset and the lease term.

(b) As a lessor

When assets are leased out by the Group under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2.36 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and developing of new or improved products and processes) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development cost is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation of capitalised development cost is calculated using the straight-line method over its expected useful life from the date they are available for use.

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Changes in Accounting Policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and the change of operating cycle on the Group's consolidated financial statements.

3.1 Impact on the consolidated financial statements

As a result of the change in the Group's accounting policy on operating cycle (Note 3.2), prior year financial statements were restated. As explained in Note 3.3 & 3.4 below, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules and the adjustment of the accumulative effects of applying IFRS 15 are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies, as described in the annual consolidated financial statements for the year ended 31 December 2017.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 December 2017 As originally presented	Change of operating cycle	31 December 2017 Restated	IFRS 9	IFRS 15	**1 January 2018 Restated**
	RMB million	RMB million	RMB million	RMB million	RMB million	**RMB million**
ASSETS						
Non-current assets						
Contract assets	—	—	—	(193)	24,333	**24,140**
Financial assets at fair value through other comprehensive income	—	—	—	5,901	–	**5,901**
Financial assets at fair value through profit or loss	—	—	—	8,620	–	**8,620**
Available-for-sale financial assets	13,418	–	13,418	(13,418)	–	**–**
Other financial assets at amortised cost	—	—	—	4,410	–	**4,410**
Other loans and receivables	7,777	—	7,777	(7,777)	–	**–**
Deferred tax assets	5,731	—	5,731	(68)	–	**5,663**
Trade and other receivables	15,755	18,654	34,409	3,952	(24,320)	**14,041**
	183,600	18,654	202,254	1,427	13	**203,694**

3. Changes in Accounting Policies (Continued)

3.1 Impact on the consolidated financial statements (Continued)

Balance sheet (extract)	31 December 2017 As originally presented	Change of operating cycle	31 December 2017 Restated	IFRS 9	IFRS 15	**1 January 2018 Restated**
	RMB million	RMB million	RMB million	RMB million	RMB million	**RMB million**
Current assets						
Inventories	30,946	—	30,946	–	(266)	**30,680**
Financial assets at fair value through profit or loss	—	—	—	4,301	–	**4,301**
Available-for-sale financial assets	1,272	—	1,272	(1,272)	–	**—**
Trade and other receivables	264,402	(18,654)	245,748	3,823	(28,188)	**221,383**
Contract assets	—	—	—	(733)	143,282	**142,549**
Amounts due from customers for contract work	114,459	—	114,459	–	(114,459)	**—**
Other financial assets at amortised cost	—	—	—	13,310	–	**13,310**
Other loans and receivables	16,990	—	16,990	(16,990)	–	**—**
Financial assets at fair value through other comprehensive income	—	—	—	354	–	**354**
Held-for-trading financial assets	2,963	—	2,963	(2,963)	–	**—**
	660,322	(18,654)	641,668	(170)	369	**641,867**
Total assets	843,922	–	843,922	1,257	382	**845,561**
EQUITY						
Equity attributable to owners of the Company						
Share premium and reserves	120,335	—	120,335	1,058	–	**121,393**
Non-controlling interests	14,341	—	14,341	(5)	–	**14,336**
Total equity	169,558	–	169,558	1,053	–	**170,611**

3. Changes in Accounting Policies (Continued)

3.1 Impact on the consolidated financial statements (Continued)

Balance sheet (extract)	31 December 2017 As originally presented	Change of operating cycle	31 December 2017 Restated	IFRS 9	IFRS 15	**1 January 2018 Restated**
	RMB million	RMB million	RMB million	RMB million	RMB million	**RMB million**
LIABILITIES						
Non-current liabilities						
Trade and other payables	498	2,413	2,911	–	–	**2,911**
Provisions	637	—	637	–	336	**973**
Deferred tax liabilities	1,006	—	1,006	204	–	**1,210**
	92,648	2,413	95,061	204	336	**95,601**
Current liabilities						
Trade and other payables	471,896	(2,413)	469,483	–	(69,426)	**400,057**
Contract liabilities	—	—	—	–	84,436	**84,436**
Amounts due to customers for contract work	14,964	—	14,964	–	(14,964)	**—**
Financial liabilities at fair value through profit or loss	—	—	—	57	–	**57**
Held-for-trading financial liabilities	57	—	57	(57)	–	**—**
	581,716	(2,413)	579,303	–	46	**579,349**
Total liabilities	674,364	–	674,364	204	382	**674,950**
Total equity and liabilities	843,922	–	843,922	1,257	382	**845,561**

3. Changes in Accounting Policies (Continued)

3.2 Change of operating cycle

The Group changed the operating cycle of the infrastructure construction and products manufacturing and installation activities to exclude the retention period. Accordingly, the Group's normal operating cycle with respect to the infrastructure construction and products manufacturing and installation activities include construction period or manufacturing and installation period. The change in accounting policy was approved in April 2018 by the Board of Directors, and have been applied from 1 January 2018. As a result, the balance sheet as at 31 December 2017 has been restated (Note 3.1).

3.3 IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 Financial Instruments ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Note 2.14 above. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Note	**Amount** RMB million
Closing retained earnings 31 December 2017 – IAS 39		67,249
Reclassify listed equity securities and debt instruments from available-for-sale to financial assets at FVPL	*(i)*	(218)
Reverse the accumulated imputed interest income on retention receivables, net of tax		1,169
Remeasurement fair value of unlisted equity investments classified as FVPL, net of tax	*(i)*	54
Remeasurement of fair value of debt instruments classified as FVPL, net of tax	*(iii)*	(74)
Increase in provision for debt instruments at amortised cost, net of tax		(174)
Reverse in provision for trade and other receivables, net of tax		153
Increase in provision for contract assets, net of tax		(695)
Adjustment to statutory reserve		7
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		222
Opening retained earnings 1 January 2018 – IFRS 9		**67,471**

3. Changes in Accounting Policies (Continued)

3.3 IFRS 9 Financial instruments (Continued)

(a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial instruments held by the Group and has classified and measured its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification and remeasurement are as follows:

Financial assets	Financial assets at FVPL RMB million	Financial assets at FVOCI RMB million	Held-for-trading financial assets ("held-for-trading") RMB million	Available-for-sale financial assets ("available-for-sale") RMB million	Amortised cost ("receivables and others") RMB million
Closing balance 31 December 2017 – IAS 39	—	—	2,963	14,690	304,924
Reclassify listed equity securities from available-for-sale to FVPL *(i)*	1,446	–	–	(1,446)	–
Reclassify unlisted equity investments from available-for-sale to FVPL *(i)*	622	–	–	(622)	–
Reclassify debt instruments from available-for-sale to FVPL *(i)*	7,180	–	–	(7,180)	–
Reclassify listed equity securities from available-for-sale to FVOCI *(ii)*	–	1,215	–	(1,215)	–
Reclassify unlisted equity investments from available-for-sale to FVOCI *(ii)*	–	3,948	–	(3,948)	–
Reclassify debt instruments from available-for-sale to FVOCI *(ii)*	–	279	–	(279)	–
Reclassify held-for-trading financial instruments to FVPL *(iii)*	2,963	–	(2,963)	–	–
Reclassify debt instruments from amortised cost to FVPL *(iii)*	736	–	–	–	(736)
Remeasure fair value of unlisted equity investments classified as FVPL *(i)*	72	–	–	–	–
Remeasure fair value of unlisted equity investments classified as FVOCI *(ii)*	–	813	–	–	–
Remeasure fair value of debt instruments classified as FVPL *(iii)*	(98)	–	–	–	–
Reverse the accumulated imputed interest income on retention receivables at amortised cost	–	–	–	–	1,499
Reverse in provision for trade and other receivables at amortised cost	–	–	–	–	202
Increase in provision for debt instruments at amortised cost	–	–	–	–	(237)
Opening balance 1 January 2018 – IFRS 9	**12,921**	**6,255**	**—**	**—**	**305,652**

3. Changes in Accounting Policies (Continued)

3.3 IFRS 9 Financial instruments (Continued)

(a) Classification and measurement (Continued)

Financial liabilities	Note	Financial liabilities at FVPL RMB million	Held-for-trading RMB million
Closing balance 31 December 2017 – IAS 39		—	57
Reclassify held-for-trading financial instruments to FVPL	*(iii)*	57	(57)
Opening balance 1 January 2018 – IFRS 9		**57**	**—**

The main effects resulting from this reclassification and remeasurement on the Group's equity is as follows:

	Note	Effects on FVOCI reserve RMB million	Effects on available-for-sale reserve RMB million	Effect on retained earnings RMB million *(Note)*
Closing balance 31 December 2017 – IAS 39		—	167	67,249
Reclassify listed equity securities and debt instruments from available-for-sale to FVPL	*(i)*	–	218	(218)
Remeasure fair value of unlisted equity investments classified as FVPL	*(i)*	–	–	54
Reclassify equity and debt instruments from available-for-sale to FVOCI	*(ii)*	385	(385)	–
Remeasure the fair value of unlisted equity investments classified as FVOCI	*(ii)*	611	–	–
Remeasure fair value of debt instruments classified as FVPL	*(iii)*	–	–	(74)
Opening balance 1 January 2018 – IFRS 9		**996**	**—**	**67,011**

Note: Before adjustment for reversal the accumulated imputed interest income on retention receivables, impairment and statutory reserve.

3. Changes in Accounting Policies (Continued)

3.3 IFRS 9 Financial instruments (Continued)

(a) Classification and measurement (Continued)

(i) Reclassification from available-for-sale to FVPL and remeasurement

Certain investments in equity securities and debt instruments were reclassified from available-for-sale to financial assets at FVPL. They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Certain investments in listed equity securities and debt instruments of RMB8,626 million were reclassified from available-for-sale to financial assets at FVPL. Related fair value losses of RMB218 million were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

Certain investments in unlisted equity investments of RMB622 million were reclassified from available-for-sale to financial assets at FVPL. Remeasurement fair value gains, net of tax, of RMB54 million were recognised in retained earnings on 1 January 2018.

(ii) Reclassification from available-for-sale to FVOCI and remeasurement

The Group elected to present in other comprehensive income changes in the fair value of certain equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

As a result, certain listed equity investments with a fair value of RMB1,215 million were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of RMB385 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

Certain unlisted equity investments of RMB3,948 million were reclassified from available-for-sale financial assets to financial assets at FVOCI. Remeasurement fair value gains, net of tax, of RMB611 million were recognised in other comprehensive income of FVOCI reserve.

Certain debt investments of RMB279 million with no fair value gain or loss was reclassified from available-for-sale to FVOCI on 1 January 2018, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest.

3. Changes in Accounting Policies (Continued)

3.3 IFRS 9 Financial instruments (Continued)

(a) Classification and measurement (Continued)

(iii) Other financial assets/liabilities

Certain held-for-trading financial instruments and debt instruments are required to be held as FVPL under IFRS 9. As a result, assets and liabilities with a fair value of RMB2,963 million and RMB57 million, respectively, were reclassified from held-for-trading to FVPL on 1 January 2018. Certain debt instruments of RMB736 million were reclassified from amortised cost to FVPL. Remeasurement fair value losses, net of tax, of RMB74 million were recognised in retained earnings on 1 January 2018.

(b) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade and other receivables (excluding advance to suppliers) *(i)*
- contract assets *(ii)*
- debt investments carried at FVOCI *(iii)*
- other financial assets at amortised cost *(iv)*

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings is disclosed in the table in Note 3.3 above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3. Changes in Accounting Policies (Continued)

3.3 IFRS 9 Financial instruments (Continued)

(b) Impairment of financial assets (Continued)

(i) Trade and other receivables (excluding advance to suppliers)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected losses allowance for trade and bills receivables. To measure the expected credit losses, trade and bills receivables have been grouped based on common credit risk characteristics and the aging of the trade receivables, and assessed collectively or individually for likelihood of recovery. Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB16,552 million on 1 January 2018 (previous loss allowance was RMB9,325 million) for those trade and other receivables (excluding advance to suppliers) and a further increase in the allowance by RMB5,765 million in the year ended 31 December 2018.

(ii) Contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets. The contract assets are categorised by common risk characteristics. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB926 million on 1 January 2018 (previous loss allowance was nil) and a further increase in the allowance by RMB445 million in the year ended 31 December 2018.

(iii) Debt investments at FVOCI

The loss allowance for debt investments at FVOCI as a result of applying the expected credit risk model is immaterial.

(iv) Other financial assets at amortised cost

Other financial assets at amortised cost primarily include loans to related parties and entrusted loans. Applying the expected credit risk model resulted in the recognition of a loss allowance of RMB1,922 million on 1 January 2018 (previous loss allowance was RMB1,685 million) and a further increase in the allowance by RMB1,274 million in the year ended 31 December 2018.

3. Changes in Accounting Policies (Continued)

3.4 IFRS 15 Revenue from contracts with customers

IFRS 15 replaces the provisions of IAS 18 "Revenue" ("IAS 18") and IAS 11 "Construction contracts" ("IAS 11") that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted IFRS 15 from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in Note 2.21 & 2.32 above. The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

Consolidated balance sheet (extract)	IAS 18 & IAS 11 carrying amount 31 December 2017	Reclassification	Remeasurement	**IFRS 15 carrying amount 1 January 2018**
	RMB million	RMB million	RMB million	RMB million
	(Restated)			*(Note)*
Inventories	30,946	(266)	–	**30,680**
Trade and other receivables	280,157	(52,508)	–	**227,649**
Contract assets	—	167,615	–	**167,615**
Amounts due from customers for contract work	114,459	(114,459)	–	**—**
Trade and other payables	472,394	(69,426)	–	**402,968**
Contract liabilities	—	84,436	–	**84,436**
Amounts due to customers for contract work	14,964	(14,964)	–	**—**
Provisions	637	336	–	**973**

Note: The amounts in this column are before the adjustments from the adoption of IFRS 9, including increase in the impairment loss allowance for trade receivables and contract assets and the reversal of the accumulated imputed interest income on retention receivables. See Note 3.3 above.

3. Changes in Accounting Policies (Continued)

3.4 IFRS 15 Revenue from contracts with customers (Continued)

There is no impact on the Group's retained earnings as at 1 January 2018 by initial application of IFRS 15.

The amount by each financial statements line item affected in the current reporting period by the application of IFRS 15 as compared to IAS 18, IAS 11 and related interpretations that were previously in effect before the adoption of IFRS 15 is as follows:

	As at 31 December 2018		
Consolidated balance sheet (extract)	Amounts without adoption of IFRS 15	Effects of the adoption of IFRS 15	Amounts as reported
	RMB million	RMB million	RMB million
Trade and other receivables	307,977	(81,217)	226,760
Contract assets	—	190,463	190,463
Amounts due from customers for contract work	108,852	(108,852)	—
Trade and other payables	500,425	(76,244)	424,181
Amounts due to customers for contract work	15,755	(15,755)	—
Contract liabilities	—	91,999	91,999
Provisions	626	394	1,020

4. Financial Risk Management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group identifies, evaluates and uses derivative financial instruments to hedge certain risk exposures.

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

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign currency risk

The functional currency of majority of the entities within the Group is RMB. Most of the Group's transactions are based and settled in RMB. Foreign currencies are used to settle the Group's revenue from overseas operations, the Group's purchases of machinery and equipment from overseas suppliers, and certain expenses.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

Details of the Group's financial assets at FVOCI, other financial assets at amortised cost, trade and other receivables, financial assets at FVPL, restricted cash, cash and cash equivalents, trade and other payables and borrowings as at 31 December 2018, denominated in foreign currencies, mainly United States Dollars ("USD") and Hong Kong Dollars ("HKD"), are disclosed in Notes 28, 30, 34, 37, 39, 40, 44 and 45, respectively.

The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. In 2018, The Group uses forward foreign exchange contracts to hedge its exposure to foreign currency risk.

As at 31 December 2018, if RMB had strengthened/weakened by 6% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB53 million lower/higher (2017: 6%, RMB96 million higher/lower), mainly as a result of foreign exchange losses/gains on translation of USD-denominated other financial assets at amortised cost, trade and other receivables, cash and bank balances, trade and other payables and borrowings.

As at 31 December 2018, if RMB had strengthened/weakened by 6% against HKD with all other variables held constant, post-tax profit for the year would have been approximately RMB1 million (2017: 7%, RMB7 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated trade and other receivables, financial assets at FVPL and cash and cash equivalents; post-tax impact on equity for the year would have been approximately RMB27 million (31 December 2017: 7%, RMB33 million) decreased/increased, mainly as a result of impact on other comprehensive income on translation of HKD-denominated financial assets at FVOCI.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as at FVPL or at FVOCI and measured by reference to quoted prices.

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

The Group's sensitivity to equity price risk on the financial assets and liabilities at FVPL and at FVOCI at the end of the reporting period while all other variables were held constant is as follows:

	2018	2017
Increase/decrease in quoted price in open markets	**25%**	6%

	2018 **RMB million**	2017 RMB million
Increase/(decrease) in post-tax profit for the year		
– as a result of increase in equity price	**28**	131
– as a result of decrease in equity price	**(28)**	(131)
Increase/(decrease) in other comprehensive income		
– as a result of increase in equity price	**223**	120
– as a result of decrease in equity price	**(223)**	(120)

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate borrowings and other financial assets at amortised cost. The cash flow interest rate risks of the Group relates primarily to floating-rate bank borrowing and unlisted debt related entrusted products classified in the balance sheet at FVPL. The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term. During 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in RMB and USD.

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate borrowings at the end of the reporting period were outstanding and the amount of unlisted debt related entrusted products classified in the balance sheet at FVPL at the end of the reporting period retained for the whole year (2017: available-for-sale financial assets measured at fair value through other comprehensive income). Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

	2018	2017
Increase/decrease in interest rate	**25 basis points**	25 basis points

	2018	2017
	RMB million	RMB million
(Decrease)/increase in post-tax profit for the year		
– as a result of increase in interest rate	**(152)**	(203)
– as a result of decrease in interest rate	**152**	203
Increase/(decrease) in other comprehensive income		
– as a result of increase in interest rate	**–**	12
– as a result of decrease in interest rate	**–**	(12)

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and bank balances, trade and other receivables except for prepayments, contract assets, debt investments carried at amortised cost, financial assets at FVPL, and the nominal value of the guarantees provided on liabilities.

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

The Group holds substantially all of bank deposits in major financial institutions located in the PRC and certain overseas banks with proper credit ratings. Management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets.

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

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 20% (2017: 27%) and 25% (2017: 30%) of the total trade receivables respectively.

The Group has concentration of credit risk in respect of other financial assets at amortised cost as the Group's largest other financial assets at amortised cost (2017: other loan and receivables) and the five largest other financial assets at amortised cost represent 9% (2017: 8%) and 24% (2017: 27%) of the total other financial assets (2017: other loan and receivables) at amortised cost respectively.

Impairment of financial assets is disclosed in Note 3.3(b).

(c) Liquidity risk

Liquidity risk encompasses the risk that the Group cannot meet its financial obligations in full.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities to meet obligations when due. Due to capital intensive nature of the Group's business, the Group ensures that it maintains flexibility through keeping sufficient cash and cash equivalents and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of cash flows into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The spot rate as at the end of the reporting period is used for the cash flow calculation in relation to the amounts settled with foreign currencies. The amounts disclosed in the table are the contractual undiscounted cash flows. To the extent that interest cash flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	On demand or Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2018						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 44) (Note)*	397,454	1,439	1,290	414	400,597	400,276
Borrowings *(Note 45)*	106,264	30,502	43,624	29,706	210,096	190,920
Obligations under finance leases *(Note 46)*	11	88	87	–	186	171
Financial guarantee contracts *(Note 52)*	32,510	–	–	–	32,510	–
Financial liabilities at FVPL *(Note 37)*	69	–	–	–	69	69
Net-settled derivative financial instruments outflows *(Note 37)*						
– future contracts	2	–	–	–	2	2
	536,310	32,029	45,001	30,120	643,460	591,438

	On demand or Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2017						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 44) (Note)*	382,017	249	156	150	382,572	382,354
Borrowings *(Note 45)*	94,401	24,484	45,116	32,096	196,097	173,934
Obligations under finance leases *(Note 46)*	349	9	52	–	410	403
Financial guarantee contracts *(Note 52)*	29,410	–	–	–	29,410	–
Net-settled derivative financial instruments outflows *(Note 38)*						
– foreign exchange swaps	25	–	–	–	25	25
– forward currency exchange contracts	6	–	–	–	6	6
– future contracts	26	–	–	–	26	26
	506,234	24,742	45,324	32,246	608,546	556,748

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

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2018, there is no bank borrowing that contains a repayment on demand clause.

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

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

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets. The Group aims to maintain the asset-liability ratio at a reasonable level.

	2018 **RMB million**	2017 RMB million
Total liabilities	**720,532**	674,364
Total assets	**942,513**	843,922
Asset-liability ratio	**76.45%**	79.91%

The asset-liability ratio as at 31 December 2018 decreased by 3.46 percentage points compared with that in 2017 primarily attributable to the issuance of perpetual notes and capital contribution from non-controlling interests in 2018.

4. Financial Risk Management (Continued)

4.2 Fair value estimation

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

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, unlisted open-end equity funds, unlisted entrusted products, listed equity securities with non-tradable restriction and other financial assets at FVPL.

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2018		2017		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Future contracts at FVPL (2017: Future contracts classified as held-for-trading)	**Assets/Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward price (from observable future value expectation at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**–**	Assets	2				
	Liabilities	**2**	Liabilities	26				
2) Foreign exchange swaps at FVPL (2017: Foreign exchange classified as held-for-trading)	**Assets/Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**–**	Assets	–				
	Liabilities	**–**	Liabilities	25				
3) Forward foreign exchange contracts at FVPL (2017: Forward foreign exchanges contracts classified as held-for-trading)	**Assets/Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**1**	Assets	–				
	Liabilities	**–**	Liabilities	6				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value (Continued)

Financial assets/financial liabilities	Fair value as at (RMB million) 2018		2017		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
4) Listed equity securities, money – market securities investment funds, and bond instruments at FVPL (2017: Listed equity securities, money – market securities investment funds, and bond instruments classified as held-for-trading)	**Held-for-trading financial assets in Mainland China and Hong Kong:**		Held-for-trading financial assets in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**2,058**	Finance	2,727				
	Manufacturing	**60**	Construction	8				
	Transportation	**34**	Manufacturing	112				
	Mining	**1**	Transportation	24				
	Construction	**-**	Mining	9				
	Others	**2**	Others	81				
		2,155		2,961				
	Finance	**16**	Finance	—	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Finance	**657**	Finance	—	Level 3	Market valuation method by reference to discount rate that reflects the liquidity level.	Discount rates that correspond to the expected liquidity level.	The lower the discount rate, the higher the fair value.
	Total	**2,828**	Total	2,961				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value (Continued)

Financial assets/financial liabilities	Fair value as at (RMB million) 2018		2017		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Listed equity securities at FVOCI (2017: Listed equity securities classified as available-for-sale)	**Listed equity securities in Mainland China:**		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**599**	Finance	1,964				
	Manufacturing	**–**	Manufacturing	66				
	Total	**599**	Total	2,030				
	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:					
	Industry	**Amount**	Amount	Amount				
	Manufacturing	**593**	Manufacturing	630				
	Mining	**–**	Mining	1				
	Total	**593**	Total	631				
6) Unlisted open-end equity funds at FVOCI (2017: Unlisted open-end equity funds classified as available-for-sale)	**Unlisted openend equity funds in Mainland China:**		Unlisted open-end equity funds in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Finance	**–**	Finance	804	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Finance	**–**	Finance	696				
	Total	**–**	Total	1,500				

4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value (Continued)

Financial assets/financial liabilities	Fair value as at (RMB million) 2018		2017		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Unlisted open-end equity funds at FVPL	**Unlisted openend equity funds in Mainland China:**		Unlisted open-end equity funds in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Assets Industry	**Amount**	Assets Industry	Amount				
	Finance	**1,846**	Finance	—				
	Finance	**79**	Finance	—	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Finance	**734**	Finance	—	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	**2,659**	Total	—				
	Liabilities Industry	**Amount**	Liabilities Industry	Amount	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Finance	**69**	Finance	—				

4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value (Continued)

Financial assets/financial liabilities	Fair value as at (RMB in million) 2018		2017		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
8) Unlisted entrusted products at FVOCI (2017: Unlisted entrusted products classified as available-for-sale)	**Unlisted entrusted products in Mainland China:**		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Construction	**-**	Construction	3,189				
	Real estate	**-**	Finance	1,201				
	Finance	**-**	Real estate	863				
	Manufacturing	**-**	Manufacturing	87				
	Mining	**-**	Mining	15				
	Others	**-**	Others	604				
	Total	**-**	Total	5,959				
9) Unlisted entrusted products and other financial assets at FVPL	**Unlisted entrusted products in Mainland China:**		Unlisted entrusted products in Mainland China:		Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**150**	Finance	–				
	Construction	**1,900**	Construction	–	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Finance	**1,293**	Real estate	–				
	Real estate	**799**	Finance	–				
	Mining	**11**	Manufacturing	–				
	Manufacturing	**6**	Mining	–				
	Others	**1,305**	Others	–				
	Total	**5,464**	Total	–				

4. Financial risk management (Continued)

4.2 Fair value estimation (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value (Continued)

Financial assets/financial liabilities	Fair value as at (RMB in million) 2018		2017		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
10) Unlisted equity investments at FVOCI	**Unlisted equity investment in Mainland China:**		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier	The higher the P/B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Construction	**4,355**	Construction	—				
	Manufacturing	**110**	Manufacturing	—				
	Finance	**50**	Finance	—				
	Mining	**5**	Real estate	—				
	Real estate	**2**	Mining	—				
	Others	**78**	Others	—				
	Total	**4,600**	Total	—				
11) Unlisted equity investments at FVPL	**Unlisted equity investment in Mainland China:**		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier	The higher the P/B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Finance	**710**	Construction	—				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value (Continued)

The following table presents the changes in level 3 items for the periods ended 31 December 2018 and 31 December 2017:

	Unlisted entrusted products RMB million	Unlisted open-end funds RMB million	Unlisted equity investments RMB million	Listed equity securities RMB million	Others RMB million	Total RMB million
Closing balance at 31 December 2017	**5,959**	**696**	**—**	**–**	**–**	**6,655**
Reclassification and remeasurement under IFRS 9	**(22)**	**(76)**	**5,455**	**–**	**–**	**5,357**
Opening balance at 1 January	**5,937**	**620**	**5,455**	**–**	**–**	**12,012**
Acquisitions	**2,927**	**492**	**967**	**1,379**	**–**	**5,765**
(Losses)/gains recognised in profit or loss	**(255)**	**65**	**17**	**(722)**	**909**	**14**
Losses recognised in other comprehensive income	**–**	**–**	**(859)**	**–**	**–**	**(859)**
Disposals	**(4,204)**	**(512)**	**(270)**	**–**	**–**	**(4,986)**
Closing balance at 31 December 2018	**4,405**	**665**	**5,310**	**657**	**909**	**11,946**

	Unlisted entrusted products RMB million	Unlisted open-end funds RMB million	Unlisted equity investments RMB million	Listed equity securities RMB million	Others RMB million	Total RMB million
Opening balance at 1 January 2017	6,321	626	—	—	—	6,947
Acquisitions	2,431	332	—	—	—	2,763
Gains recognised in profit or loss	229	–	—	—	—	229
Losses recognised in other comprehensive income	(90)	–	—	—	—	(90)
Disposals	(2,932)	(262)	—	—	—	(3,194)
Closing balance at 31 December 2017	5,959	696	—	—	—	6,655

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

(b) Fair value of financial assets and liabilities measured at amortised cost

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

	2018		2017	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial assets				
Other financial assets at amortised cost – fixed rate	**21,707**	**22,958**	—	—
Loans and receivables – fixed rate	**—**	**—**	24,768	25,131
Financial liabilities				
Bank borrowings – fixed rate	**14,226**	**14,581**	7,261	7,317
Long-term debentures – fixed rate	**30,672**	**31,147**	36,002	36,968
Other long-term borrowings – fixed rate	**5,885**	**6,113**	6,100	6,671

The fair values hierarchy of the fair value of fixed rate other financial assets at amortised cost, bank borrowings, long-term debentures and other long-term borrowings are included in level 3. The fair values have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties or the issuer.

5. Critical Accounting Estimates, Assumptions and Judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

5.1 Revenue recognition from infrastructure construction contracts

Revenue from infrastructure construction contracts is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, depending on the nature of the contract, is measured mainly by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract. Management estimates the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of contract revenue and contract costs if circumstances change, such as variations in contract work, claims and incentive payments. The increases or decreases in estimated total contract revenue or total contract costs resulted in the adjustments to the extent of progress toward completion and revenue recognised in the period in which the circumstances that give rise to the revision becomes known by management.

5.2 Recoverability of trade receivables

The Group assesses expected credit loss allowances of trade receivables using the risk parameters including exposure at default and expected credit loss rate, which is determined based on probabilities of default and default rates. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors. In assessing forward-looking information, the Group considers factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. The changes in estimation basis or in economic conditions could lead to a change in the level of credit loss allowances recorded and consequently on the charge or credit to profit or loss.

5. Critical Accounting Estimates, Assumptions and Judgments (Continued)

5.3 Determination of control over structured entities

The Group invested in several structured entities which were mainly engaged in infrastructure investment activities or acted as manager to a number of structured entities and also carries interests in these entities. Determining whether the Group controls these structured entities usually focuses on the assessment of the power of the Group, its variable returns (including but not limited to any carried interests and commission income or management fees earned) and the ability to exercise its power to influence the variable returns from these structured entities. Management considers a number of factors to assess if the Group has control over these structured entities, including the Group acts as a principal or an agent through analysis of the scope of the decision-making authority of the Group, its remuneration entitlement, other interests the Group held, and the rights held by other parties. Based on the assessment following the accounting policies set out in Notes 2.2 and 2.3, the Group consolidates certain structured entities that it has control, accounts for as joint ventures or associates when it has joint control or significant influence over the structured entities. For those that the Group has neither control, joint control nor significant influence, the Group accounts for as available-for-sale. Judgement is involved when performing the assessment. Should those joint ventures, associates and available-for-sale be consolidated, net assets, revenue and profit of the Group could be affected.

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in Note 24.

5.4 Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is measured at quoted price. If the market for a financial instrument is not active, the Group determines fair value by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each end of the reporting period. However, if the range of reasonable fair value estimate is so significant that management are of the opinion that their fair value cannot be measured reliably, such financial instruments are carried out at cost less accumulated impairment losses.

The sensitivity analysis in relation to the fluctuation of the fair value of financial instruments has been disclosed in Note 4.1(a).

5. Critical Accounting Estimates, Assumptions and Judgments (Continued)

5.5 Income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. In case where the actual future taxable profit generated are less than expected, or change in facts and circumstances which result in revision of future taxable profit estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in the consolidated income statement in the period in which such a reversal or further recognition takes place.

5.6 Revenue from sale of properties

The assessment of when an entity has transferred the significant risks and rewards of interestship to buyers requires the judgment according to the circumstances of the transaction. In most cases, the transfer point of risks and rewards of ownership coincides with the date when the buyer checks and accepts the property or when the buyer is regarded as checking and accepting the property.

The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will expire when relevant property ownership certificates are mortgaged to banks by the purchasers. In addition, based on the past experiences, defaults of mortgage facilities by the purchasers which resulted in the bank guarantees being called upon were rare. Further, the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low. The Group believes that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers when the buyer checks and accepts the property or when the buyer is regarded as checking and accepting the property.

5. Critical Accounting Estimates, Assumptions and Judgments (Continued)

5.7 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 47.

5.8 Amortisation of service concession arrangements in relation to toll highways

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

5. Critical Accounting Estimates, Assumptions and Judgments (Continued)

5.9 Classification of financial assets

The Group classified the financial assets based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The judgement when the Group assesses its business model for managing financial assets includes:

a. how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

b. the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

c. how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The judgement in assessing contractual cash flows are consistent with a basic lending arrangement include:

a. if the timing or amount of principal may change over the life of the financial asset (for example, if there are repayment of principal before maturity);

b. if the interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

For example, the prepayment amount before maturity solely represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation of the early termination of the contract.

6. Segment Information

The Directors are the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Directors that are used to allocate resources to the segments and assess their performance. The reports reviewed by the Directors are prepared in accordance with the relevant PRC accounting standards, which resulted in the difference in the basis of measurement of segment results, segment assets and segment liabilities, the details of which are shown as reconciling items.

The Directors consider the business from the service and product perspective. Management assesses the performance of the following five operating segments:

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

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

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

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

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

Revenue between segments is carried out at actual transaction prices.

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

6. Segment Information (Continued)

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

	For the year ended 31 December 2018						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
External revenue	**624,211**	**14,610**	**15,000**	**43,324**	**37,869**	**–**	**735,014**
Inter-segment revenue	**19,670**	**422**	**5,690**	**27**	**28,060**	**(53,869)**	**–**
Other revenue	**2,876**	**63**	**97**	**640**	**1,693**	**–**	**5,369**
Inter-segment other revenue	**157**	**–**	**–**	**–**	**108**	**(265)**	**–**
Segment revenue	**646,914**	**15,095**	**20,787**	**43,991**	**67,730**	**(54,134)**	**740,383**
Segment results							
Profit before income tax	**17,111**	**1,536**	**1,532**	**4,603**	**755**	**(2,827)**	**22,710**
Segment results included:							
Share of profit/(losses) of joint ventures	**78**	**11**	**75**	**(154)**	**51**	**–**	**61**
Share of profit of associates	**328**	**6**	**146**	**5**	**1,070**	**–**	**1,555**
Finance income	**229**	**71**	**82**	**216**	**537**	**(275)**	**860**
Finance costs	**(3,901)**	**(121)**	**(81)**	**(1,799)**	**(3,826)**	**2,580**	**(7,148)**

	For the year ended 31 December 2017						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
External revenue	596,580	12,971	13,626	30,352	35,244	–	688,773
Inter-segment revenue	11,702	680	4,606	127	16,697	(33,812)	–
Other revenue	2,654	110	289	472	1,068	–	4,593
Inter-segment other revenue	159	–	–	–	65	(224)	–
Segment revenue	611,095	13,761	18,521	30,951	53,074	(34,036)	693,366
Segment results							
Profit before income tax	19,514	1,564	1,533	3,255	(3,768)	(2,554)	19,544
Segment results included:							
Share of profit/(losses) of joint ventures	91	3	73	(9)	66	–	224
Share of profit/(losses) of associates	329	1	102	4	872	–	1,308
Finance income	2,900	54	29	276	854	(2,068)	2,045
Finance costs	(3,110)	(58)	(119)	(978)	(3,320)	2,812	(4,773)

6. Segment Information (Continued)

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

	2018 **RMB million**	2017 RMB million
Segment revenue, before inter-segment elimination	**794,517**	727,402
Inter-segment elimination	**(54,134)**	(34,036)
Reconciling items:		
Reclassification of other operating income	**–**	(4,593)
Total consolidated revenue, as reported	**740,383**	688,773
Segment finance income, before inter-segment elimination	**1,135**	4,113
Inter-segment elimination	**(275)**	(2,068)
Reconciling items:		
Reclassification of interest income obtained from other financial assets at amortised cost	**904**	—
Reclassification of interest income obtained from other loans and receivables	**—**	30
Total consolidated finance income, as reported	**1,764**	2,075
Segment results, before inter-segment elimination	**25,537**	22,098
Inter-segment elimination	**(2,827)**	(2,554)
Reconciling item:		
Land appreciation tax *(Note (a))*	**2,235**	1,284
Total consolidated profit before income tax, as reported	**24,945**	20,828

(a) Land appreciation tax is included as charge to segment results under segment reporting and is classified as income tax expense in the consolidated income statement.

6. Segment Information (Continued)

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

	As at 31 December 2018						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
Segment assets	627,019	15,888	39,698	228,861	278,720	(256,065)	934,121
Segment assets included:							
Investments in joint ventures	13,634	55	356	183	5,369	–	19,597
Investments in associates	11,898	586	425	174	2,589	–	15,672
Unallocated assets							8,392
Total assets							942,513
Segment liabilities	481,932	8,524	21,685	200,153	248,478	(244,989)	715,783
Unallocated liabilities							4,749
Total liabilities							720,532

	As at 31 December 2017						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
Segment assets	724,142	23,392	32,818	214,535	266,617	(424,264)	837,240
Segment assets included:							
Investments in joint ventures	7,966	42	347	278	2,521	–	11,154
Investments in associates	7,554	273	322	151	1,548	–	9,848
Unallocated assets							6,682
Total assets							843,922
Segment liabilities	603,011	14,173	21,027	189,558	235,230	(393,581)	669,418
Unallocated liabilities							4,946
Total liabilities							674,364

6. Segment Information (Continued)

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

(a) all assets are allocated to operating segments other than deferred tax assets and current income tax recoverable excluding prepaid land appreciation tax which is allocated to operating segments; and

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

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

	2018 **RMB million**	2017 RMB million
Segment assets, before inter-segment elimination	**1,190,186**	1,261,504
Inter-segment elimination	**(256,065)**	(424,264)
Reconciling items:		
Deferred tax assets	**6,866**	5,731
Non-tradable shares reform of subsidiaries *(Note (a))*	**(163)**	(163)
Current income tax recoverable	**2,263**	1,602
Prepaid land appreciation tax included in current income tax recoverable	**(574)**	(488)
Total consolidated assets, as reported	**942,513**	843,922
Segment liabilities, before inter-segment elimination	**960,772**	1,062,999
Inter-segment elimination	**(244,989)**	(393,581)
Reconciling items:		
Deferred tax liabilities	**1,163**	1,006
Current income tax liabilities	**6,081**	5,572
Land appreciation tax payable included in current income tax liabilities	**(2,495)**	(1,632)
Total consolidated liabilities, as reported	**720,532**	674,364

(a) Losses on non-tradable shares reform of subsidiaries are recorded in segment assets in segment reporting and were adjusted to other gains and losses in profit or loss in prior years.

6. Segment Information (Continued)

Other segment information:

	Year ended 31 December 2018					
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Capital expenditure:						
Property, plant and equipment	8,680	268	1,127	2,543	1,835	14,453
Lease prepayments	196	2	263	211	–	672
Investment properties	6	13	20	4	–	43
Intangible assets	42	23	74	3	11,256	11,398
Mining assets	–	–	–	–	9	9
Total	8,924	306	1,484	2,761	13,100	26,575
Depreciation and amortisation:						
Property, plant and equipment	5,556	657	345	192	1,073	7,823
Lease prepayments	244	9	33	19	13	318
Investment properties	93	6	–	103	115	317
Intangible assets	30	20	32	7	939	1,028
Mining assets	–	–	–	–	245	245
Other prepayments	90	5	10	–	39	144
Total	6,013	697	420	321	2,424	9,875
(Gains)/losses on disposal and/or write-off of property, plant and equipment	(72)	(4)	(41)	–	26	(91)
(Gains)/losses on disposal of lease prepayments	(90)	–	(6)	–	–	(96)
Increase in foreseeable losses on contracts	58	–	–	–	–	58
Impairment loss on trade and other receivables	2,063	69	67	249	3,381	5,829
Impairment loss on other financial assets at amortised cost	300	–	–	199	775	1,274
Impairment loss on contract assets	445	–	–	–	–	445
Impairment loss on property, plant and equipment	–	–	–	–	400	400
Impairment loss on investment properties	11	–	–	–	–	11
Impairment loss on lease prepayments	3	–	–	–	–	3

6. Segment Information (Continued)

	Year ended 31 December 2017					
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Capital expenditure:						
Property, plant and equipment	9,844	184	677	898	3,266	14,869
Lease prepayments	376	2	127	–	157	662
Investment properties	2	–	–	10	2	14
Intangible assets	58	22	11	2	103	196
Mining assets	–	–	–	–	7	7
Total	10,280	208	815	910	3,535	15,748
Depreciation and amortisation:						
Property, plant and equipment	4,848	605	307	219	1,262	7,241
Lease prepayments	151	8	37	97	55	348
Investment properties	35	4	7	82	52	180
Intangible assets	34	13	35	5	864	951
Mining assets	–	–	–	–	238	238
Other prepayments	49	10	11	–	29	99
Total	5,117	640	397	403	2,500	9,057
(Gains)/losses on disposal and/or write-off of property, plant and equipment	(81)	(6)	13	–	–	(74)
(Gains)/losses on disposal of lease prepayments	(40)	–	–	–	1	(39)
Reversal of provision for foreseeable losses on construction contracts	(29)	–	–	–	–	(29)
Impairment loss on trade and other receivables	853	23	97	68	7,380	8,421
Impairment loss on other loans and receivables	26	–	–	–	469	495
Impairment loss on property, plant and equipment	–	9	1	–	11	21
Impairment loss on mining assets	–	–	–	–	282	282
Impairment loss on available-for-sale financial assets	–	–	–	–	4	4

6. Segment Information (Continued)

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December 2018					
Type of services and products	**Infrastructure construction RMB million**	**Survey, design and consulting services RMB million**	**Engineering equipment and component manufacturing RMB million**	**Property development RMB million**	**Other businesses RMB million**	**Total RMB million**
Infrastructure construction contracts	624,211	–	–	–	–	624,211
Manufacturing and sales of engineering equipment and component	–	–	15,000	–	–	15,000
Rendering of services	–	14,610	–	–	6,550	21,160
Sales of properties	–	–	–	43,324	–	43,324
Sales of goods and others	2,876	63	97	640	33,012	36,688
Total	627,087	14,673	15,097	43,964	39,562	740,383
Timing of revenue recognition:						
– At a point of time	2.876	63	13,890	43,964	39,562	100,355
– Over time	624,211	14,610	1,207	–	–	640,028
Total revenue from contracts with customers	627,087	14,673	15,097	43,964	39,562	740,383

	Year ended 31 December 2017					
Type of services and products	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total RMB million
Infrastructure construction contracts	596,580	–	–	–	–	596,580
Manufacturing and sales of engineering equipment and component	–	–	13,626	–	–	13,626
Rendering of services	–	12,971	–	–	14,227	27,198
Sales of properties	–	–	–	30,352	–	30,352
Sales of goods and others	2,654	110	289	472	17,492	21,017
Total	599,234	13,081	13,915	30,824	31,719	688,773

6. Segment Information (Continued)

(ii) Revenue from external customers in the Mainland China and other regions is as follows:

	For the year ended 31 December	
	2018	2017
	RMB million	RMB million
Mainland China	**697,522**	647,092
Other regions (including Hong Kong and Macau)	**42,861**	41,681
	740,383	688,773

(iii) Non-current assets other than financial instruments, investments in joint ventures, investments in associates, deposits for investments and deferred tax assets located in the Mainland China and other regions are as follows:

	2018	2017
	RMB million	RMB million
Mainland China	**195,673**	110,052
Other regions (including Hong Kong and Macau)	**10,833**	8,818
	206,506	118,870

Other regions primarily include countries and regions in Africa, South America, South East Asia and Oceania.

7. Other Income and Expenses

	2018 **RMB million**	2017 RMB million
Other income from:		
Dividends from financial assets at FVPL	**809**	—
Government subsidies *(Note (a))*	**886**	378
Dividends from financial assets at FVOCI	**49**	—
Compensation income	**44**	40
Dividend income on available-for-sale financial assets	**—**	362
Relocation compensation	**45**	31
Others	**546**	2,008
	2,379	2,819
Other expenses on:		
Research and development expenditures	**13,436**	11,103

Notes:

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

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

8. Net Impairment Losses on Financial Assets and Contract Assets

	2018 **RMB million**	2017 RMB million
Trade and other receivables (excluding advance to suppliers)	**5,765**	—
Other financial assets at amortised cost	**1,274**	—
Contract assets	**445**	—
	7,484	—

9. Other Gains/(Losses), net

	2018 RMB million	2017 RMB million
Gains/(losses) on disposal and/or write-off of:		
– Interest in subsidiaries	**747**	112
– Interest in associates	**5**	(6)
– Interest in joint ventures	**–**	(1)
– Lease prepayments	**96**	39
– Property, plant and equipment	**91**	74
Gains on disposal of financial assets/liabilities at FVPL	**325**	—
Gains arising on change in fair value of financial assets/liabilities at FVPL	**10**	—
Gains on debt restructurings	**208**	26
Impairment loss recognised on:		
– Property, plant and equipment	**(400)**	(21)
– Advance to suppliers	**(64)**	(6,000)
– Investment properties	**(11)**	–
– Lease prepayments	**(3)**	–
– Mining assets	**–**	(282)
Foreign exchange losses, net	**(11)**	(34)
Impairment loss on trade and other receivables (excluding advance to suppliers)	**—**	(2,421)
Impairment loss on other loans and receivables	**—**	(495)
Impairment loss on available-for-sale financial assets	**—**	(4)
Losses arising on change in fair value of financial assets/liabilities classified as held-for-trading	**—**	(471)
Gains on disposal of available-for-sale financial assets	**—**	4
Others	**41**	–
	1,034	(9,480)

10. Finance Income and Costs

	2018 **RMB million**	2017 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**860**	1,166
Imputed interest income on retention receivables	**—**	879
Other loans and receivables	**—**	30
Other financial assets at amortised cost	**904**	—
Total finance income	**1,764**	2,075
Interest expenses on:		
Bank borrowings	**6,209**	4,882
Long-term debentures	**1,285**	1,403
Other long-term borrowings	**734**	735
Other short-term borrowings	**122**	253
Total borrowing costs	**8,350**	7,273
Less: amount capitalised	**(3,093)**	(3,263)
	5,257	4,010
Finance leases	**26**	49
Asset-Backed Medium-term Notes ("ABN") *(Note 34)*	**716**	104
Asset Backed Securitization ("ABS") *(Note 34)*	**468**	127
Factoring expense *(Note 34)*	**357**	9
Imputed interest expenses on retention payables	**104**	254
Imputed interest expenses on defined benefit obligations *(Note 47)*	**134**	111
Bank charges	**86**	109
Total finance costs	**7,148**	4,773

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB3,093 million (2017: RMB3,263 million) were capitalised in the year ended 31 December 2018, of which approximately RMB2,963 million was charged to properties under development for sale, approximately RMB45 million was included in cost of construction-in-progress and approximately RMB85 million was charged to intangible assets (2017: RMB2,600 million was charged to properties under development for sale, approximately RMB574 million was charged to contract work-in-progress, approximately RMB89 million was included in cost of construction-in-progress). A general capitalisation rate of 2.85%~7.00% per annum (2017: 3.00%~7.67%) was used, representing the costs of the borrowings used to finance the qualifying assets.

11. Expenses by nature

The additional information of cost of sales and services, selling and marketing expenses and administrative expenses is as follows:

	2018	2017
	RMB million	RMB million
Raw materials and consumables used	**267,322**	252,024
Employee benefit expenses *(Note 12)*	**164,541**	150,639
Cost of property development	**32,652**	22,919
Equipment usage costs	**30,998**	30,004
Depreciation of property, plant and equipment *(Note 18)* and investment properties *(Note 21)*	**8,140**	7,421
Taxes and surcharges	**3,505**	3,359
Transportation costs	**1,852**	1,747
Amortisation of:		
Intangible assets *(Note 22)*	**1,028**	951
Lease prepayments *(Note 19)*	**318**	348
Mining assets *(Note 23)*	**245**	238
Other prepayments	**144**	99
Advertising and publication costs	**1,017**	865
Auditors' remuneration	**39**	36

12. Employee Benefit Expenses

	2018	2017
	RMB million	RMB million
Salaries, wages and bonuses	**39,969**	35,041
Pension costs – defined contribution plans	**6,821**	6,171
Housing benefits	**3,396**	2,976
Welfare, medical and other expenses	**114,355**	106,451
	164,541	150,639

13. Income tax expense

	2018	2017
	RMB million	RMB million
Current income tax		
– Enterprise income tax ("EIT")	**6,335**	5,836
– Land appreciation tax ("LAT")	**2,235**	1,284
– Under/(over) provision in prior years	**131**	(241)
Deferred income tax	**(1,192)**	(255)
Income tax expense	**7,509**	6,624

13. Income tax expense (Continued)

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2017: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (2017: 12.5%, 15%) for the year ended 31 December 2018.

Certain of the Group's entities are located in Democratic Republic of the Congo, Hong Kong, Malaysia, Bangladesh, Laos and Israel. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 30%, 16.5%, 24%, 25%, 24% and 24% (2017: 30%, 16.5%, 24%, 25%, 24% and 24%) are applied to these entities respectively.

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

The tax charge for the year can be reconciled to profit before income tax per the consolidated income statement as follows:

	2018 **RMB million**	2017 RMB million
Profit before income tax	**24,945**	20,828
Tax at PRC EIT rate of 25% (2017: 25%)	**6,236**	5,206
Tax effect of:		
Non-deductible expenses	**194**	200
Non-taxable income	**(137)**	(99)
Share of profit of joint ventures	**(15)**	(56)
Share of profit of associates	**(389)**	(327)
Tax losses not recognised as deferred tax assets	**758**	766
Utilisation of tax losses previously not recognised as deferred tax assets	**(365)**	(352)
Other deductible temporary differences not recognised as deferred tax assets	**1,213**	1,851
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(31)**	(134)
Preferential tax rates on income of group entities and other income tax credits	**(1,786)**	(1,259)
Deferred tax charges resulting from changes in applicable tax rates	**103**	53
LAT	**2,235**	1,284
Tax effect of LAT	**(559)**	(321)
Under/(Over) provision in prior years	**131**	(241)
Others	**(79)**	53
Income tax expense for the year	**7,509**	6,624

The PRC EIT rate is used as it is the domestic tax rate in the jurisdiction where the operation of the Group is substantially based.

13. Income tax expense (Continued)

The tax charge relating to components of other comprehensive income is as follows:

	2018			2017		
	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Actuarial (losses)/gains on retirement and other supplemental benefit obligations	(169)	39	(130)	9	(8)	1
Changes in fair value of financial assets at fair value through other comprehensive income	(1,021)	234	(787)	—	—	—
Changes in fair value of available-for-sale financial assets and release of investment revaluation reserve upon disposal of available-for-sale financial assets	—	—	—	(496)	125	(371)
Fair value losses on cash flow hedging instrument	(2)	–	(2)	(5)	–	(5)
Share of other comprehensive income/(expenses) of associates	87	–	87	(47)	–	(47)
Currency translation differences	(89)	–	(89)	(364)	–	(364)
Other comprehensive expenses	(1,194)	273	(921)	(903)	117	(786)
Current income tax		–			–	
Deferred income tax *(Note 49)*		273			117	
		273			117	

14. Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB10,702 million (2017: RMB18,803 million).

15. Earnings per Share

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amount of the cumulative distributions were deducted in arriving at earnings for the purposes of the EPS calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary shareholders.

15. Earnings per Share (Continued)

(a) Basic (Continued)

	2018	2017
Profit attributable to owners of the Company (RMB million)	**17,198**	16,067
Less: distribution relating to the perpetual notes (RMB million) *(Note i)*	**789**	787
Profit used to determine basic earnings per share (RMB million)	**16,409**	15,280
Weighted average number of ordinary shares in issue (millions)	**22,844**	22,844
Basic earnings per share (RMB per share)	**0.718**	0.669

(i) The perpetual notes issued by the Company were classified as equity instruments with deferrable cumulative interest distribution and payment. The perpetual notes interests which have been generated but not yet declared, from issue date to 31 December 2018, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2018.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

16. Dividends

	2018 RMB million	2017 RMB million
Proposed final dividend of RMB0.128 per ordinary share (2017: RMB0.113)	**2,924**	2,581

The dividends paid in 2018 and 2017 were RMB2,581 million (RMB0.113 per ordinary share) and RMB2,010 million (RMB0.088 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2018 of RMB0.128 per ordinary share, amounting to a total dividend of RMB2,924 million, is to be approved at the annual general meeting in 2019. These financial statements do not reflect this dividend payable.

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

(a) Directors', Chief Executives and Supervisors' Emoluments

	2018 RMB'000	2017 RMB'000
Directors, chief executives and supervisors		
– Basis salaries, housing allowances and other allowances	**3,489**	3,817
– Contributions to pension plans	**490**	510
– Discretionary bonuses *(note)*	**5,410**	4,252
	9,389	8,579

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2018 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors				
Li Changjin	341	55	854	1,250
Zhang Zongyan	339	55	756	1,150
Zhou Mengbo	316	55	763	1,134
Zhang Xian	314	55	751	1,120
Independent directors				
Guo Peizhang	60	–	–	60
Wen Baoman	60	–	–	60
Zheng Qingzhi	60	–	–	60
Chung Shui Ming Timpson	80	–	51	131
Non-executive director				
Ma Zonglin	–	–	–	–
Directors' remunerations	1,570	220	3,175	4,965
Supervisors				
Zhang Huijia (i)	116	24	110	250
Liu Chengjun (ii)	174	26	566	766
Liu Jianyuan	301	55	676	1,032
Wang Hongguang	477	55	291	823
Chen Wenxin	434	55	301	790
Fan Jinghua	417	55	291	763
Total	3,489	490	5,410	9,389

(i) Mr. Zhang Huijia was elected as the chairman of the Supervisory Committee of the Company on 25 June 2018.

(ii) Mr. Liu Chengjun resigned from his position as a supervisor of the Company on 8 June 2018.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2017 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors				
Li Changjin	314	51	804	1,169
Yao Guiqing	315	51	503	869
Zhang Zongyan	312	51	503	866
Zhou Mengbo	293	51	447	791
Zhang Xian	293	51	432	776
Independent directors				
Guo Peizhang	119	–	–	119
Wen Baoman	113	–	–	113
Zheng Qingzhi	125	–	–	125
NGAI Wai Fung	71	–	–	71
Chung Shui Ming Timpson	61	–	–	61
Non-executive director				
Ma Zonglin	–	–	–	–
Directors' remunerations	2,016	255	2,689	4,960
Supervisors				
Liu Chengjun	276	51	396	723
Liu Jianyuan	277	51	395	723
Wang Hongguang	450	51	262	763
Chen Wenxin	405	51	259	715
Fan Jinghua	393	51	251	695
Total	3,817	510	4,252	8,579

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

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(b) Five Highest Paid Individuals

None of the directors and supervisors was amongst the five highest paid individuals during both years. The emoluments of the five highest paid individuals in the Group during the year are as follows:

	2018	2017
	RMB'000	RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	**5,893**	3,928
Contributions to pension plans	**213**	177
Discretionary bonuses *(note)*	**16,685**	14,549
	22,791	18,654

The emoluments of the above individuals fall within the following bands:

	2018	2017
– HKD3,500,001 to HKD4,000,000 (equivalent to approximately RMB3,066,701 to RMB3,504,800)	**–**	1
– HKD4,500,001 to HKD5,000,000 (equivalent to approximately RMB3,942,901 to RMB4,381,000)	**3**	4
– HKD5,500,001 to HKD6,000,000 (equivalent to approximately RMB4,819,101 to RMB5,257,200)	**2**	–

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

18. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2017								
Cost	27,115	40,583	11,688	7,489	3,019	4,183	5,871	99,948
Accumulated depreciation and impairment	(5,640)	(23,158)	(8,562)	(3,037)	(2,095)	(2,524)	(154)	(45,170)
Net book amount	21,475	17,425	3,126	4,452	924	1,659	5,717	54,778
Year ended 31 December 2017								
Opening net book amount	21,475	17,425	3,126	4,452	924	1,659	5,717	54,778
Additions	1,234	4,987	1,195	435	364	746	5,908	14,869
Transfers	1,972	1,010	53	125	4	28	(3,192)	–
Transferred from investment properties *(Note 21)*	32	–	–	–	–	–	–	32
Transferred from properties held for sale *(Note 32(b))*	–	–	–	–	–	–	87	87
Acquisition of subsidiaries	14	–	1	–	–	3	–	18
Disposal of subsidiaries	(1)	–	–	(10)	–	(4)	(313)	(328)
Disposals	(196)	(422)	(93)	(78)	(9)	(58)	(1,236)	(2,092)
Transferred to investment properties *(Note 21)*	(41)	–	–	–	–	–	(25)	(66)
Depreciation charge *(Note 11)*	(1,039)	(3,726)	(1,068)	(616)	(308)	(484)	–	(7,241)
Impairment losses recognised *(Note 9)*	(8)	(1)	–	–	–	(3)	(9)	(21)
Exchange adjustments	(14)	(27)	(1)	(101)	(2)	(104)	(18)	(267)
Closing net book amount	23,428	19,246	3,213	4,207	973	1,783	6,919	59,769
At 31 December 2017								
Cost	29,977	44,032	12,314	7,684	3,251	4,659	7,082	108,999
Accumulated depreciation and impairment	(6,549)	(24,786)	(9,101)	(3,477)	(2,278)	(2,876)	(163)	(49,230)
Net book amount	23,428	19,246	3,213	4,207	973	1,783	6,919	59,769
Year ended 31 December 2018								
Opening net book amount	**23,428**	**19,246**	**3,213**	**4,207**	**973**	**1,783**	**6,919**	**59,769**
Additions	**876**	**5,343**	**1,016**	**428**	**393**	**619**	**5,770**	**14,445**
Transfers	**2,448**	**1,178**	**24**	**271**	**9**	**127**	**(4,057)**	**–**
Transferred from investment properties *(Note 21)*	**109**	**–**	**–**	**–**	**–**	**–**	**–**	**109**
Transferred from properties held for sale *(Note 32(b))*	**17**	**–**	**–**	**–**	**–**	**–**	**51**	**68**
Acquisition of subsidiaries	**–**	**–**	**2**	**–**	**–**	**2**	**4**	**8**
Disposal of subsidiaries	**–**	**–**	**(5)**	**(8)**	**–**	**(1)**	**30**	**16**
Disposals	**(265)**	**(472)**	**(35)**	**(23)**	**(9)**	**(119)**	**–**	**(923)**
Transferred to investment properties *(Note 21)*	**(671)**	**–**	**–**	**–**	**–**	**–**	**–**	**(671)**
Depreciation charge *(Note 11)*	**(1,104)**	**(4,189)**	**(1,020)**	**(684)**	**(320)**	**(506)**	**–**	**(7,823)**
Impairment losses recognised *(Note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**(400)**	**(400)**
Exchange adjustments	**33**	**–**	**(5)**	**53**	**1**	**(3)**	**10**	**89**
Closing net book amount	**24,871**	**21,106**	**3,190**	**4,244**	**1,047**	**1,902**	**8,327**	**64,687**
At 31 December 2018								
Cost	**32,420**	**48,851**	**12,855**	**8,300**	**3,521**	**5,065**	**8,890**	**119,902**
Accumulated depreciation and impairment	**(7,549)**	**(27,745)**	**(9,665)**	**(4,056)**	**(2,474)**	**(3,163)**	**(563)**	**(55,215)**
Net book amount	**24,871**	**21,106**	**3,190**	**4,244**	**1,047**	**1,902**	**8,327**	**64,687**

18. Property, Plant and Equipment (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB6,695 million (2017: RMB6,245 million) has been charged to cost of sales, RMB123 million (2017: RMB130 million) to other expenses, RMB964 million (2017: RMB828 million) to administrative expenses, and RMB41 million (2017: RMB38 million) to selling and marketing expenses.

(b) As at 31 December 2018, bank borrowings amounting to RMB7 million (2017: RMB9 million) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB6 million (2017: RMB7 million) (Note 45). No other borrowings (2017: nil) was secured by property, plant and equipment (2017: nil).

(c) As at 31 December 2018, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB2,913 million (2017: RMB2,456 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) Infrastructure construction equipment and transportation equipment include the following amounts where the Group is a lessee under finance leases:

	2018 **RMB million**	2017 RMB million
Cost – Capitalised finance leases	**682**	575
Accumulated depreciation	**(402)**	(224)
Net book amount	**280**	351

The Group leases various infrastructure construction equipment and transportation equipment under non-cancellable finance lease agreements and has the option to purchase these assets at minimal prices upon the expiry of the agreements.

(e) The category of infrastructure construction equipment, transportation equipment and other equipment leased by the Group to third parties under operating leases with the following carrying amounts:

	2018 **RMB million**	2017 RMB million
Cost	**1,171**	1,588
Accumulated depreciation	**(353)**	(646)
Net book amount	**818**	942

19. Lease prepayments

	2018 RMB million	2017 RMB million
At 1 January		
Cost	**14,351**	14,061
Accumulated amortisation and impairment	**(2,162)**	(1,836)
Net book amount	**12,189**	12,225
For the year ended 31 December		
Opening net book amount	**12,189**	12,225
Additions	**672**	662
Transferred from properties held for sale *(Note 32(b))*	**610**	152
Acquisition of subsidiaries	**–**	60
Disposals	**(338)**	(107)
Disposal of subsidiaries	**–**	(1)
Transferred to properties held for sale *(Note 32(b))*	**(36)**	(454)
Amortisation charge *(Note 11)*	**(318)**	(348)
Impairment losses recognised *(Note 9)*	**(3)**	–
Closing net book amount	**12,776**	12,189
At 31 December		
Cost	**15,345**	14,351
Accumulated amortisation and impairment	**(2,569)**	(2,162)
Net book amount	**12,776**	12,189
Analysed for reporting purpose as:		
– Non-current	**12,439**	11,952
– Current	**337**	237
	12,776	12,189

(a) Amortisation of the Group's lease prepayments of RMB123 million (2017: RMB118 million) has been charged to cost of sales, RMB141 million (2017: RMB187 million) to administrative expenses and RMB54 million (2017: RMB43 million), relating to leasehold land associated with the investment properties, to cost of sales and services.

(b) As at 31 December 2018, the Group is in the process of applying for registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB546 million (2017: RMB741 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

(c) As at 31 December 2018, no bank borrowings (2017: nil) were secured by lease prepayments (2017: nil).

20. Deposits for Investments

	2018 RMB million	2017 RMB million
Deposits for investments accounted for using the equity method	**2,187**	1,047

21. Investment Properties

	2018 RMB million	2017 RMB million
At 1 January		
Cost	**5,873**	5,466
Accumulated depreciation and impairment	**(1,086)**	(919)
Net book amount	**4,787**	4,547
For the year ended 31 December		
Opening net book amount	**4,787**	4,547
Additions	**43**	14
Transferred from property, plant and equipment *(Note 18)*	**671**	66
Transfer from properties held for sale *(Note 32(b))*	**3,605**	1,296
Transfer to property, plant and equipment *(Note 18)*	**(109)**	(32)
Transfer to properties held for sale *(Note 32(b))*	**(117)**	(911)
Disposals	**(9)**	(13)
Depreciation charge *(Note 11)*	**(317)**	(180)
Impairment losses recognised *(Note 9)*	**(11)**	–
Closing net book amount	**8,543**	4,787
At 31 December		
Cost	**9,913**	5,873
Accumulated depreciation and impairment	**(1,370)**	(1,086)
Net book amount	**8,543**	4,787
Fair value at end of the year (a)	**18,838**	4,850

21. Investment Properties (Continued)

(a) As at 31 December 2018, the fair value of the Group's investment properties is based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers. The investment properties, located in the Mainland China, are valued by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate, or by the comparison approach by making reference to comparable market transactions, which rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value falls into the category of fair value measurements using significant unobservable inputs (Level 3) including future rental cash inflows capitalisation rate and current prices in an active market for similar properties.

(b) Rental income and depreciation of the Group's investment properties of RMB715 million and RMB317 million (2017: RMB599 million and RMB180 million), respectively, was recognised as "revenue" and "cost of sales and services" in the consolidated income statement for the year ended 31 December 2018.

(c) As at 31 December 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: nil).

(d) The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB2,777 million (2017: RMB885 million) as at 31 December 2018. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

22. Intangible Assets

	Service concession arrangements RMB million	Non-patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
At 1 January 2017						
Cost	39,850	93	12	342	965	41,262
Accumulated amortisation and impairment	(3,956)	(77)	(8)	(215)	(185)	(4,441)
Net book amount	35,894	16	4	127	780	36,821
Year ended at 31 December 2017						
Opening net book amount	35,894	16	4	127	780	36,821
Additions	69	2	1	104	20	196
Disposals	(77)	–	–	–	–	(77)
Acquisition of subsidiaries	–	–	–	–	6	6
Amortisation charge *(Note 11)*	(854)	(3)	(1)	(48)	(45)	(951)
Closing net book amount	35,032	15	4	183	761	35,995
At 31 December 2017						
Cost	**39,839**	**95**	**13**	**444**	**906**	**41,297**
Accumulated amortisation and impairment	**(4,807)**	**(80)**	**(9)**	**(261)**	**(145)**	**(5,302)**
Net book amount	**35,032**	**15**	**4**	**183**	**761**	**35,995**
Year ended at 31 December 2018						
Opening net book amount	**35,032**	**15**	**4**	**183**	**761**	**35,995**
Additions	**3,468**	**–**	**1**	**146**	**9**	**3,624**
Acquisition of subsidiaries	**7,774**	**–**	**–**	**–**	**–**	**7,774**
Disposals	**(162)**	**–**	**–**	**–**	**(3)**	**(165)**
Amortisation charge *(Note 11)*	**(933)**	**(3)**	**(1)**	**(69)**	**(22)**	**(1,028)**
Closing net book amount	**45,179**	**12**	**4**	**260**	**745**	**46,200**
At 31 December 2018						
Cost	**50,914**	**95**	**14**	**585**	**882**	**52,490**
Accumulated amortisation and impairment	**(5,735)**	**(83)**	**(10)**	**(325)**	**(137)**	**(6,290)**
Net book amount	**45,179**	**12**	**4**	**260**	**745**	**46,200**

22. Intangible Assets (Continued)

(a) The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations, sewage plants and other constructions. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads, sewage plants and other constructions, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads, the sewage plants and other construction upon completion for a specified remaining concession period from 18 to 36 years (2017: from 19 to 37 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads, the sewage plants and other constructions upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

(b) As at 31 December 2018, the cost of service concession arrangements have been put into operations amounted to RMB39,667 million (2017: RMB34,204 million). The cost of service concession arrangements where the related projects were under construction amounted to RMB11,247 million (2017: RMB5,635 million).

(c) Amortisation of the Group's intangible assets of RMB978 million (2017: RMB866 million) has been charged to cost of sales and services, and RMB50 million (2017: RMB85 million) to administrative expenses.

(d) As at 31 December 2018, bank borrowings amounting to RMB15,953 million (2017: RMB20,586 million) are secured by concession assets with carrying amount of approximately RMB24,368 million (2017: RMB29,317 million) (Note 45).

23. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
At 1 January 2017			
Cost	5,116	166	5,282
Accumulated amortisation and impairment	(618)	–	(618)
Net book amount	4,498	166	4,664
Year ended at 31 December 2017			
Opening net book amount	4,498	166	4,664
Additions	–	7	7
Amortisation charge *(Note 11)*	(238)	–	(238)
Exchange adjustments	(9)	–	(9)
Impairment losses recognised *(Note 9)*	(282)	–	(282)
Closing net book amount	3,969	173	4,142
At 31 December 2017			
Cost	5,107	173	5,280
Accumulated amortisation and impairment	(1,138)	–	(1,138)
Net book amount	3,969	173	4,142
Year ended at 31 December 2018			
Opening net book amount	**3,969**	**173**	**4,142**
Additions	**9**	**–**	**9**
Disposals	**–**	**(36)**	**(36)**
Amortisation charge *(Note 11)*	**(245)**	**–**	**(245)**
Exchange adjustments	**10**	**(7)**	**3**
Closing net book amount	**3,743**	**130**	**3,873**
At 31 December 2018			
Cost	**5,126**	**130**	**5,256**
Accumulated amortisation and impairment	**(1,383)**	**–**	**(1,383)**
Net book amount	**3,743**	**130**	**3,873**

The exploration and evaluation assets represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Mongolia, and the Democratic Republic of the Congo.

24. Subsidiaries

(a) Details of the principal subsidiaries as at 31 December 2018 are shown in Note 55.

(b) Material non-controlling interests

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	中鐵高新工業股份有限公司 China Railway Hi-Tech Industry Co., Ltd. (“Hi-Tech Industry”)
Principal activities	Engineering Equipment and Component Manufacturing
Country/place of establishment and operation	PRC

	2018 **RMB million**	2017 RMB million
Particulars of issued share capital	**2,222**	2,222
Proportion of interest and voting power held by non-controlling interests	**47.87%**	49.88%
Accumulated non-controlling interests	**7,528**	7,291
Total comprehensive income allocated to non-controlling interests	**648**	581

24. Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Financial information on subsidiaries with material non-controlling interests

Set out below is summarised financial information for Hi-Tech Industry in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2018 RMB million	2017 RMB million (Restated)
Current		
Assets	**24,731**	23,997
Liabilities	**17,212**	16,225
Total current net assets	**7,519**	7,772
Non-current		
Assets	**9,157**	7,639
Liabilities	**628**	621
Total non-current net assets	**8,529**	7,018
Net assets	**16,048**	14,790

Summarised income statement	2018 RMB million	2017 RMB million
Revenue	**17,898**	15,886
Profit for the year attributable to owners of company	**1,481**	1,339
Other comprehensive expenses attributable to owners of company	**(142)**	(125)
Total comprehensive income attributable to owners of company	**1,339**	1,214
Total comprehensive income attributable to non-controlling interests	**648**	581
Dividends paid to non-controlling interests	**202**	25

Summarised cash flows	2018 RMB million	2017 RMB million
Net cash generated from operating activities	**832**	655
Net cash used in investing activities	**(1,028)**	(740)
Net cash used in financing activities	**(1,762)**	(479)
Effect of foreign exchange rate changes	**8**	(6)
Net decrease in cash and cash equivalents	**(1,950)**	(570)

24. Subsidiaries (Continued)

(c) Consolidation of the structured entities

To determine whether to consolidate the structured entities (mainly the unlisted entrust products) or not, the main factor considered by the Group is the ability to control these structured entities. For those structured entities managed and invested by China Railway Trust Co., Ltd. ("China Railway Trust"), the directly owned subsidiary of the Company, the Group consolidated those structured entities when the Group is exposed to significant variable returns and has the ability to affect the variable returns, including the returns of its interests in these structured entities as investor and trust commission fee earned from these structured entities as manager.

As at 31 December 2018, the total assets of the consolidated structured entities amounted to RMB9,384 million (2017: RMB8,984 million), and the interests of other investors in these structured entities amounted to RMB4,369 million (2017: RMB3,450 million).

As at 31 December 2018 and 2017, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the consolidated structured entities.

(d) Interests in unconsolidated structured entities

(i) China Railway Trust serves as manager of unconsolidated structured entities (mainly the unlisted entrust products) and earns trust commission fee. In the opinion of the Directors, the Group did not consolidate these structured entities that it has no control over these structured entities.

As at 31 December 2018, the scale of the unconsolidated structured entities established with interest held by the Group amounted to RMB21,227 million (2017: RMB33,395 million). As at 31 December 2018, the maximum exposure to the loss of the Group's investments and the amount recognised as financial assets at fair value through profit or loss in the consolidated financial statements over these unconsolidated structured entities which the Group has interests in amounted to RMB1,697 million (2017: RMB2,236 million).

As at 31 December 2018, the scale of the unconsolidated structured entities established with no interest held by the Group amounted to RMB397,522 million (2017: RMB375,093 million).

24. Subsidiaries (Continued)

(d) Interests in unconsolidated structured entities (Continued)

(ii) The Group and several unlisted entrust products ("Investee Entrust Products"), which the Group has interests in, invested in certain limited liability partnership funds (the "Funds"). The Funds are mainly engaged in infrastructure investment activities. Some asset managers (related parties of the Group), or together with the Group, acted as general partners of the Fund, and applied various investment strategies to accomplish the respective investment objectives of the Funds. A number of Investee Entrust Products acted as limited partners of the Funds to finance the operation activities of the Funds.

The Directors of the Company are of the opinion that the Group did not have control over Investee Entrust Products and the Funds and therefore, these Investee Entrust Products and the Funds were deemed as structured entities and were not consolidated by the Group.

As at 31 December 2018, the scale of these unconsolidated structured entities amounted to RMB10,581 million. (2017: RMB39,743 million).

The maximum exposure to the loss of the Group's investments in the unconsolidated structured entities as at 31 December 2018 is disclosed in the following table.

	2018 **RMB million**	2017 RMB million
Investments in joint ventures	**1,456**	120
Financial assets at fair value through profit or loss	**1,185**	–
Available-for-sale financial assets	**–**	3,347
	2,641	3,467

As at 31 December 2018 and 2017, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities.

25. Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet are as follows:

	2018 RMB million	2017 RMB million
Associates	**15,672**	9,848
Joint ventures	**19,597**	11,154
	35,269	21,002

The amounts recognised in the consolidated income statement are as follows:

	2018 RMB million	2017 RMB million
Associates	**1,555**	1,308
Joint ventures	**61**	224
	1,616	1,532

(a) Investments in associates

	2018 RMB million	2017 RMB million
At 1 January	**9,848**	5,958
Additions	**5,039**	3,292
Disposals	**(392)**	(250)
Share of profit or loss, net	**1,555**	1,308
Dividend distribution	**(476)**	(387)
Share of other comprehensive income/(expenses) of associates	**87**	(47)
Share of other reserves of associates	**11**	(26)
At 31 December	**15,672**	9,848

25. Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(i) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2018, the Group acts as the guarantors for various external borrowings made by certain associates amounted to RMB2,063 million (2017: RMB2,044 million) (Note 54).

(iii) Details of Group's material associates as at 31 December 2018 and 2017 are as follows:

Name of associate	Place/country of establishment/ operations	Proportion of ownership interest held by the Group		Principal activities
		2018	2017	
華剛礦業股份有限公司 LA Sino-Congolaise Des Mines S.A. ("SICOMINGS S.A.")	Democratic Republic of the Congo	**41.72%**	41.72%	Mining
中國鐵路設計集團有限公司 China Railway Design Corporation ("CRDC")	PRC	**30.00%**	30.00%	Engineering survey and design
武漢楊泗港大橋有限公司 Wuhan Yangsigang Bridge Co., Ltd. ("Yangsigang")	PRC	**50.00%**	50.00%	Construction

25. Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

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

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

	2018			2017		
	SICOMINGS S.A.	**CRDC**	**Yangsigang**	SICOMINGS S.A.	CRDC	Yangsigang
	RMB million	**RMB million**	**RMB million**	RMB million	RMB million	RMB million
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)
Current assets	**4,270**	**10,242**	**6,373**	3,582	7,277	4,511
Non-current assets	**16,643**	**1,458**	**–**	15,808	1,068	–
Current liabilities	**1,092**	**7,017**	**226**	1,226	4,678	197
Non-current liabilities	**14,791**	**52**	**3,984**	15,300	36	2,684
Revenue	**5,438**	**14,165**	**–**	4,938	8,043	–
Profit for the year	**2,675**	**1,225**	**–**	2,128	709	–
Other comprehensive income for the year	**214**	**(2)**	**–**	(120)	–	–
Total comprehensive income for the year	**2,889**	**1,223**	**–**	2,008	709	–
Dividends received	**302**	**39**	**–**	83	107	–

25. Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2018			2017		
	SICOMINGS S.A.	CRDC	Yangsigang	SICOMINGS S.A.	CRDC	Yangsigang
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net assets of associates	5,030	4,631	2,163	2,864	3,631	1,630
Proportion of the Group's ownership in associates	41.72%	30%	50%	41.72%	30%	50%
Other adjuestments	(93)	(62)	(5)	(78)	(90)	(1)
Carrying amount of the Group's interests in associates	2,006	1,327	1,077	1,117	999	814

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2018 RMB million	2017 RMB million
Aggregate carrying amount of the Group's interests in these associates	11,262	6,918
The Group's share of profits	72	208
The Group's share of other comprehensive income	(1)	3
The Group's share of total comprehensive income	71	211

25. Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures

	2018 **RMB million**	2017 RMB million
At 1 January	**11,154**	5,524
Additions	**10,215**	6,452
Disposals	**(1,970)**	(898)
Share of profit or loss, net	**61**	224
Dividend distribution	**(363)**	(148)
Share of other reserves of a joint venture	**500**	–
At 31 December	**19,597**	11,154

(i) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2018, the Group does not act as the guarantor for various external borrowings made by joint ventures (2017: External borrowings of RMB200 million made by a joint venture was guaranteed by the Group) (Note 54).

(iii) Details of Group's material joint ventures as at 31 December 2018 and 2017 are as follows:

Name of joint venture	Place/country of establishment/ operations	Proportion of ownership interest held by the Group 2018	2017	Principal activities
昆明軌道交通四號線土建項目建設管理有限公司 Kunming Rail Transit Line 4 Construction Management Co., Ltd. ("Kunming Line 4")	PRC	**75.73%**	75.73%	Investment and construction
四川天府機場高速公路有限公司 Sichuan Tianfu Airport Expressway Co., Ltd. ("Sichuan Tianfu")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement
陝西榆林綏延高速公路有限公司 Shanxi Yulin Airport Expressway Co., Ltd. ("Shanxi Yulin")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement

25. Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

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

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

	2018			2017		
	Kunming Line 4 RMB million (Unaudited)	**Sichuan Tianfu RMB million (Unaudited)**	**Shanxi Yulin RMB million (Unaudited)**	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Shanxi Yulin RMB million (Unaudited)
Current assets	**198**	**1,080**	**807**	547	766	983
Including: cash and cash equivalents	**3**	**1,079**	**208**	266	457	609
Non-current assets	**10,681**	**17,196**	**7,273**	5,789	8,432	4,553
Current liabilities	**2,394**	**1,603**	**869**	2,033	134	3,947
Non-current liabilities	**3,968**	**12,873**	**5,119**	2,210	7,064	110
Revenue	**–**	**–**	**–**	–	–	–
Interest expenses	**–**	**–**	**–**	–	–	–
Losses and total comprehensive expenses for the year	**–**	**–**	**(8)**	–	–	–
Dividends received	**–**	**–**	**–**	–	–	–

25. Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	2018			2017		
	Kunming Line 4 RMB million (Unaudited)	**Sichuan Tianfu RMB million (Unaudited)**	**Shanxi Yulin RMB million (Unaudited)**	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Shanxi Yulin RMB million (Unaudited)
Net assets of joint ventures	**4,517**	**3,800**	**2,092**	2,093	2,000	1,479
Proportion of the Group's ownership in joint ventures	**75.73%**	**50.00%**	**50.00%**	75.73%	50.00%	50.00%
Other adjustments	**(228)**	**–**	**(50)**	(665)	–	(595)
Carrying amount of the Group's interests in joint ventures	**3,193**	**1,900**	**996**	920	1,000	145

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2018 RMB million	2017 RMB million
Aggregate carrying amount of the Group's interests in these joint ventures	**13,508**	8,253
The Group's share of profits	**65**	289
The Group's share of total comprehensive income	**65**	289

26. Joint operations

In 2018, the Group has one joint operation in Hong Kong (2017: one) and has 30% share (2017: 30%) in the ownership of this construction project. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation’s expenses.

27. Goodwill

	2018 RMB million	2017 RMB million
Cost		
At beginning of year	**880**	880
Addition	**70**	–
Disposal	**(21)**	–
At end of year	**929**	880
Impairment		
At beginning of year	**(51)**	(51)
Disposal	**21**	–
At end of year	**(30)**	(51)
Net book amount		
At beginning of year	**829**	829
At end of year	**899**	829

27. Goodwill (Continued)

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 55) and sub-groups headed by these subsidiaries:

	2018 RMB million	2017 RMB million
China Railway No.1 Engineering Group Co., Ltd.	**66**	66
China Railway No.2 Group Co., Ltd.	**7**	7
China Railway No.3 Engineering Group Co., Ltd.	**51**	51
China Railway No.4 Engineering Group Co., Ltd.	**95**	95
China Railway No.5 Engineering Group Co., Ltd.	**82**	82
China Railway No.6 Engineering Group Co., Ltd.	**12**	12
China Railway No.8 Engineering Group Co., Ltd.	**26**	26
China Railway No.9 Engineering Group Co., Ltd.	**53**	53
China Railway No.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**26**	26
China Railway Construction Group Co., Ltd.	**88**	88
China Railway Tunnel Group Co., Ltd.	**19**	19
China Railway No.2 Construction Co., Ltd.	**70**	–
China Railway Trust	**206**	206
China Railway No.6 Survey and Design Institute Group. Co., Ltd.	**24**	24
Other Subsidiaries	**20**	20
	899	829

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust, which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15% (2017: 15%). A key assumption in preparing the cash flow projection is annual growth rate in revenue which is based on the relevant industry growth forecast and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in the assumption would not cause the carrying amount of this subsidiary to exceed its recoverable amount.

27. Goodwill (Continued)

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust, have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 11% (2017: 11%). One of the key assumptions in preparing cash flow projections is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the cash flow projections is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the subsidiaries to exceed its recoverable amounts.

28. Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

See Note 3.3 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets and Note 2.14 for the remaining relevant accounting policies.

	2018 **RMB million**	2017 RMB million
At 1 January	**6,255**	—
Fair value losses	**(1,001)**	—
Additions	**1,008**	—
Disposals	**(470)**	—
At 31 December	**5,792**	—

28. Financial assets at fair value through other comprehensive income (Continued)

(a) Equity instruments at FVOCI

	2018 RMB million	2017 RMB million
Non-current assets		
Unlisted equity investments	**4,600**	—
Listed equity securities		
– Mainland China	**599**	—
– Hong Kong	**593**	—
	5,792	—

On disposal of these equity instruments, any related balance within the FVOCI reserve is reclassified to retained earnings.

In the prior financial year, the Group had designated equity instruments as available-for-sale where management intended to hold them for the medium to long-term.

In 2018, the Group disposed certain listed equity securities and unlisted equity investments at a fair value of RMB470 million. A fair value gain of RMB20 million recognised in other comprehensive income before disposal has been transferred to retained earnings.

28. Financial assets at fair value through other comprehensive income (Continued)

(b) Amounts recognised in profit or loss and other comprehensive income

During the year, the following (losses)/gains were recognised in profit or loss and other comprehensive income:

	2018 **RMB million**	2017 RMB million
Losses recognised in other comprehensive income; 2017 relating to available-for-sale financial assets *(Note 29)*	**(1,001)**	(493)
Gains reclassified from other comprehensive income to retained earnings upon disposal of financial assets at FVOCI; 2017 relating to available-for-sale financial assets *(Note 29)*	**(20)**	(3)
Dividends from equity instruments held at FVOCI recognised in profit or loss in other income *(Note 7)*; 2017 relating to available-for-sale financial assets *(Note 29)*	**49**	362
– Related to instruments held at the end of the reporting period	**48**	362
– Related to instruments derecognised during the period	**1**	–

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 4.2.

The loss allowance for debt investments at FVOCI as a result of applying the expected credit risk model is immaterial.

Financial assets at FVOCI are denominated in the following currencies:

	2018 **RMB million**	2017 RMB million
RMB	**5,199**	—
HKD	**593**	—
	5,792	—

29. Available-for-sale Financial Assets

	2018 RMB million	2017 RMB million
At 1 January	—	14,106
Fair value losses	—	(493)
Release of investment revaluation upon disposal of available-for-sale financial assets	—	(3)
Additions	—	4,121
Transferred to other loans and receivables	—	(12)
Disposals	—	(3,025)
Impairment losses recognised *(Note 9)*	—	(4)
At 31 December	—	14,690

	2018 RMB million	2017 RMB million
Non-current assets		
Unlisted entrusted products, at fair value	—	4,687
Unlisted equity investments, at cost less impairment	—	4,570
Listed equity securities, at fair value		
– Mainland China	—	2,030
– Hong Kong	—	631
Unlisted open-end equity funds, at fair value	—	1,500
	—	13,418
Current assets		
Unlisted entrusted products, at fair value	—	1,272
Total	—	14,690

In 2017, the Group redeemed certain listed equity investments and unlisted equity investments at a fair value of RMB3,025 million and the Group realised a loss of RMB3 million. In accordance with the Group's accounting policy for the prior period, this loss and the associated tax impact was transferred from other comprehensive income to loss at the date of sale.

29. Available-for-sale Financial Assets (Continued)

Available-for-sale financial assets are denominated in the following currencies:

	2018	2017
	RMB million	RMB million
RMB	—	14,059
HKD	—	631
	—	14,690

30. Other financial assets at amortised cost

	2018	2017
	RMB million	RMB million
Debt investments		
– Short-term	**11,545**	—
– Long-term	**13,857**	—
	25,402	—
Less: Loss allowance for debt investments *(Note (a))*	**(3,196)**	—
Total other financial assets at amortised cost	**22,206**	—
Less: Amount due within one year included in current assets	**(9,732)**	—
Amount due after one year	**12,474**	—

See Note 3.3 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets and Note 2.14 for the remaining relevant accounting policies.

30. Other financial assets at amortised cost (Continued)

(a) Movements in impairment on debt instruments are as follows:

	2018 **RMB million**	2017 RMB million
At 31 December in prior year	**—**	—
Change in accounting policy *(Note 3.3)*	**1,922**	—
At 1 January	**1,922**	—
Impairment losses recognised during the year *(Note 8)*	**1,274**	—
At 31 December	**3,196**	—

(b) The other financial assets at amortised cost carry fixed-rate interests within a range of 3.50% to 36.00% per annum.

(c) As at 31 December 2018, other financial assets at amortised cost amounting to RMB4,414 million are secured by equity investments, property, plant and equipments, land use rights, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party.

(d) Other financial assets at amortised cost are denominated in the following currencies:

	2018 **RMB million**	2017 RMB million
RMB	**21,538**	—
USD	**668**	—
	22,206	—

31. Other Loans and Receivables

	2018 **RMB million**	2017 RMB million
Short-term loans and receivables	—	18,598
Long-term loans and receivables	—	7,854
	—	26,452
Less: Impairment on loans and receivables	—	(1,685)
Total other loans and receivables	—	24,767
Less: Amount due within one year included in current assets	—	(16,990)
Amount due after one year	—	7,777

As at 31 December 2017, other loans and receivables amounting to RMB2,599 million do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 3.73% to 36.00% per annum.

As at 31 December 2017, other loans and receivables amounting to RMB7,433 million are secured by equity investments, property, plant and equipment, land use rights, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party. The remaining balances are unsecured and unguaranteed. For those amounts without secured assets, management takes into consideration of the credit history and solvency of the debtors and believes these amounts are recoverable.

The Group's loans and receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2018 **RMB million**	2017 RMB million
USD	—	2,471

Movements in impairment on other loans and receivables are as follows:

	2018 **RMB million**	2017 RMB million
At 1 January	—	961
Impairment losses recognised during the year *(Note 9)*	—	495
Transferred from available-for-sale financial assets	—	229
At 31 December	—	1,685

32. Properties Held for Sale/Properties Under Development for Sale

(a) Properties under development for sale

	2018 RMB million	2017 RMB million
As at 1 January	**74,410**	61,167
Additions	**48,348**	34,617
Acquisition of subsidiaries	**13,150**	1,687
Properties completed during the year	**(35,268)**	(22,020)
Disposal of subsidiaries	**(1,077)**	(1,041)
	99,563	74,410
Less: provision for impairment	**(163)**	(157)
As at 31 December	**99,400**	74,253

	2018 RMB million	2017 RMB million
Properties under development for sale comprise:		
Land use rights	**67,716**	45,161
Construction cost	**22,595**	20,676
Borrowing costs capitalised	**9,252**	8,573
	99,563	74,410

32. Properties Held for Sale/Properties Under Development for Sale (Continued)

(b) Properties held for sale

	2018 RMB million	2017 RMB million
As at 1 January	**23,020**	24,259
Additions	**35,268**	22,020
Transferred from investment properties *(Note 21)*	**117**	911
Transferred from lease prepayments *(Note 19)*	**36**	454
Acquisition of subsidiaries	**5,237**	
Properties sold during the year	**(31,834)**	(22,919)
Transferred to investment properties *(Note 21)*	**(3,605)**	(1,296)
Transferred to lease prepayments *(Note 19)*	**(610)**	(152)
Transferred to property, plant and equipment *(Note 18)*	**(68)**	(87)
Disposal of subsidiaries	**(141)**	(170)
	27,420	23,020
Less: provision for impairment	**(132)**	(214)
As at 31 December	**27,288**	22,806

Properties under development for sale amounting to RMB25,032 million (2017: RMB18,315 million) have been pledged to secure bank borrowings amounting to RMB11,750 million (2017: RMB8,600 million) granted to the Group (Note 45).

The amount of properties under development and held for sale expected to be recovered beyond one year is RMB24,377 million (2017: RMB11,121 million). The remaining amount is expected to be recovered within one year.

All of the properties under development are expected to be completed within the Group's normal operating cycle and are include under current assets.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at the lower of cost and net realisable value.

33. Inventories

	2018 RMB million	2017 RMB million
Raw materials and consumables	**26,445**	22,085
Work in progress	**7,019**	4,800
Finished goods	**5,089**	4,061
	38,553	30,946

34. Trade and Other Receivables

	2018 RMB million	2017 RMB million
Trade and bills receivables	**132,855**	206,832
Less: Loss allowance	**(8,114)**	(4,783)
Trade and bills receivables – net	**124,741**	202,049
Other receivables (net of impairment)	**60,406**	48,925
Advance to suppliers (net of impairment)	**41,613**	29,183
	226,760	280,157
Less: Amount due after one year included in non-current assets	**(14,013)**	(34,409)
Amount due within one year included in current assets	**212,747**	245,748

34. Trade and Other Receivables (Continued)

(a) Ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	2018 RMB million	2017 RMB million
Less than 1 year	**88,609**	149,759
1 year to 2 years	**21,196**	36,706
2 years to 3 years	**9,149**	9,210
3 years to 4 years	**3,842**	4,946
4 years to 5 years	**2,438**	3,366
More than 5 years	**7,621**	2,845
Total	**132,855**	206,832

Majority of the Group's revenues are generated through infrastructure construction, survey, design, consulting, engineering equipment and component manufacturing contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. Please refer to Note 34(d) for detailed loss allowance analysis.

(b) As at 31 December 2018, trade receivables of RMB29,207 million (2017: RMB7,185 million) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB8,400 million (2017: RMB2,192 million) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

As at 31 December 2019, trade receivables of RMB1,912 million had been transferred to financial institution in accordance with joint factoring agreements, whereby the Group did not transfer substantially all risks and rewards of these receivables. Accordingly, the Group continued to retain, to the extent the continuing involvement, relevant trade receivables of RMB306 million and the corresponding payables of RMB306 million was recognised as amount repayable under the joint factoring agreement.

(c) As at 31 December 2018, bills receivables – bank acceptance notes of RMB215 million (2017: RMB112 million) and commercial acceptance notes of RMB71 million (2017: RMB368 million) were endorsed to suppliers, and no bank acceptance notes or commercial acceptance notes (2017: bank acceptance notes of RMB207 million) was discounted with a third party with rights of recourse. In the opinion of the Directors, such transactions did not qualify for derecognition. In addition, as at December 2018, bills receivables – bank acceptance of RMB3,278 million (2017: RMB5,317 million) were endorsed to suppliers, and RMB54 million (2017: RMB965 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.

34. Trade and Other Receivables (Continued)

(d) As at 31 December 2018, the credit loss allowance of trade and bills receivables is determined as follows:

Trade receivables	Less than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Collectively assessed:							
Central-governmental enterprises							
– Expected loss rate	0.20%	3.00%	5.00%	12.00%	18.00%	40.00%	
– Gross carrying amount (RMB million)	7,491	1,107	499	149	68	161	9,475
– Loss allowance (RMB million)	15	33	25	18	12	64	167
Locally-administrated state-owned enterprises							
– Expected loss rate	0.40%	5.00%	10.00%	18.00%	25.00%	50.00%	
– Gross carrying amount (RMB million)	41,999	7,742	3,093	893	495	890	55,112
– Loss allowance (RMB million)	168	387	309	161	124	445	1,594
China State Railway Corporation							
– Expected loss rate	0.20%	3.00%	5.00%	10.00%	15.00%	30.00%	
– Gross carrying amount (RMB million)	17,836	1,721	842	209	98	119	20,825
– Loss allowance (RMB million)	36	52	42	21	15	36	202
Overseas enterprises							
– Expected loss rate	1.00%	8.00%	18.00%	35.00%	50.00%	65.00%	
– Gross carrying amount (RMB million)	2,478	338	46	6	123	12	3,003
– Loss allowance (RMB million)	25	27	8	2	62	8	132
Other entities							
– Expected loss rate	0.50%	6.00%	15.00%	30.00%	40.00%	60.00%	
– Gross carrying amount (RMB million)	13,398	2,642	1,016	541	302	333	18,232
– Loss allowance (RMB million)	67	159	152	162	121	200	861
Total							
– Gross carrying amount (RMB million)							106,647
– Loss allowances (RMB million)							2,956
Individually assessed:							
– Gross carrying amount (RMB million)							4,150
– Loss allowance (RMB million)							1,932

34. Trade and Other Receivables (Continued)

(d) As at 31 December 2018, the credit loss allowance of trade and bills receivables is determined as follows: (Continued)

Bill receivables	Expected loss rate	Gross carrying amount RMB million	Loss allowance RMB million
Bank acceptance note	0.00%	690	–
Commercial acceptance note	0.22%	2,897	6

Long-term trade receivables	Expected loss rate	Gross carrying amount RMB million	Loss allowance RMB million
Collectively assessed:	0.50%	15,218	76
Individually assessed:	96.65%	3,253	3,144

(e) Movements on loss allowance of trade and other receivables are as follows:

	2018 RMB million	2017 RMB million
At 31 December in prior year	**16,758**	8,446
Change in accounting policy *(Note 3.3)*	**(202)**	–
At 1 January	**16,556**	8,446
Increase in loss allowance recognised in profit or loss during the year *(Note 8 & 9)*	**7,690**	9,407
Amount reversed *(Note 8 & 9)*	**(1,861)**	(986)
Receivables written off during the year as non-collectible	**(109)**	(125)
Others	**(192)**	16
At 31 December	**22,084**	16,758

The increase and reversal in loss allowance of trade and other receivables have been included in net impairment losses on financial assets and other gains/(losses) in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

34. Trade and Other Receivables (Continued)

(f) The carrying amount of trade and other receivables are denominated in the following currencies:

	2018 RMB million	2017 RMB million
RMB	**218,096**	273,383
USD	**3,911**	4,266
HKD	**1,794**	26
Ethiopian Birr ("ETB")	**142**	154
EUR	**111**	30
JPY	**1**	34
Other currencies	**2,705**	2,264
	226,760	280,157

As at 31 December 2018, other currencies mainly comprised of West African CFA Franc and South African Rand.

(g) The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above.

(h) As at 31 December 2018, bank borrowings amounting to RMB521 million (2017: RMB1,108 million) are secured by trade receivables with carrying amount of approximately RMB567 million (2017: RMB3,389 million) (Note 45).

35. Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2018 RMB million	2017 RMB million
Contract assets		
– Amount due from contract customers for contract work and retentions	170,221	—
– Primary land development	8,734	—
– Financial assets under concession arrangements	12,879	—
	191,834	—
Less: loss allowance *(Note (a))*	(1,371)	—
Less: Amount due after one year included in non-current assets	67,516	—
Amount due within one year included in current assets	122,947	—
Contract liabilities		
– Sale of properties	33,675	—
– Infrastructure construction and engineering contracts	28,829	—
– Amount due to contract customers for contract work	17,788	—
– Design and consulting services	3,642	—
– Sales of manufacturing products	3,395	—
– Sales of materials	1,924	—
– Others	2,746	—
Total current contract liabilities	91,999	—

35. Assets and liabilities related to contracts with customers (Continued)

(a) As at 31 December 2018, the credit loss allowance of contract assets is determined as follows:

Contract assets	Expected loss rate	Gross carrying amount RMB million	Loss allowance RMB million
Amounts due from customers for contract work			
– Less than 1 year	0.20%	91,868	184
– 1 year to 2 years	4.00%	6,029	241
– 2 years to 3 years	8.00%	1,502	120
– 3 years to 4 years	12.00%	1,025	123
– 4 years to 5 years	16.00%	324	52
– Over 5 years	20.00%	232	46
		100,980	766
Primary land development	0.50%	8,734	44
Retentions	0.50%	68,484	342
Financial assets under concession arrangements	0.50%	12,045	60
Total		190,243	1,212

The amount of individually impaired contract assets was RMB1,591 million (31 December 2017: nil under IAS 39) with the provision of RMB159 million (31 December 2017: nil under IAS 39).

(b) As at 31 December 2018, bank borrowings amounting to RMB3,248 million (2017: nil under IFRS 15) are secured by contract assets with carrying amount of approximately RMB9,915 million (2017: nil under IFRS 15) (Note 45).

36. Amounts due from (to) customers for contract work

	2018 **RMB million**	2017 RMB million
Contract costs incurred and recognised profit (less recognised losses)	—	3,983,773
Less: progress billings	—	(3,884,278)
	—	99,495
Representing:		
Amounts due from customers for contract work	—	114,459
Amounts due to customers for contract work	—	(14,964)
	—	99,495

37. Financial assets/(liabilities) at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI (Note 28);
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

See Note 3.3 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets and Note 2.14 for the remaining relevant accounting policies.

37. Financial assets/(liabilities) at fair value through profit or loss (Continued)

Financial assets at FVPL include the following:

	2018 **RMB million**	2017 RMB million
Non-current assets		
Equity instruments		
Equity securities listed in Mainland China	**687**	—
Unlisted equity investments	**710**	—
	1,397	—
Debt instruments		
Unlisted entrusted products	**3,492**	—
Unlisted open-end equity funds	**1,432**	
Others	**1,045**	—
	5,969	—
	7,366	—
Current assets		
Equity instruments		
Listed equity securities		
– Mainland China	**86**	—
– Hong Kong	**34**	—
	120	—
Debt instruments		
Money-market securities investment funds	**2,005**	—
Unlisted open-end equity funds	**1,227**	—
Unlisted entrusted products	**913**	—
Bond instruments	**16**	
Others	**14**	—
	4,175	—
Derivative financial instruments *(Note (a))*		
– forward foreign exchange contracts	**1**	—
	4,296	—
Total	**11,662**	—

37. Financial assets/(liabilities) at fair value through profit or loss (Continued)

Financial liabilities at FVPL include the following:

	2018 **RMB million**	2017 RMB million
Current liabilities		
Unlisted open-end equity funds	**69**	—
Derivative financial instruments *(Note (a))*		
– future contracts	**2**	—
	71	—

(a) As at 31 December 2018, the Group has entered into forward foreign exchange contracts and foreign exchange swaps contracts in order to protect against exchange rate movements. Under those forward foreign exchange contracts, the Group will purchase RMB by EUR at fixed rates up to appointed dates in 2019.

As at 31 December 2018, the Group has one EUR interest rate swap contract with maturity in 2021. The Group will receive interest at fixed rates and pay interest at floating rates under this contract.

38. Held-For-Trading Financial Assets/(Liabilities)

Held-for-trading financial assets include the following:

	2018 RMB million	2017 RMB million
Money-market securities investment funds	—	2,656
Equity securities listed in Mainland China, at quoted prices	—	199
Bond instruments	—	82
Equity securities listed in Hong Kong, at quoted prices	—	24
Derivative financial instruments		
– future contracts	—	2
– forward foreign exchange contracts	—	–
– interest rate swaps	—	–
	—	2,963

Held-for-trading financial liabilities include the following:

	2018 RMB million	**2017 RMB million**
Derivative financial instruments		
– future contracts	—	26
– foreign exchange swaps	—	25
– forward foreign exchange contracts	—	6
– interest rate swaps	—	–
	—	57

39. Restricted Cash

	2018 RMB million	2017 RMB million
Restricted bank deposits	**14,253**	12,439
Term deposits with initial term of over three months	**2,456**	1,265
	16,709	13,704

As at 31 December 2018, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with People's Bank of China.

Term deposits with initial term of over three months are excluded from cash and cash equivalents, as management are of the opinion that these term deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

The carrying amount of restricted cash are denominated in the following currencies:

	2018 RMB million	2017 RMB million
RMB	**16,252**	13,566
USD	**338**	38
Other currencies	**119**	100
	16,709	13,704

40. Cash and Cash Equivalents

	2018 RMB million	2017 RMB million
Cash on hand	**181**	298
Bank deposits	**117,587**	116,390
Cash and cash equivalents	**117,768**	116,688

The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the end of the reporting period.

The weighted average effective interest rate on bank deposits was 0.64% per annum as at 31 December 2018 (2017: 0.90% per annum).

40. Cash and Cash Equivalents (Continued)

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2018 RMB million	2017 RMB million
– RMB	**103,056**	104,718
– USD	**12,246**	9,196
– Others	**2,466**	2,774
	117,768	116,688

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2018, less than 1.53% (2017: less than 0.71%) of the cash and cash equivalents balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

41. Share capital and premium

	Number of shares		Nominal value	
	2018 **(thousands)**	2017 (thousands)	**2018** **RMB million**	2017 RMB million
Registered, issued and fully paid				
A shares of RMB1.00 each				
At beginning and end of year	**18,636,912**	18,636,912	**18,637**	18,637
H shares of RMB1.00 each				
At beginning and end of year	**4,207,390**	4,207,390	**4,207**	4,207
	22,844,302	22,844,302	**22,844**	22,844

As at 31 December 2018, the A Shares (18,636,912,000 shares) and H Shares (4,207,390,000 shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

42. Reserves

(a) Capital Reserve

The balance of capital reserve mainly comprises the difference between the nominal value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to the Company as part of the Reorganisation in September 2007, capital contribution by CREC as an equity participant, certain items dealt with directly in the capital reserve of the Group in the Company's statutory financial statements prepared in accordance with the relevant PRC accounting standards, reserve generated from the acquisition of subsidiaries under common control and the actuarial gains or losses arising from the remeasurement of defined benefit obligations.

In December 2018, the Group received the cash consideration of RMB11,597 million in total from certain third-party investors to acquire a proportion of equity interests in its subsidiaries, namely China Railway No.2 Group Co., Ltd. ("China Railway No.2 Group", formerly named as China Railway Erju Engineering Co., Ltd), China Railway No.3 Engineering Group Co., Ltd. ("China Railway No.3 Engineering"), China Railway No.5 Engineering Group Co., Ltd. ("China Railway No.5 Engineering") and China Railway No.8 Engineering Group Co., Ltd. ("China Railway No.8 Engineering"). The Company's equity interests in these subsidiaries were diluted to 74.68% in China Railway No.2 Group, 70.62% in China Railway No.3 Engineering, 73.02% in China Railway No.5 Engineering and 76.19% in China Railway No.8 Engineering. The Company remains control over these subsidiaries. At 31 December 2018, the capital contribution resulted in an increase of RMB1,856 million in capital reserve and an increase of RMB9,741 million in non-controlling interests.

(b) Statutory Reserves

The statutory reserves comprise the statutory surplus reserve, trust compensation reserve and general risk reserve.

According to the PRC Company Law and the Company's article of association, the Company is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the relevant PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of the Company. The statutory surplus reserve can only make up losses or use to increase the registered capital of the Company and is not distributable.

According to the relevant laws and regulations for financial institutions and trust management entities in the PRC, certain subsidiaries of the Company are required to set aside certain amounts to trust compensation reserve and general risk reserve to address unidentified potential impairment risks.

43. Perpetual Notes

	2017 RMB million	Additions RMB million	Redemption/ payment RMB million	**2018 RMB million**
Public medium notes *(Note (a))*	9,940	8,994	–	**18,934**
Private perpetual notes *(Note (b))*	2,000	–	–	**2,000**
Public renewable corporate bonds *(Note (c))*	–	10,997	–	**10,997**
Dividends	98	789	(709)	**178**
Total	12,038	20,780	(709)	**32,109**

(a) On 1 July 2014, 21 January 2015 and 11 June 2015, the Company issued three tranches of public medium notes ("Medium Notes") with an aggregate principal amount of RMB3 billion, RMB4 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 6.50%, 5.65% and 5.20% per annum, respectively, and has no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Medium Notes, and the Medium Notes should be classified as equity.

From 26 November 2018 to 27 November 2018, 11 December 2018 to 12 December 2018 and 17 December 2018 to 18 December 2018, the Company issued three tranches of Medium Notes with an aggregate principal amount of RMB3 billion, RMB3 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.56%, 4.53% and 4.60% per annum (category one), respectively and 4.80%, 4.80% and 4.80% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

43. Perpetual Notes (Continued)

(b) On 3 April 2015,the Company issued the first tranche of private perpetual notes ("Perpetual Notes") with an aggregate principal amount of RMB2 billion. Pursuant to the terms and conditions of the Perpetual Notes, the Perpetual Notes bear the initial interest rate of 6.50%, per annum, respectively, and has no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Perpetual Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Perpetual Notes, and the Perpetual Notes should be classified as equity.

(c) On 6 November 2018, 15 November 2018, 27 November 2018 and 18 December 2018, the Company issued four tranches of public renewable corporate bonds ("Renewable Bonds") with an aggregate principal amount of RMB3 billion, RMB3 billion, RMB3 billion and RMB2 billion, respectively. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions to the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 4.69%, 4.59%, 4.55% and 4.55% per annum (category one), respectively, and 4.99%, 4.90%, 4.80% and 4.78% per annum (category two), respectively, and has no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bonds are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

44. Trade and other payables

	2018 **RMB million**	2017 RMB million
Trade and bills payables *(Note (a))*	**343,801**	330,038
Advance from customers	**283**	69,608
Accrued payroll and welfare	**3,609**	3,017
Other taxes	**3,757**	2,989
Deposit received in advance	**1,021**	989
Dividend payables	**501**	607
Deposits from CREC and fellow subsidiaries *(Note (b))*	**153**	98
Other payables	**71,306**	65,048
	424,431	472,394
Analysed for reporting purposes:		
Non-current	**2,617**	2,911
Current	**421,814**	469,483
	424,431	472,394

44. Trade and other payables (Continued)

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB3,782 million (31 December 2017: RMB6,349 million). Retention payables are interest-free and payable at the end of the retention period of the respective infrastructure construction and products manufacturing and installation contracts.

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

(a) The ageing analysis of trade and bills payables (including amounts due to related parties of trading nature), based on invoice date, is as follows:

	2018	2017
	RMB million	RMB million
Less than 1 year	**315,376**	302,219
1 year to 2 years	**17,644**	17,149
2 years to 3 years	**5,243**	4,875
More than 3 years	**5,538**	5,795
	343,801	330,038

(b) China Railway Finance Co., Ltd. ("CREC Finance"), a subsidiary of the Company, accepted deposits from CREC and fellow subsidiaries. These deposits were due within one year with average annual interest rate of 1.3%.

(c) The carrying amount of trade and other payables are denominated in the following currencies:

	2018	2017
	RMB million	RMB million
RMB	**416,622**	468,961
USD	**4,803**	2,531
Other currencies	**3,006**	902
	424,431	472,394

At 31 December 2018, other currencies mainly consist of Bolivar, West African Franc and ETB.

45. Borrowings

	2018	2017
	RMB million	RMB million
Bank borrowings:		
– Secured	**29,317**	30,303
– Unsecured	**113,892**	94,013
	143,209	124,316
Long-term debentures, unsecured *(Note (a))*	**30,672**	36,002
Other borrowings:		
– Secured	**2,162**	–
– Unsecured	**14,877**	13,616
	47,711	49,618
	190,920	173,934
Analysed for reporting purposes:		
Non-current	**88,808**	85,451
Current	**102,112**	88,483
	190,920	173,934

45. Borrowings (Continued)

(a) On 17 October 2011, the Company issued the second tranche of the medium-term note of a principal amount of RMB4,000 million with a maturity date of 17 October 2018. The note bears fixed interest at 6.08% per annum for the first five years, up to 17 October 2016. Interest is payable annually in arrears. At the end of the fifth year, on 17 October 2016, the Company has a right to adjust the interest rate of the note and the note holders have a right to redeem all or part of the note at its face value. As at 31 December 2018, these debentures have been fully paid off (31 December 2017: RMB1,660 million).

On 19 June 2013, a wholly owned subsidiary of the Group, China Railway Resource Group Co., Ltd. ("CRRGC"), issued the first tranche of the private placement note, in a principle amount of RMB2,000 million with a maturity date of 19 June 2018. The note bears fixed interest rate at 6.30% per annum. Interest is payable annually in arrears. As at 31 December 2018, these debentures have been fully paid off.

On 14 May 2015, CRRGC issued the first tranche of the private placement note, in a principal amount of RMB1,000 million with a maturity date of 14 May 2018. The note bears interest at a fixed rate of 6.40% per annum. Interest is payable annually in arrears. As at 31 December 2018, these debentures have been fully paid off.

On 24 July 2016, a wholly owned subsidiary of the Group, China Railway Real Estate Co., Ltd., issued the first tranche of the private placement note, in a principle amount of RMB1,000 million with a maturity date of 24 July 2019. The note bears fixed interest rate at 4.80% per annum. Interest is payable annually in arrears. As at 31 December 2018, these debentures have been fully paid off.

(b) Bank borrowings carry interest at rates ranging from 0.75% to 12.50% (31 December 2017: 0.75% to 8.00%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.88% to 4.88% (31 December 2017: 2.88% to 6.40%) per annum.

Other borrowings carry interest at fixed rates ranging from 4.11% to 6.30% (31 December 2017: 4.35% to 6.15%) per annum.

45. Borrowings (Continued)

(c) The details of secured borrowings are set out below:

	2018		2017	
	Secured borrowings RMB million	**Carrying amount of pledged assets and contract value of certain rights RMB million**	Secured borrowings RMB million	Carrying amount of pledged assets and contract value of certain rights RMB million
Property, plant and equipment *(Note 18)*	**7**	**6**	9	7
Intangible assets *(Note 22)*	**15,953**	**24,368**	20,586	29,317
Properties under development for sale *(Note 32(b))*	**11,750**	**25,032**	8,600	18,315
Trade receivables *(Note 34)*	**521**	**567**	1,108	3,389
Contract assets *(Note 35)*	**3,248**	**9,915**	—	—
	31,479	**59,888**	30,303	51,028

(d) The exposure of the Group's variable rate borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2018 RMB million	2017 RMB million
6 months or less	**13,383**	14,473
6 -12 months	**49,411**	61,228
1-5 years	**9,816**	10,766
	72,610	86,467

45. Borrowings (Continued)

(e) The Group's borrowings were repayable as follows:

	2018 RMB million	2017 RMB million
– Within 1 year	**102,112**	88,483
– Between 1 and 2 years	**31,900**	19,958
– Between 2 and 5 years	**35,849**	38,387
– Over 5 years	**21,059**	27,106
	190,920	173,934

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2018 RMB million	2017 RMB million
RMB	**179,432**	161,069
USD	**11,259**	12,652
EUR	**51**	64
Others	**178**	149
	190,920	173,934

45. Borrowings (Continued)

(g) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	2018 **RMB million**	2017 RMB million
Carrying amount		
– Bank borrowings	**50,218**	46,957
– Long-term debentures	**27,995**	30,533
– Other borrowings	**10,595**	7,961
	88,808	85,451
Fair value		
Level 3		
– Bank borrowings	**57,767**	48,298
– Long-term debentures	**29,097**	31,498
– Other borrowings	**10,895**	8,532
	97,759	88,328

(h) The Group has the following undrawn borrowing facilities:

	2018 **RMB million**	2017 RMB million
– Expiring within one year	**107,290**	127,904
– Expiring beyond one year	**530,098**	467,218
	637,388	595,122

46. Obligations Under Finance Leases

The Group leased certain of its equipment under finance leases. The average lease term is 3 years (2017: 2 years). Interest rates underlying all obligations under finance lease are set as the interest rate quoted by the People's Bank of China. At the end of the lease period, the Group is entitled to acquire the leased assets at a nominal consideration.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB million	RMB million	**RMB million**	RMB million
Amounts payable under finance leases				
– Within 1 year	**11**	349	**11**	349
– Between 1 and 5 years	**175**	60	**160**	54
	186	409	**171**	403
Less: future finance charges	**(15)**	(6)	**–**	–
Present value of lease obligations	**171**	403	**171**	403
Less: Amount due for settlement within 1 year (shown under current liabilities)			**(11)**	(349)
Amount due for settlement after 1 year			**160**	54

47. Retirement Benefit Obligations

(a) State-managed retirement plans and supplementary defined contribution retirement schemes

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute a certain percentage of payroll costs, depending on the applicable local regulations to the state-managed retirement plans. The Group also participates in supplementary defined contribution retirement schemes. The only obligation of these PRC companies with respect to the state-managed retirement plans and supplementary defined contribution retirement schemes is to make the specified contributions. The total costs charged to profit or loss during the year were RMB5,743 million and RMB1,078 million respectively (2017: RMB5,284 million and RMB887 million respectively).

As at 31 December 2018, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and supplementary defined contribution retirement schemes, and included in trade and other payables were RMB195 million and RMB32 million respectively (2017: RMB253 million and RMB40 million respectively).

47. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment medical benefits to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2017 were carried out by an independent firm of actuaries, Willis Towers Watson. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2018	2017
Discount rate	**3.25%**	4.00%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost growth rate	**8.00%**	8.00%

47. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	2018 RMB million	2017 RMB million
Net finance costs *(Note 10)*	**134**	111
Components of defined benefit costs recognised in profit or loss	**134**	111
Remeasurement on the net defined benefit obligations:		
Actuarial losses/(gains) arising from experience adjustments	**169**	(9)
Components of defined benefit costs recognised in other comprehensive income	**169**	(9)
Total	**303**	102

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2018 RMB million	2017 RMB million
Present value of unfunded defined benefit obligations	**3,398**	3,556
Net liability arising from defined benefit obligations	**3,398**	3,556
Less: Amount due within one year	**(369)**	(395)
Amount due after one year	**3,029**	3,161

47. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

Movements in the present value of the retirement and other supplemental benefit obligations in the current year were as follows:

	2018 **RMB million**	2017 RMB million
Opening defined benefit obligations	**3,556**	3,919
Finance costs	**134**	111
Remeasurement losses/(gains)		
Actuarial losses/(gains) arising from experience adjustments	**169**	(9)
Benefits paid	**(461)**	(465)
Closing defined benefit obligations	**3,398**	3,556

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, benefit inflation rate and the average medical expense rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases or decreases by 0.25 percentage point, the defined benefit obligation would have been decreased by RMB59 million or increased by RMB61 million (2017: decreased by RMB60 million or increased by RMB62 million).
- If the benefit inflation rate increases or decreases by 1 percentage point, the defined benefit obligation would have been increased by RMB130 million or decreased by RMB113 million (2017: increased by RMB130 million or decreased by RMB114 million).
- If the average medical expenses rate increases or decreases by 1 percentage point, the defined benefit obligation would have been increased by RMB11 million or decreased by RMB11 million (2017: increased by RMB13 million or decreased by RMB12 million).

47. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the defined benefit obligation as at 31 December 2018 is 11.3 years (2017: 11.8 years). This number can be analysed as follows:

- civil retirees: 4.3 years (2017: 4.5 years);
- retired members: 11.4 years (2017: 11.9 years); and
- beneficiaries: 12.5 years (2017: 13.2 years).

48. Provisions

	2018 **RMB million**	2017 RMB million
Toll highways' repair and maintenance obligation	**527**	390
Foreseeable losses on contracts	**394**	—
Lawsuits	**71**	70
Doubtful trust	**28**	177
	1,020	637
Analysed for reporting purpose as:		
Non-current	**1,002**	637
Current	**18**	–
	1,020	637

48. Provisions (Continued)

Movements in each class of provision during the financial year are set out below:

	Toll highways' repair and maintenance obligation RMB million	Foreseeable losses on contracts RMB million	Doubtful trust RMB million	Lawsuits RMB million	Total RMB million
At 1 January 2017	208	—	71	69	348
Charged/(credited) to the consolidated income statement:					
– Additional provisions	206	—	123	1	330
– Utilised/reversed during the year	(24)	—	(17)	–	(41)
At 31 December 2017	390	—	177	70	637
Changes in accounting policy *(Note 3.4)*	–	336	–	–	336
At 1 January 2018	**390**	**336**	**177**	**70**	**973**
Charged/(credited) to the consolidated income statement:					
– Additional provisions	**200**	**249**	**1**	**1**	**451**
– Utilised/reversed during the year	**(63)**	**(191)**	**(150)**	**–**	**(404)**
At 31 December 2018	**527**	**394**	**28**	**71**	**1,020**

49. Deferred Taxation

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2018		2017	
	Deferred tax assets RMB million	**Deferred tax liabilities RMB million**	Deferred tax assets RMB million	Deferred tax liabilities RMB million
The balances before offsetting	**7,070**	**(1,367)**	5,915	(1,190)
Offsetting	**(204)**	**204**	(184)	184
	6,866	**(1,163)**	5,731	(1,006)

(b) The gross movement on the deferred income tax account is as follows:

	2018 RMB million	**2017 RMB million**
At 31 December in prior year	**4,725**	4,476
Change in accounting policy	**(272)**	–
At 1 January	**4,453**	4,476
Recognised in the income statement *(Note 13)*	**1,305**	308
Recognised in other comprehensive income *(Note 13)*	**273**	117
Effect of change in tax rate charged to profit or loss *(Note 13)*	**(113)**	(53)
Acquisition of subsidiaries	**(180)**	(132)
Disposal of subsidiaries	**(27)**	–
Currency translation difference	**(8)**	9
At 31 December	**5,703**	4,725

49. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Financial assets/liabilities measured at fair value RMB million	Unrealised loss from intercompany transactions RMB million	Depreciation and amortisation RMB million	Acquisition of subsidiaries RMB million	Others RMB million	Total RMB million
At 1 January 2017	(128)	(45)	(335)	(368)	(118)	(994)
(Charged)/credited to the consolidated income statement	(5)	2	(144)	25	22	(100)
Credited to other comprehensive income	17	–	–	–	–	17
Acquisition of subsidiaries	–	–	–	(132)	–	(132)
Currency translation difference	–	–	19	–	–	19
At 31 December 2017	(116)	(43)	(460)	(475)	(96)	(1,190)
Charge in accounting policy	**(204)**	**–**	**–**	**–**	**–**	**(204)**
At 1 January 2018	**(320)**	**(43)**	**(460)**	**(475)**	**(96)**	**(1,394)**
Credited/(charged) to the consolidated income statement	**47**	**(11)**	**(27)**	**127**	**(45)**	**91**
Credited to other comprehensive income	**159**	**–**	**–**	**–**	**–**	**159**
Acquisition of subsidiaries	**–**	**–**	**–**	**(214)**	**–**	**(214)**
Effect of change in tax rate credited to profit or loss	**–**	**–**	**–**	**–**	**4**	**4**
Currency translation difference	**–**	**–**	**(13)**	**–**	**–**	**(13)**
At 31 December 2018	**(114)**	**(54)**	**(500)**	**(562)**	**(137)**	**(1,367)**

49. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (Continued)

Deferred Tax Assets:

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Financial assets/liabilities measured at fair value RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Unrealised profit from intercompany transactions RMB million	Other RMB million	Total RMB million
At 1 January 2017	1,224	3	60	740	774	1,603	1,066	5,470
Credited/(charged) to the consolidated income statement	514	7	(43)	(58)	204	177	(393)	408
Credited/(charged) to other comprehensive income	–	–	108	(8)	–	–	–	100
Effect of change in tax rate credited to profit or loss	(27)	–	–	(23)	–	–	(3)	(53)
Currency translation difference	–	–	–	–	(8)	–	(2)	(10)
At 31 December 2017	1,711	10	125	651	970	1,780	668	5,915
Change in accounting policy	**240**	**–**	**6**	**–**	**–**	**–**	**(314)**	**(68)**
At 1 January 2018	**1,951**	**10**	**131**	**651**	**970**	**1,780**	**354**	**5,847**
Credited/(charged) to the consolidated income statement	**945**	**2**	**12**	**(116)**	**197**	**59**	**115**	**1,214**
Credited to other comprehensive income	**–**	**–**	**75**	**39**	**–**	**–**	**–**	**114**
Acquisition of subsidiaries	**4**	**–**	**–**	**–**	**30**	**–**	**–**	**34**
Disposal of subsidiaries	**(13)**	**–**	**–**	**–**	**(14)**	**–**	**–**	**(27)**
Effect of change in tax rate credited to profit or loss	**(43)**	**–**	**–**	**(46)**	**(15)**	**–**	**(13)**	**(117)**
Currency translation difference	**–**	**–**	**–**	**–**	**5**	**–**	**–**	**5**
At 31 December 2018	**2,844**	**12**	**218**	**528**	**1,173**	**1,839**	**456**	**7,070**

49. Deferred Taxation (Continued)

(d) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred tax assets of RMB2,553 million (2017: RMB2,324 million) in respect of tax losses amounting to RMB11,054 million (2017: RMB10,118 million) as the Directors believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2018, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2018 RMB million	2017 RMB million
Year of expiry of tax losses		
2018	**N/A**	638
2019	**714**	1,375
2020	**1,261**	1,420
2021	**2,984**	3,621
2022	**3,064**	3,064
2023	**3,031**	N/A
	11,054	10,118

(e) As at 31 December 2017, the Group did not recognise deferred tax assets of RMB4,826 million (2017: RMB3,460 million) in respect of deductible temporary differences amounting to RMB20,869 million (2017: RMB15,396 million) as the Directors believe it is not probable that such deductible temporary differences would be utilised.differences would be utilised.

50. Cash Generated from Operations

(a) Cash Generated from Operations

	2018 RMB million	2017 RMB million
Profit for the year	**17,436**	14,204
Adjustments for:		
– Income tax expense	**7,509**	6,624
– Interest income	**(904)**	(1,408)
– Dividend income on available-for-sale financial assets	**—**	(362)
– Dividends from financial assets at FVPL	**(809)**	—
– Dividends from financial assets at FVOCI	**(49)**	—
– (Gains)/losses on disposal and/or write-off of:		
Property, plant and equipment	**(91)**	(74)
Land use rights	**(96)**	(39)
Interests in associates	**(5)**	6
Interests in a joint venture	**–**	1
Interests in subsidiaries	**(747)**	(112)
Available-for-sale financial assets	**—**	(4)
Other financial assets at fair value through profit and loss	**—**	520
– Foreign exchange losses, net	**11**	34
– Fair value increase on financial assets/liabilities at FVPL	**(10)**	—
– Fair value increase on held-for-trading financial assets/liabilities	**—**	(49)
– Waiver of trade and other payables	**–**	(126)
– Gain on debt restructuring	**(208)**	(26)
– Net impairment losses recognised on:		
Trade and other receivables (excluding advance to suppliers)	**5,765**	—
Other financial assets at amortised cost	**1,274**	—
Contract assets	**445**	—
– Impairment losses recognised on:		
Property, plant and equipment	**400**	21
Inventories	**142**	49
Investment properties	**11**	–
Lease prepayments	**3**	–
Properties under development for sale	**63**	–
Properties held for sale	**32**	–
Advance to suppliers	**64**	6,000
Trade and other receivables(excluding advance to suppliers)	**—**	2,421
Other loans and receivables	**—**	495
Available-for-sale financial assets	**—**	4
Mining assets	**–**	282
– Recognition of expected losses on contracts	**249**	(29)
– Unrealised profit from internal sales to associates	**–**	(1)

50. Cash Generated from Operations (Continued)

(a) Cash Generated from Operations (Continued)

	2018 RMB million	2017 RMB million
– Interest expenses	**7,014**	4,662
– Share of profits of joint ventures	**(61)**	(224)
– Share of profits of associates	**(1,555)**	(1,308)
– Charge to retirement benefit obligations	**134**	111
– Government subsidies	**(886)**	(378)
– Depreciation and amortisation	**9,875**	9,057
Operating cash flows before movements in working capital	**45,006**	40,351
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Increase in other prepayments	**(265)**	(185)
– (Increase) decrease in properties held for sale	**(8,612)**	170
– Increase in properties under development for sale	**(22,183)**	(9,472)
– Decrease (increase) in inventories	**8,691**	(1,991)
– Decrease (increase) in trade and other receivables	**58,535**	(48,852)
– Decrease in retirement and other supplemental benefit obligations	**(461)**	(465)
– Increase in trade and other payables	**8,401**	66,887
– Increase in other loans and receivables	**—**	(1,419)
– Increase in other financial assets at amortised cost	**(2,278)**	—
– Increase (decrease) in payables arising from consolidated structured entities	**1,919**	(820)
– Increase in contract assets	**(71,430)**	—
– Increase in contract liabilities	**5,524**	—
– Increase in amounts due from customers for contract work	**—**	(2,668)
– Increase in amounts due to customers for contract work	**—**	2,011
– (Decrease) increase in provisions	**(202)**	289
– Increase in government grant	**641**	1,037
– Increase in financial assets at FVPL	**(522)**	—
– Increase in held-for-trading financial assets	**—**	(185)
– (Increase) decrease in amounts due from central bank	**(239)**	520
– (Increase) decrease in loans to customers	**(1300)**	5
– Increase (decrease) in amount due to customers of CREC Finance	**609**	(419)
– Restricted cash	**(1,566)**	(5,181)
Cash generated from operations	**20,268**	39,613

50. Cash Generated from Operations (Continued)

(b) Non-cash investing and financing activities

	2018 **RMB million**	2017 RMB million
Acquisition of plant and equipment by means of finance leases	**107**	60

(c) Net debt reconciliation

This section sets out an analysis of net debt for each of the periods presented.

	2018 **RMB million**	2017 RMB million
Cash and cash equivalents *(Note 40)*	**117,768**	116,688
Restricted cash *(Note 39)*	**16,709**	13,704
Financial assets at fair value through profit or loss *(Note 37)*	**4,296**	2,963
Borrowings – repayable within one year *(Note 45)*	**(102,112)**	(88,483)
Borrowings – repayable after one year *(Note 45)*	**(88,808)**	(85,451)
Net debt	**(52,147)**	(40,579)

	2018 **RMB million**	2017 RMB million
Cash and Financial assets at fair value through profit or loss	**138,773**	133,355
Gross debt – fixed interest rates	**(118,310)**	(87,467)
Gross debt – variable interest rates	**(72,610)**	(86,467)
Net debt	**(52,147)**	(40,579)

No change in financial assets are included in cash flows of financing activities during the year of 2018.

51. Business combinations

Acquisition of Shanghai Xingyan Juhe Property Management Center LLP

Shanghai Xingyan Juhe Property Management Center LLP ("Shanghai Xingyan") was a then joint venture of the Group, in which the Group indirectly held 25% equity interests. In 2018, the Group acquired the remaining 75% equity interests in Shanghai Xingyan, at a cash consideration of approximately RMB4,290 million. The acquisition was completed on 21 December 2018, being the date of the Group obtaining control over Shanghai Xingyan. Upon completion of the acquisition, Shanghai Xingyan became a wholly owned subsidiary of the Group.

Shanghai Xingyan was incorporated in Shanghai, PRC, and is primarily engaged in property development in China.

The following table summarises the consideration paid for Shanghai Xingyan and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 21 December 2018 RMB million
Purchase consideration	
– cash paid	**4,290**
– Fair value of 25% equity interest held at the acquisition date	**1,430**
	5,720
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	**108**
Properties under development for sale	**7,159**
Trade and other receivables	**48**
Property, plant and equipment	**1**
Deferred tax assets	**3**
Trade and other payables	**(1,477)**
Total identifiable net assets	**5,842**
Less: non-controlling interests	**(122)**
Net assets acquired by the Group	**5,720**
Goodwill	**–**
Net cash outflow in respect of the acquisition of the Shanghai Xingyan is analysed as follows:	
Purchase consideration	
– cash paid	**4,290**
Less: cash and cash equivalents in acquired subsidiary	**(108)**
Net cash outflow on acquisition	**4,182**

Shanghai Xingyan contributed no revenue and incurred no profit to the Group for the period from acquisition date to 31 December 2018. Shanghai Xingyan has not generated any revenue for the year ended 31 December 2018. If the acquisition had occurred on 1 January 2018, unaudited net loss for the year 2018 would have been RMB8 million.

51. Business combinations (Continued)

Acquisition of Hohhot Metro Line 1 Construction Management Co., Ltd.

Hohhot Metro Line 1 Construction Management Co., Ltd. ("Hohhot Metro Line 1") was a then joint venture of the Group, in which the Group indirectly held 49% equity interests. In 2018, the Group increased the capital injection in cash of approximately RMB955 million, and acquired the additional 2% voting power in Hohhot Metro Line 1, by entering into acting in concert agreement with one of the joint venture partners on 29 December 2018. Since the date of agreement, the Group obtained control over Hohhot Metro Line 1.

Hohhot Metro Line 1 was incorporated in Hohhot, PRC, and is primarily engaged in investments, construction, management, operations and maintenance of metro in Hohhot, China.

The following table summarises the consideration paid for Hohhot Metro Line 1 and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 29 December 2018 RMB million
Purchase consideration	
– cash paid	**955**
– Fair value of 49% equity interest held at the acquisition date	**342**
	1,297
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	**511**
Trade and other receivables	**880**
Contract assets	**321**
Investments in a joint venture	**5**
Property, plant and equipment	**1**
Intangible assets	**3,911**
Borrowings	**(1,130)**
Trade and other payables	**(946)**
Total identifiable net assets	**3,553**
Less: non-controlling interests	**(2,256)**
Net assets acquired by the Group	**1,297**
Goodwill	**–**
Net cash outflow in respect of the acquisition of the Hohhot Metro Line 1 is analysed as follows:	
Purchase consideration	
– cash paid	**955**
Less: cash and cash equivalents in acquired subsidiary	**(511)**
Net cash outflow on acquisition	**444**

Hohhot Metro Line 1 contributed no revenue and profit to the Group for the period from acquisition date to 31 December 2018. Hohhot Metro Line 1 is under construction and has not generated any revenue for the year ended 31 December 2018.

51. Business combinations (Continued)

Acquisition of Kunming Dong Ge Highway Development Co., Ltd.

Kunming Dong Ge Highway Development Co., Ltd. ("Dong Ge Highway") was a then joint venture of the Group, in which the Group indirectly held 20% equity interests. In 2018, the Group acquired 70% equity interests in Dong Ge Highway from Beijing China Railway Hua Rui Construction Investment Management Center LLP ("Beijing Hua Rui"), one of the joint venture partners, at a cash consideration of approximately RMB70 million. The acquisition was completed on 29 March 2018, being the date of the Group obtaining control over Dong Ge Highway. Upon completion of the acquisition, the Group indirectly held 90% equity interests in Dong Ge Highway.

Dong Ge Highway was incorporated in Yunnan province, PRC, and is primarily engaged in investment, construction, management, operation and maintenance of highway in Yunnan Province, China.

The following table summarises the consideration paid for Dong Ge Highway and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 29 March 2018 RMB million
Purchase consideration	
– cash paid	70
– Fair value of 20% equity interest held on acquisition date	50
	120
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	64
Trade and other receivables	330
Contract assets	220
Intangible assets	2,035
Borrowings	(1,300)
Trade and other payables	(648)
Total identifiable net assets	701
Less: non-controlling interests	(581)
Net assets acquired by the Group	120
Goodwill	–
Net cash outflow in respect of the acquisition of the Dong Ge Highway is analysed as follows:	
Purchase consideration	
– cash paid	70
Less: cash and cash equivalents in acquired subsidiary	(64)
Net cash outflow on acquisition	6

Dong Ge Highway contributed no revenue and incurred loss of RMB4 million to the Group for the period from acquisition date to 31 December 2018. Dong Ge Highway is under construction and has not generated any revenue for the year ended 31 December 2018. If the acquisition had occurred on 1 January 2018, unaudited net loss for the year 2018 would have been RMB4 million.

51. Business combinations (Continued)

Acquisition of Kunming Xun Zhan Highway Development Co., Ltd.

Kunming Xun Zhan Highway Development Co., Ltd. ("Xun Zhan Highway") was a then joint venture of the Group, in which the Group indirectly held 20% of equity interests. In 2018, the Group acquired 70% equity interests in Xun Zhan Highway from Beijing Hua Rui, one of the joint venture partners, at a cash consideration of approximately RMB200 million, and injected cash capital of approximately RMB306 million in proportion with other investors. The acquisition was completed on 27 March 2018, being the date of the Group obtaining control over Xun Zhan Highway. Upon completion of the acquisition, the Group indirectly held 90% equity interests in Xun Zhan Highway.

Xun Zhan Highway was incorporated in Yunnan Province, PRC, and is primarily engaged in investment, construction, management, operation and maintenance of highway in Yunnan Province, China.

The following table summarises the consideration paid for Xun Zhan Highway and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition date.

	At 27 March 2018 RMB million
Purchase consideration	
– cash paid	**506**
– Fair value of 20% equity interest held on acquisition date	**20**
	526
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	**28**
Trade and other receivables	**22**
Contract assets	**159**
Intangible assets	**1,828**
Borrowings	**(800)**
Trade and other payables	**(361)**
Total identifiable net assets	**876**
Less: non-controlling interests	**(350)**
Net assets acquired by the Group	**526**
Goodwill	**–**
Net cash outflow in respect of the acquisition of the Xun Zhan Highway is analysed as follows:	
Purchase consideration	
– cash paid	**506**
Less: cash and cash equivalents in acquired subsidiary	**(28)**
Net cash outflow on acquisition	**478**

Xun Zhan Highway contributed no revenue and incurred loss of RMB3 million to the Group for the period from acquisition date to 31 December 2018. Xun Zhan Highway is under construction and has not generated any revenue for the year ended 31 December 2018. If the acquisition had occurred on 1 January 2018, unaudited net loss for the year 2018 would have been RMB3 million.

51. Business combinations (Continued)

Acquisition of Beijing Nuo Cheng Real Estate Co., Ltd.

Beijing Nuo Cheng Real Estate Co., Ltd. ("Nuo Cheng Real Estate") was a then joint venture of the Group, in which the Group indirectly held 33.33% equity interests. In 2018, the Group acquired the remaining 66.67% equity interests in Nuo Cheng Real Estate from Shanghai Xing Yan Tie Hao Property Management Center LLP ("Shanghai Xingyan"), the joint venture partner, at a cash consideration of approximately RMB799 million. The acquisition was completed on 12 April 2018, being the date of the Group obtaining control over Nuo Cheng Real Estate. Upon completion of the acquisition, Nuo Cheng Real Estate became a wholly owned subsidiary of the Group.

Nuo Cheng Real Estate was incorporated in Beijing, PRC, and is primarily engaged in property development in China.

The following table summarises the consideration paid for Nuo Cheng Real Estate and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	At 12 April 2018 RMB million
Purchase consideration	
– cash paid	799
– Fair value of 33% equity interest held at the acquisition date	400
	1,199
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	67
Properties held for sale	3,907
Trade and other receivables	20
Borrowings	(1,800)
Trade and other payables	(858)
Deferred tax liabilities	(137)
Net assets acquired by the Group	1,199
Goodwill	–
Net cash outflow in respect of the acquisition of the Nuo Cheng Real Estate is analysed as follows:	
Purchase consideration	
– cash paid	799
Less: cash and cash equivalents in acquired subsidiary	(67)
Net cash outflow on acquisition	732

Nuo Cheng Real Estate contributed revenue of RMB243 million and contributed profit of RMB16 million to the Group for the period from acquisition date to 31 December 2018. Nuo Cheng Real Estate has generated revenue of RMB1,136 million for the year ended 31 December 2018. If the acquisition had occurred on 1 January 2018, unaudited net profit for the year 2018 would have been RMB312 million.

52. Contingencies Liabilities

	2018 RMB million	2017 RMB million
Pending lawsuits *(Note (a))*		
– arising in the ordinary course of business	**3,615**	1,468
Outstanding guarantees *(Note (b))*	**31,669**	25,863

(a) The Group has been involved in a number of lawsuits arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when the management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for those pending lawsuits where the management considered that the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable. The aggregate sum of those unprovided claims is disclosed in the table above.

(b) The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The maximum exposure of these financial guarantees to the Group is as follows:

	2018		2017	
	RMB million	Expiry period	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**2,904**	**2018-2025**	5,077	2018-2023
Joint ventures	**–**	**–**	400	2018-2019
A government-related entity	**60**	**2019**	58	2019
Property purchasers	**28,992**	**2018-2038**	23,121	2018-2038
Former associates	**554**	**2027**	754	2020-2027
	32,510		29,410	

(c) The Group has an unconditionally non-cancellable purchase arrangement to acquire the controlling shareholdings of an entity (being the owner of a construction project undertaken), then to offer shareholder's loan to repay its debts in condition that the entity fails to repay the loan principal and interest when they fall due. As at 31 December 2018, the entity has failed to repay its loan principal and interest. The Group is in the process of negotiating the debt settlement with the entity's shareholders.

53. Commitments

(a) Capital expenditure

Significant capital expenditure contracted for at the end of reporting period but not recognised as liabilities is as follows:

	2018 **RMB million**	2017 RMB million
Property, plant and equipment	**5,173**	1,129

(b) Investment commitment

According to relevant agreements, the Group has the following commitments:

	2018 **RMB million**	**2017** **RMB million**
Investment commitment to an associate *(Note (i))*	**17,596**	15,316
Investment commitment to a joint venture	**25**	1,661
	17,621	16,977

(i) The amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of the consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change based on the projects and the negotiation progress in the future.

53. Commitments (Continued)

(c) Operating Lease Commitments – as lessor

Rental income earned in respect of investment properties has been included in revenue in consolidated income statement. The investment properties held for rental purposes are expected to generate rental yields 12.00% to 16.60% (2017: 12.00% to 16.67%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 **RMB million**	2017 RMB million
No later than 1 year	**321**	299
Later than 1 year and no later than 5 years	**852**	728
Later than 5 years	**690**	688
	1,863	1,715

(d) Operating Lease Commitments – as leasee

The Group leases various offices, warehouses, residential properties, machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 **RMB million**	2017 RMB million
No later than 1 year	**1,144**	672
Later than 1 year and no later than 5 years	**1,284**	152
Later than 5 years	**82**	50
	2,510	874

Rental expense relating to operating leases are as follows:

	2018 **RMB million**	2017 RMB million
Rental expense relating to operating	**31,449**	30,004

54. Related-party transactions

The Company is controlled by the following entity:

Name	Relationship	Place of incorporation and operation	Ownership interest	
			2018	2017
CREC	Parent and ultimate holding company	PRC	**50.70%**	54.39%

The Company is controlled by CREC, the parent company and a state-owned enterprise established in the PRC. CREC is controlled by the PRC government (CREC and its subsidiaries other than the Group are referred to as the "CREC Group"). The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities").

During the year, the Group had transactions with government-related entities including, but not limited to, the provision of infrastructure construction services, survey, design and consulting services and sales of goods. The Directors consider that the transactions with these government-related entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions between the Group and its related parties during the year and balances arising from related party transactions at the end of the reporting period.

54. Related-party transactions (Continued)

(a) Significant related party transactions

The following transactions were carried out with related parties other than government-related entities:

	2018 RMB million	2017 RMB million
Transactions with the CREC Group		
– Service expenses paid	**32**	42
– Rental expense	**22**	28
– Interest income	**27**	41
– Interest expense	**6**	5
– Revenue from infrastructure construction contracts	**–**	5
– Purchase	**128**	–
– Provision of borrowings	**1,950**	700
– Repayment of borrowings	**700**	1,600
Transactions with joint ventures		
– Revenue from infrastructure construction contracts	**21,185**	16,746
– Revenue from sales of goods	**897**	26
– Purchase	**1,725**	1,460
– Rental income	**2**	1
– Interest income	**506**	138
– Interest expense	**–**	5
– Service expenses paid	**–**	1
– Lending funds	**4,383**	1,504
Transactions with associates		
– Revenue from infrastructure construction contracts	**21,217**	15,832
– Revenue from sales of goods	**692**	1,466
– Purchase	**5,341**	3,541
– Rental income	**3**	5
– Interest income	**5**	102
– Interest expense	**1**	–
– Service expenses paid	**–**	10
– Lending funds	**–**	282

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

54. Related-party transactions (Continued)

(b) Balances with related parties

	2018 RMB million	2017 RMB million
Balances with the CREC Group		
Trade and bills receivables	**14**	13
Other receivables	**3**	–
Other financial assets at amortised cost	**1,911**	—
Loan receivables	**—**	693
Advance to supplier	**–**	128
Deposits for land use rights	**94**	–
Trade payables	**8**	15
Other payables	**147**	118
Borrowings	**153**	98
Advance from customers	**–**	1
Balances with joint ventures		
Trade and bills receivables	**7,489**	6,907
Other receivables	**171**	2,107
Other financial assets at amortised cost	**3,609**	—
Loans receivables	**—**	1,274
Advance to suppliers	**176**	5
Contract assets	**866**	—
Trade payables	**324**	521
Other payables	**736**	58
Contract liabilities	**1,307**	—
Borrowings	**247**	5
Advance from customers	**–**	75
Balances with associates		
Trade and bills receivables	**5,480**	6,628
Other receivables	**55**	677
Other financial assets at amortised cost	**118**	—
Loans receivable	**—**	1,824
Advance to suppliers	**55**	58
Contract assets	**2,819**	—
Dividends receivable	**–**	28
Trade payables	**480**	164
Other payables	**185**	592
Contract liabilities	**655**	—
Borrowings	**222**	10
Advance from customers	**25**	754

54. Related-party transactions (Continued)

(c) Guarantees

	2018	2017
	RMB million	RMB million
Outstanding loan guarantees provided by the Group to		
– Associates *(Note 25(a))*	**2,063**	2,044
– A government-related entity	**60**	17
– A joint venture *(Note 25(b))*	**–**	200
Outstanding debentures guarantees provided by CREC to the Group	**11,000**	11,000

(d) Key management compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2018	2017
	RMB'000	RMB'000
Basic salaries, housing allowances and other allowances	**3,480**	2,984
Contributions to pension plans	**578**	455
Others	**6,825**	4,660
	10,883	8,099

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of the respective individuals and the market trends.

55. Particulars of Principal Subsidiaries

(a) General information of principal subsidiaries

As at 31 December 2018 and 2017, the Company had the following principal subsidiaries:

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2018	2017	2018	2017	
Listed							
中鐵高新工業股份有限公司 Hi-Tech Industry (i)	PRC	RMB2,221,552	**52.13%**	50.12%	**47.87%**	49.88%	Engineering Equipment and Component Manufacturing
Unlisted							
中鐵一局集團有限公司 China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB5,094,600	**100%**	100%	**–**	–	Infrastructure construction
中鐵二局集團有限公司 China Railway No.2 Group	PRC	RMB6,292,920	**74.68%**	100%	**25.32%**	–	Infrastructure construction
中鐵三局集團有限公司 China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB4,956,311	**70.62%**	100%	**29.38%**	–	Infrastructure construction
中鐵四局集團有限公司 China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB6,182,139	**100%**	100%	**–**	–	Infrastructure construction
中鐵五局集團有限公司 China Railway No.5 Engineering Group Co., Ltd.	PRC	RMB5,615,152	**73.02%**	100%	**26.98%**	–	Infrastructure construction
中鐵六局集團有限公司 China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB2,200,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵七局集團有限公司 China Railway No.7 Engineering Group Co., Ltd.	PRC	RMB2,600,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵八局集團有限公司 China Railway No.8 Engineering Group Co., Ltd.	PRC	RMB5,906,056	**76.19%**	100%	**23.81%**	–	Infrastructure construction

55. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2018	2017	2018	2017	
中鐵九局集團有限公司 China Railway No.9 Engineering Group Co., Ltd.	PRC	RMB2,500,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵十局集團有限公司 China Railway No.10 Engineering Group Co., Ltd.	PRC	RMB3,836,510	**100%**	100%	**–**	–	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB3,647,073	**100%**	100%	**–**	–	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB3,439,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB7,329,600	**100%**	100%	**–**	–	Infrastructure construction
中鐵隧道局集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB2,997,688	**100%**	100%	**–**	–	Infrastructure construction
中鐵國際集團有限公司 China Railway International Group Co., Ltd.	PRC	RMB2,318,555	**100%**	100%	**–**	–	Infrastructure construction
中鐵二局建設有限公司 China Railway No.2 Construction Co., Ltd.	PRC	RMB1,663,820	**100%**	100%	**–**	–	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,246,138	**100%**	100%	**–**	–	Survey and design
中鐵北京工程局集團有限公司 China Railway Beijing Engineering Group Co. Ltd	PRC	RMB3,485,846	**100%**	100%	**–**	–	Infrastructure construction

55. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2018	2017	2018	2017	
中鐵上海工程局集團有限公司 China Railway Shanghai Engineering Group Co. Ltd	PRC	RMB2,312,258	100%	100%	–	–	Infrastructure construction
中鐵廣州工程局集團有限公司 China Railway Guangzhou Engineering Group Co. Ltd	PRC	RMB2,300,000	100%	100%	–	–	Infrastructure construction
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB6,500,000	100%	100%	–	–	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB5,427,127	100%	100%	–	–	Mining
中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd.	PRC	RMB6,000,000	100%	100%	–	–	Build-operate-transfer service concession arrangement
中鐵南方投資集團有限公司 China Southern Investment Group Co..Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵投資集團有限公司 China Railway Investment Group Co., Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵開發投資有限公司 China Railway Development & Investment Co., Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵城市發展投資集團有限公司 China Railway City Development and Investment Group Co. Ltd	PRC	RMB1,398,755	100%	100%	–	–	Infrastructure construction and asset management

55. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2018**	2017	**2018**	2017	
中鐵(上海)投資集團有限公司 China Railway (Shanghai) Investment Group Co., Ltd	PRC	RMB1,089,840	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵信託有限責任公司 China Railway Trust (ii)	PRC	RMB5,000,000	**93%**	93%	**7%**	7%	Financial trust management
中鐵財務有限責任公司 China Railway Finance Co., Ltd.	PRC	RMB9,000,000	**95%**	95%	**5%**	5%	Comprehensive financial service
中鐵資本有限公司 China Railway Capital Co., Ltd	PRC	RMB2,000,000	**100%**	100%	**–**	–	Asset Management
中鐵物貿集團有限公司 China Railway Material Trade Co., Ltd	PRC	RMB3,000,000	**100%**	100%	**–**	–	Trade
中鐵文化旅遊投資有限公司 China Railway Cultural and Tourism Investment Co., Ltd.	PRC	RMB1,032,945	**100%**	100%	**–**	–	Tourism, sports and cultural projects investment

All the above subsidiaries were established as limited liability companies in the PRC, which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Unless otherwise stated, above subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group.

(i) At 31 December 2018, 31.58% (2017: 31.58%) of ordinary shares of Hi-Tech Industry is indirectly held by the Group.

(ii) At 31 December 2018, 14% (2017: 14%) of ordinary shares of China Railway Trust is indirectly held by the Group.

55. Particulars of Principal Subsidiaries (Continued)

(b) Information of debt securities

As at 31 December 2018, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	**5,000**	**27/01/2020**
	2,500	**19/10/2020**
	2,050	**28/01/2021**
	4,659	**23/03/2021**
	3,500	**19/10/2025**
	2,120	**28/01/2026**
China Railway Resource Huitung Limited	**3,267**	**05/02/2023**
China Railway Xunjie Co. Limited	**3,267**	**25/07/2022**
	3,267	**28/07/2026**

As at 31 December 2017, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	1,660	17/10/2018
	5,000	27/01/2020
	2,500	19/10/2020
	2,050	28/01/2021
	4,659	23/03/2021
	3,500	19/10/2025
	2,120	28/01/2026
China Railway Real Estate Group Co., Ltd.	1,000	24/07/2019
China Railway Resources Group Co., Ltd	1,000	14/05/2018
	2,000	19/06/2018
China Railway Resource Huitung Limited	3,267	05/02/2023
China Railway Xunjie Co. Limited	3,267	25/07/2022
	3,267	28/07/2026

56. Events occurring after the balance sheet date

Subsequent to 31 December 2018, the following significant event took place:

(a) As approved by the Board meeting on 29 March 2019, the Company declared a dividend in respect of the year ended 31 December 2018 of RMB0.128 per ordinary share, amounting to a total dividend of RMB2,924 million. The dividend is to be approved at the annual general meeting in 2019.

(b) As approved by CSRC, the Company issued the first tranche of public corporate bonds to qualified investors on 17 January 2019, in a principal amount of RMB2,500 million with maturity date of 17 January 2022. The bonds bears fixed interest rate at 3.68% per annum. Interest is payable annually in arrears.

57. Balance Sheet and Reserve Movement of the Company

	2018 RMB million	2017 RMB million
ASSETS		
Non-current assets		
Amounts due from subsidiaries	**1,953**	4,995
Other non-current assets	**19,681**	9,297
Investments in subsidiaries	**163,277**	127,488
	184,911	141,780
Current assets		
Amounts due from subsidiaries	**89,513**	55,831
Other current assets	**8,214**	20,059
Bank balances and cash	**45,423**	50,713
	143,150	126,603
Total assets	**328,061**	268,383
EQUITY		
Share capital	**22,844**	22,844
Perpetual notes	**32,109**	12,038
Share premium and reserves *(note (a))*	**107,592**	100,297
Total equity	**162,545**	135,179
LIABILITIES		
Non-current liabilities		
Borrowings	**17,762**	20,274
Other non-current liabilities	**3,591**	25
	21,353	20,299
Current liabilities		
Amounts due to subsidiaries	**104,226**	98,011
Other current liabilities	**39,937**	14,894
	144,163	112,905
Total liabilities	**165,516**	133,204

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and were signed on its behalf.

Director	Director
Li Changjin	**Zhang Zongyan**

57. Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Share premium RMB million	Capital reserves RMB million	Statutory reserve RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2017	43,982	7,739	4,684	27,886	84,291
Profit and total comprehensive income for the year	–	–	–	18,803	18,803
Transfer to reserves	–	–	1,902	(1,902)	–
Dividend recognised as distribution	–	–	–	(2,010)	(2,010)
Dividend declared to perpetual notes holders	–	–	–	(787)	(787)
At 31 December 2017	43,982	7,739	6,586	41,990	100,297
Change in accounting policies	**–**	**335**	**7**	**67**	**409**
Restated total equity as at 1 January 2018	**43,982**	**8,074**	**6,593**	**42,057**	**100,706**
Profit and total comprehensive income for the year	**–**	**(526)**	**–**	**10,702**	**10,176**
Transfer to reserves	**–**	**–**	**1,112**	**(1,112)**	**–**
Dividend recognised as distribution	**–**	**–**	**–**	**(2,581)**	**(2,581)**
Dividend declared to perpetual notes holders	**–**	**–**	**–**	**(709)**	**(709)**
At 31 December 2018	**43,982**	**7,548**	**7,705**	**48,357**	**107,592**

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

1. Formulation, implementation or adjustment of the cash dividend policy

(1) Specific policies for profit distribution

According to the Articles of Association, the specific policies for profit distribution of the Company are as follows:

(i) Form of profit distribution: The Company distributes profits in cash, stock or a combination of cash and stock. The Company can make interim profit distributions when conditions permit.

(ii) Specific conditions, proportion and interval of the Company's cash dividends: Under the premise of ensuring the Company's continuous operation and long-term development, if the Company is profitable in the year and the accumulated undistributed profit is positive and there are no major investment plans or other major cash expenditures, the Company will distribute the profits in cash after appropriation to the statutory reserves and other reserves in full. In any three consecutive years, the Company's accumulated profits distributed in cash shall not be less than 30% of the annual average distributable profits realized in the three years; the annual profits distributed in cash shall generally not be less than 10% of the distributable profits realized in the year. The Company may not distribute cash dividends under the following special circumstances:

① The auditors issue a non-standard unqualified audit report on the Company's financial report for the year.

② The operating net cash flow is negative in the year.

If the abovementioned conditions for cash dividends are met, the Company in principle shall distribute cash dividends once a year, and the Company's Board of Directors can propose the Company to make interim cash dividends based on the Company's profitability and capital demand.

(iii) Specific conditions for the Company to issue stock dividends:

The Company can propose a stock dividend distribution plan when the Company is in good operating condition, and the Board of Directors believes that the Company's stock price does not match the Company's share capital and that issuing stock dividends is beneficial to the overall interests of all shareholders of the Company, under the premise that the abovementioned conditions for cash dividends are met.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

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

Profits are distributed in cash under the profit distribution plan of the Company in 2017. Pursuant to the profit distribution plan considered and passed at the 2017 annual general meeting convened on 25 June 2018, a cash dividend of RMB1.13 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2017 was declared by the Company, totaling RMB2,581,406,074.36 and representing 16% of net profit attributable to the listed company's shareholders under the consolidated income statement for the current year of the Company. The announcement on the profit distribution of A shares was published on 11 July 2018 on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the website of Shanghai Stock Exchange. As at 24 July 2018, the implementation of the profit distribution plan of the Company for 2017 has been completed.

(3) Profit distribution plan for 2018

Pursuant to the relevant requirements of the Company Law and the Articles of Association, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, and in accordance with the "Resolution on the Profit Distribution Plan for 2018 of the Company" which was passed at the 20th meeting of the fourth session of the Board, the details of the profit distribution plan are set out below: the retained profits of the parent company at the beginning of 2018 was RMB43,122,955,851.53 based on the audited financial report of the Company for 2018. After taking into account the added retained profits of RMB66,635,077.17 due to the changes in accounting policies, adding the net profit realised by the parent company of RMB11,119,494,701.75 during the year and deducting the cash dividends for 2018 and interest payments on perpetual notes amounting to RMB3,290,211,629.91, and with 10% of the net profit of the parent company, i.e. RMB1,111,949,470.18, being appropriated to its statutory surplus reserve, the distributable profit of the parent company to shareholders amounted to RMB49,906,924,530.36 for the year. A cash dividend of RMB1.28 per 10 shares (tax inclusive) is proposed to be distributed. Based on the Company's total share capital of 22,844,301,543 shares as at 31 December 2018, the total amount of such dividend is RMB2,924,070,597.50, representing 17% of net profit attributable to the listed company's shareholders under the consolidated statement for the current year of the Company. Upon the distribution, the remaining retained profit of the parent company amounting to RMB46,982,853,932.86 will be carried forward to the next year.

The independent directors of the Company have expressed their opinions on the plan, and the above plan is still subject to the approval of the 2018 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2018 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

(4) Information on the profit distribution for 2018

(1) The proportion of the total cash dividends to be distributed in the net profit attributed to the shareholders of the listed company in the year is lower than 30% for the following reasons: ① In terms of the domestic infrastructure construction market, the capacity is huge and the reform is unprecedented in the construction sector. Firstly, the State is promoting the all-around reform and opening-up, which will create good conditions for enterprises to further straighten out system mechanism, boost internal energy and speed up internationalization process; secondly, the State is enhancing the countercyclical regulation and further promoting the macro policy of stable employment, stable finance, stable foreign trade, stable foreign investment, stable investment and stable expectation, especially focusing on the macro policy of reducing various business cost of the whole society through tax reduction, which will provide enterprises with good environment for raising economic benefits and developing quality; thirdly, the State is stepping up the efforts in strengthening areas of weakness in the infrastructures and other areas and has approved in an intensive way a large batch of key projects of "strengthening areas of weakness" in such areas as railway, road, urban rail, airport and water conservancy and hydropower, and such strengths, amounts and speed of approval are rare in recent years and the infrastructure construction market will see another golden opportunity period. ② In terms of the international infrastructure construction market, the Belt and Road Initiative is developing in depth and has received proactive response in the world. More than 100 states and international organizations have participated in the initiative, and China has entered into the Belt and Road Initiative cooperation agreements with more than 30 countries along the Belt and Road Initiative. Financial cooperation represented by the Asian Infrastructure Investment Bank and the Silk Road Fund is constantly deepening, which will provide significant opportunities for us to expand the overseas markets. The Belt and Road Initiative initiative promotes infrastructure connectivity and the cooperation with international production capacity is promoted in depth and we will face historical development opportunities both at home and abroad. ③ The construction sector, to which the Company belongs, is a sector with adequate competition. In this sector, market competition is extremely keen, general gross profit margin is low, asset-liability ratio is high, amounts of receivables and stocks are high and construction projects are all-sided and single buildings are large-sized, so the Company has large demands on the funds in order to maintain daily operation and turnover.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

(4) Information on the profit distribution for 2018 (Continued)

(2) All the independent directors of the Company express the following independent opinions on the reasonability of the above 2018 profit distribution plan: ① When formulating the 2018 profit distribution plan, the Company has considered the characteristics of the construction sector, to which the Company belongs, the development stage, the operation mode and funds demands of the Company and other relevant factors and the plan complies with the actual conditions of the Company. ② The proportion of the cash dividends in 2018 in the net profit attributed to the shareholders of the Company presented in the consolidated statement of profit of the year is 17%, higher than the distribution proportion of last year, and the net profit keeps rising in each year and the distribution base continues to grow, which, on one hand, guarantees the continuity and sustainable development of the profit distribution policy of the Company and complies with the policy specified in the articles of association of the Company on cash dividends and middle-and-long-term plans of returns to shareholders, and, on the other hand, not only brings reasonable returns to investment to investors, but also keeps the operation of the Company normal. Therefore, the 2018 profit distribution plan of the Company is reasonable, and the independent directors agree on the profit distribution plan.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

2. The plan or budgets for dividend distribution for ordinary shares or capitalisation of capital reserves of the Company for the latest three years (including the reporting period)

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend amount per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net profit attributable to the Company's ordinary shareholders during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to the Company's ordinary shareholders under the consolidated financial statements *(%)*
2018	0	1.28	0	29.24	171.98	17
2017	0	1.13	0	25.81	160.67	16
2016	0	0.88	0	20.10	125.09	16

3. The inclusion of shares repurchased through cash offer in cash dividend

Not applicable

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

Not applicable

II. Performance Status of Undertakings

1. Undertakings made by undertaking parties, including the ultimate controller, shareholders, related parties, acquirers of the Company and the Company given or subsisting in the reporting period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CREC	Upon the establishment of China Railway in accordance with the law, CREC and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CREC or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the core businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CREC or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CREC warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	No	No	Yes	/	/
Undertakings related to refinancing	Other undertakings	CREC	If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, CREC shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes	/	/

Note: For details of the relevant undertakings made by the Company and CREC during the material asset restructuring of China Railway Erju Co., Ltd. (renamed as China Railway Hi-Tech Industry Co., Ltd. in March 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings. In addition, the Company issued the Letter on Extending the Performance Term of Undertakings on Certain Contingencies to China Railway Hi-Tech Industry Co., Ltd. on 20 December 2018, pursuant to which, the performance term of the undertaking in relation to apply for ownership certificates for defective real estate was changed, which was considered and approved by the shareholders' general meeting of China Railway Hi-Tech Industry Co., Ltd. on 12 March 2019. Details of which please refer to the Announcement of China Railway High-tech on Extending the Performance Term of Undertakings on Certain Contingencies by the Controlling Shareholder of the Company published at the website of Shanghai Stock Exchange (http://www.sse.com.cn) on 29 December 2018.

II. Performance Status of Undertakings (Continued)

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

Not applicable

3. Fulfillment of undertakings and its impact on goodwill impairment test

Not applicable

III. Fund Occupancy and Progress of Collection During the Reporting Period

Not applicable

IV. Explanation of the Company on the "Modified Audit Report" from Auditors

Not applicable

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

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

The Ministry of Finance issued the following revised corporate accounting standards from 2017 to 2019: "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" (Cai Kuai [2017] No. 7), "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets" (Cai Kuai [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 – Hedge Accounting" (Cai Kuai [2017] No. 9), "Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation" (Cai Kuai [2017] No. 14), "Accounting Standards for Business Enterprises No. 14 – Income" (Cai Kuai [2017] No. 22), "Notice of the Ministry of Finance on Revising the Format of the Publication of 2018 Annual General Enterprise Financial Statements" (Cai Kuai [2018] No. 15), "Interpretation of the Issues Concerning the Format of Financial Statements for General Enterprises in 2018" (《關於2018年度一般企業財務報表格式有關問題的解讀》) and "Notice on Revising and Issuing the Format of 2018 Consolidated Financial Statements" (《關於修訂印發2018年度合併財務報表格式的通知》). The Company has implemented the amendments above to the Accounting Standards for Business Enterprises since 1 January 2018, and has adjusted the relevant substance of the accounting policies. The Company has prepared the annual financial report for 2018 in accordance with the above accounting policies. The change of accounting policies was made by the Company according to the relevant regulations issued by the Ministry of Finance as of the date of this report, combining the specific circumstances of the Company.

After being considered and passed at the tenth meeting of the fourth session of the Board of the Company, the Company's normal operating cycle with respect to the infrastructure construction and some products manufacturing and installation business changed from including project construction period and infrastructure retention period, manufacturing and installation period and retention period to only including construction period, manufacturing and installation period. The Company has prepared the annual financial report for 2018 in accordance with the above accounting policies. The comparative financial statements have been adjusted accordingly.

V. Analysis and Explanation of the Company on the Reasons for and Impacts of the Changes in Accounting Policies or Accounting Estimates or Correction of Material Accounting Errors (Continued)

2. Analysis and explanation of the Company on the reasons for and impacts of correction of material accounting errors

Not applicable

3. Communications with former auditors

Not applicable

4. Others

Not applicable

VI. Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

	Current appointment
Name of domestic auditors	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic auditors	3,110
Term of domestic auditors	2 years
Name of international auditors	PricewaterhouseCoopers
Remuneration of international auditors	220
Term of international auditors	2 years

	Name	Remuneration
Auditors for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	180

VI. Appointment and Removal of Auditors (Continued)

1. Explanation on the appointment and removal of auditors

On 29 March 2018, two resolutions including the Resolution on the Appointment of Auditors for 2018 and the Resolution on the Appointment of Internal Control Auditors for 2018 were considered and passed at the ninth meeting of the fourth session of the Board. These resolutions were then considered and passed at the 2017 annual general meeting of the Company on 25 June 2018. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2018 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2018. For details of such changes, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2017 disclosed by the Company on the website of the Shanghai Stock Exchange on 26 June 2018.

2. Explanation on the change of auditors during the audit period

Not applicable

VII. Risk of Suspension of Listing

1. Reason for suspension of listing

Not applicable

2. Response measures to be adopted by the Company

Not applicable

VIII. Delisting and the Reasons Thereof

Not applicable

IX. Matters Relating to Insolvency or Restructuring

Not applicable

X. Material Litigation and Arbitration

The Company had no material litigation or arbitration during the year.

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

Not applicable

XII. Integrity of the Company, its Controlling Shareholders and Ultimate Controllers during the Reporting Period

Not applicable

XIII. Share Incentive Scheme, Employee Stock Ownership Plan and Other Incentive Measures and the Impacts Thereof

1. Incentives which were disclosed in announcement without subsequent progress or changes

Not applicable

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

Not applicable

XIV. Significant Related Party Transactions

1. Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	20,025	20,025	Less than 1%
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	160,157	160,157	Less than 1%
Total					**180,182**	**180,182**	

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

(3) Matters undisclosed in announcement

Not applicable

XIV. Significant Related Party Transactions (Continued)

2. Related party transactions in relation to acquisition and disposal of assets

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

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

Not applicable

3. Significant related party transactions in relation to joint external investment

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

4. Amounts due from/to related parties

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

XIV. Significant Related Party Transactions (Continued)

5. Others

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
CREC *(Note)*	China Railway	5,000,000	January 2010	January 2020	No
CREC *(Note)*	China Railway	3,500,000	October 2010	October 2025	No
CREC *(Note)*	China Railway	2,500,000	October 2010	October 2020	No

Note: These are unconditional and irrevocable joint and several liability guarantees provided by CREC for the entire amount of the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 and the 15-year 2010 Corporate Bonds (Tranche 2) and 10-year 2010 Corporate Bonds (Tranche 2) issued in October 2010. As at 31 December 2018, the remaining payable amount of abovementioned bonds was RMB10,981,935,000 (31 December 2017: RMB10,975,563,000).

(2) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2018	31 December 2017
Loans	CREC	**1,950,000**	700,000

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2018	31 December 2017
Deposit-taking *(Note)*	CREC	**144,681**	97,101
Deposit-taking *(Note)*	China Railway State Assets Management Co., Ltd.	**8,029**	1,315

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

As at 31 December 2018, the balance of the loan provided by China Railway Finance Co., Ltd. to CREC in order to supplement the liquid capital of CREC amounted to RMB1.95 billion. During the reporting period, the daily loan balance (including interest accrued) obtained by CREC from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; and the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to CREC and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

XIV. Significant Related Party Transactions (Continued)

5. Others (Continued)

(3) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related Party	Amount of the current period	Amount of the corresponding period last year
Interest income	CREC	27,000	40,765
Interest expense	CREC	5,940	4,625
Interest expense	China Railway State Assets Management Co., Ltd.	102	10

Note: The interest income represents the interest receivable by China Railway Finance Co., Ltd., a subsidiary of the Company, from CREC for the loans to CREC. The interest expenses represent the interest payable by China Railway Finance Co., Ltd. to CREC and China Railway State Assets Management Co., Ltd. for deposit-taking.

XV. Material Contracts and Their Performance

1. Trusteeship, contracting and leasing

(1) Trusteeship

Not applicable

(2) Contracting

Not applicable

(3) Leasing

Not applicable

XV. Material Contracts and Their Performance (Continued)

2. Guarantees

Unit: Thousand Currency: RMB

Guarantee provided by the Company (excluding those provided to subsidiaries)														
Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party relationship
China Railway	The Company	Linha Railway Co., Ltd.	554,240.00	2008/6/30	2008/6/30	2027/6/20	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	1,991,995.00	2015/12/24	2015/12/24	2023/11/24	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	60,396.20	2012/12/29	2012/12/29	2019/4/4	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway International Group Co., Ltd.	Wholly-owned subsidiary	MontagProp Proprietary Limited	71,025.00	2015/7/31	2015/7/31	2020/7/30	Suretyship of joint and several liability	No	No	–	No	No	–

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	-244,930.52
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	2,677,656.20
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	1,193,391.90
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	40,920,698.70
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	43,598,354.90
Percentage of aggregate guarantee to net assets of the Company (%)	22.73
Representing:	
Amount of guarantee provided to shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	40,305,058.80
Excess amount of aggregate guarantee over 50% of net assets (E)	
Aggregate amount of the above three categories (C+D+E)	40,305,058.80
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	As at 31 December 2018, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB28,991,583,850.

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties

(1) Entrusted wealth management

(i) General conditions of entrusted wealth management

Unit: Ten thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Private fund product	Self-owned funds	10,500.00	10,500.00	0.00
Trust financial product	Self-owned funds	372,433.33	371,433.33	372,433.33

Others

Not applicable

(ii) Breakdown of entrusted wealth management

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate %	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
CCB Trust Co., Ltd.	Trust financial product	32,925.00	2016/9/3	2021/9/3	Self-owned funds	Chengdu Metro Line No 1, 3 & 7	By agreement	–	–	1,289.75	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,500.00	2014/9/5	2021/9/5	Self-owned funds	Chongqing Metro Line No 10	By agreement	–	–	330.14	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	19,000.00	2014/3/11	2021/3/11	Self-owned funds	Chongqing Metro Line No 5	By agreement	–	–	909.12	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,000.00	2015/12/18	2021/6/18	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	10.00	100.00	106.46	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	12,135.00	2016/11/2	2019/11/2	Self-owned funds	Phase two of PPP project of roadwork in Zhaoqing	By agreement	6.40	776.64	42.15	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000.00	2015/12/25	2020/12/25	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	6.90	345.00	338.19	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	7,500.00	2016/2/2	2021/2/2	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	6.40	480.00	438.63	7,500.00	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000.00	2017/4/12	2045/4/12	Self-owned funds	PPP project of Pingtan Tunnel	By agreement	6.40	320.00	133.84	5,000.00	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	11,000.00	2017/9/15	2037/9/15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing	By agreement	6.10	671.00	239.83	–	Yes	No	–

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(1) Entrusted wealth management (Continued)

(ii) Breakdown of entrusted wealth management (Continued)

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate %	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
CCB Trust Co., Ltd.	Trust financial product	9,200.00	2018/6/12	2037/9/15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing	By agreement	6.10	561.20	–	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	4,390.00	2018/6/21	2020/6/21	Self-owned funds	PPP project of Hancheng National Highway 327	By agreement	6.80	280.96	–	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	61,533.33	2015/12/9	2021/12/9	Self-owned funds	Beijing-Shanghai Expressway – Jinan Link project	By agreement	4.75	18,989.54	4,092.14	30,766.67	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	60,000.00	2016/8/3	2023/8/3	Self-owned funds	Shandong Tai'an-Dong'e Expressway project	By agreement	4.90	17,856.91	2,945.29	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	77,000.00	2016/11/23	2022/11/23	Self-owned funds	Shandong Weifang-Rizhao Expressway project	By agreement	4.90	19,238.46	3,759.41	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	40,000.00	2017/3/6	2024/3/6	Self-owned funds	Xi'an North-Airport Inter-city Rail project	By agreement	0.00	–	–	–	Yes	No	–
CITIC Trust Co., Ltd.	Trust financial product	100.00	2014/11/1	2018/11/1	Self-owned funds	BT project of Jiangxi Nanchang Jiulong Lake Tunnel	By agreement	2.00	8.00	–	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	8,750.00	2016/4/1	2028/4/1	Self-owned funds	PPP project of infrastructure in the Huzhou Economic & Technological Development Zone in Zhejiang Province	By agreement	0.00	603.75	454.62	–	Yes	No	–
China Railway CCB Trust (Beijing) Investment Fund Management Co., Ltd.	Private equity	6,000.00	2018/6/12	2036/6/12	Self-owned funds	PPP project of Cangnan-Longgang-Longsha Section of National Highway 228	By agreement	0.00	–	–	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	6,400.00	2016/12/28	2031/12/27	Self-owned funds	PPP project of Liuzhou Guantang Bridge	By agreement	5.50	3,520.00	147.54	–	Yes	No	–
Zhonghai Trust Co., Ltd.	Trust financial product	300.00	2011/4/6	2016/4/7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	–	–	–	Yes	No	–
Zhonghai Trust Co., Ltd.	Trust financial product	700.00	2011/4/6	2016/4/7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	–	–	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	9,000.00	2018/1/19	2038/1/19	Self-owned funds	Linfen Guihua Third Street project	By agreement	2.78	–	–	–	Yes	No	–
China Railway CCB Trust (Beijing) Investment Fund Management Co., Ltd.	Private equity	4,500.00	2017/10/16	2025/10/16	Self-owned funds	PPP project of reconstruction and expansion of National Highway G324 (Shenzhen-Shanwei Special Cooperation Zone Section) and development, construction and operation of Chaozhou-Dongguan expressway connection avenue		6.50	292.50	–	–	Yes	No	–

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(1) Entrusted wealth management (Continued)

(ii) Breakdown of entrusted wealth management (Continued)

Others
Not applicable

(iii) Provision for impairment of entrusted wealth management

Not applicable

(2) Entrusted loans

(i) General conditions of entrusted loans

Unit: Ten thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Entrusted loans	Self-owned funds	70,000.00	70,000.00	0

Others
Not applicable

(ii) Breakdown of entrusted loans

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted loan	Entrusted loan amount	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted loan plan available	Amount of impairment provision (if any)
China Railway Finance Co., Ltd.	Entrusted loans	16,000.00	2018-03-20	2019-03-19	Self-owned funds	Payment of principal and interest by Dianzhong	Carrying interest on a quarterly basis	4.79	765.60	553.74	–	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loans	3,200.00	2018-09-10	2019-09-09	Self-owned funds	Payment of principal and interest by Dianzhong	Carrying interest on a quarterly basis	4.79	153.28	40.93	–	Yes	No	–
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loans	20,000.00	2017-09-08	2024-12-20	Self-owned funds	Entrusted Loans for Changsha Metro Line No 5 Project	Carrying interest on a quarterly basis	5.39	7,546.00	1,031.11	–	Yes	No	–
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loans	10,000.00	2016-09-29	2024-12-20	Self-owned funds	Entrusted Loans for Changsha Metro Line No 5 Project	Carrying interest on a quarterly basis	5.39	4,312.00	515.55	–	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loans	20,800.00	2018-11-14	2019-11-13	Self-owned funds	Payment of principal and interest by Dianzhong	Carrying interest on a quarterly basis	4.79	1,086.73	101.12	1,600.00	Yes	No	–

Others
Not applicable

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(2) Entrusted loans (Continued)

(iii) Provision of impairment of entrusted loans

Not applicable

(3) Others

Not applicable

4. Other material contracts

(1) New material contracts

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

1. Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Guangzhou, China Railway Beijing, China Railway Shanghai, China Railway Electrification	Mengxi-Huazhong Railway Co., Ltd.	The civil engineering of the new coal transportation railway channel from west Inner Mongolia to Central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project of MHSS-3 Section, MHSS-5 Section, MHSS-6 Section; relocation and alteration of the telecommunication cables, radio and TV cables and electric power lines of MHQG-2 Section, MHPJ-1 Section, MHPJ-2 Section, MHTJ-14 Section, supplementary contracts: MHTJ-16 Section, MHTJ-28 Section, MHTJ-30 Section, MHSS-6 Section	2015-02 2015-07 2016-04	3,866,381	47-60 months
2	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 4 Engineering, China Railway No. 3 Engineering, China Railway No. 5 Engineering, China Railway No. 7 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Shanghai	Chongqing-Wanzhou Railway Co., Ltd., Wuhan-Jiujiang Passenger Railway Line Hubei Co., Ltd., Beijing-Guangzhou Passenger Railway Line Henan Co., Ltd., Wuhan-Guangzhou Passenger Railway Line Co., Ltd.	The new Zhengzhou-Wanzhou railway Before-station project of Chongqing segment: ZWCQZQ-1 Section, ZWCQZQ-3 Section, ZWCQZQ-4 Section, ZWCQZQ-5 Section, ZWCQZQ-10 Section; before-station project of Hubei segment: ZWCQZQ-2 Section, ZWCQZQ-8 Section, ZWCQZQ-9 Section, ZWCQZQ-10 Section; before-station project of Henan segment: ZWZQ-2 Section, ZWZQ-3 Section, ZWZQ- 6 Section, ZWZQ-9 Section; Baihe Double Line Grand Bridge project of the Zhengzhou-Wanzhou railway	2016-03 to 2016-12	2,963,795	43-66.2 months
3	China Railway	Bangladesh Ministry of Railways	Bangladesh Padma Bridge Rail Link Project	2016-08	2,080,897	54 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

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

1. Infrastructure construction business (Continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Highway						
1	China Railway No. 5 Engineering	Toll Road Management Department of Qinghai Province	Construction project of Wukuang Section 2 of Xihai – Chahannuo Highway Project	2017-04	360,000	36 months
2	China Railway Tunnel	Shenzhen-Zhongshan Corridor Management Center	Construction project of the eastern artificial islands and tunnel (S03 section) on the cofferdam section along the main line of the Shenzhen-Zhongshan Cross-River Corridor	2017-11	322,351	60 months
3	China Railway Major Bridge Engineering	Zhejiang Zhoushan Northward Passage Co., Ltd.	Construction project of Section DSSG05 of the main channel for Zhoushan Port, Ningbo (port highway for Yushan petrochemical base)	2017-09	176,689	42 months
Municipal Works						
1	China Railway and other parties	Guangzhou Subway Group Co., Ltd.	EPC contract of Guangzhou Metropolitan Railways Transit Line 11 and simultaneous implemented projects	2017-01	2,082,197	2,005 days
2	China Railway and other parties	Development Office of the Industrial Park of Guangzhou Nansha Development Zone	EPC contract of design and construction of the Comprehensive Block Development Project of Dagang Advanced Manufacturing Base in Nansha New District, Guangzhou	2017-11	1,132,000	36 months
3	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases 2 and 3 of Chengdu Metro Line 3	2015-10	787,310	39 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

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

2. Survey, design and consultation services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Eryuan Engineering	Shenzhen Subway Group Co., Ltd.	EPC contract of survey and design of the Shenzhen Urban Rail Line 13	2016-08	102,831	60 months
2	China Railway Eryuan Engineering	Chengdu-Guiyang Railway Co., Ltd.	New Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2013-11	101,000	72 months
3	China Railway Eryuan Engineering	Laos-China Railway Company Limited	Survey and design project of the new China-Laos Railway Project (Boten-Vientiane Segment)	2016-12	93,800	48 months

3. Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structure						
1	China Railway Baoji Bridge	Nanjing Pubic Project Construction Center	Manufacturing of the steel structure of the Fifth Nanjing Yangtze River Bridge (B1 section)	2017-08	53,929	35 months
2	China Railway Baoji Bridge	Beijing Urban Construction Group Co., Ltd.	Construction contract of the manufacturing and installation (including procurement and installation of maintenance equipment) of steel box girders and steel towers of Yongding River Bridge on the west extension line of Chang'an Street	2015-12	46,727	33 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu-Guiyang Railway Co., Ltd.	Contract of the new Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2016-12	31,712	24 months
2	China Railway Shanhaiguan Bridge	Nanchang-Jiujiang Intercity Railway Co. Ltd.	New Nanchang-Ganzhou Railway Passenger Dedicated Line (High Speed)	2017-10	31,581	12 months
Construction Machinery						
1	China Railway Baoji Bridge	Yan'an Travel Group Huangling Investment Co., Ltd.	Construction of the sightseeing light rail lines and equipment purchase of the sightseeing light rail train in Yellow Emperor Mausoleum, Huangling County	2016-05	20,794	27 months
2	China Railway Engineering Equipment	HONGRUN Construction Group Co., Ltd.	STM Sales & Purchase Contract	2017-07	20,200	11 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

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

4. Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 m^2)
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.60
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.54
3	Nuode Mingcheng	Jinan, Shandong	Residential	89.34
4	Qingdao West Coast Project	Qingdao, Shandong	Comprehensive	78.86

5. BOT operation projects

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

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

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

6. Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway and other parties	Qingdao Metro Construction Headquarters Office	11.6%	PPP project of Qingdao Metro Line 8	2017-02	387.3	5.5 years	19.5 years
2	China Railway, China Railway Construction	People's Government of Chengdu	50%	BOT project of Pujiang-Dujiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	2016-04	355.59	36 months	29.5 years
3	China Railway and other parties	Taiyuan Transportation Bureau	50%	PPP project of the re-routing of Taiyuan Ring Northwest Segment (Taiyuan Northwest Second Ring) of Beijing-Kunming Expressway	2017-07	239.98	3 years	30 years
4	China Railway and other parties	Chengdu Urban and Rural Construction Commission	42%	PPP project of Chengdu Rail Transit Line 9 (Phase 1)	2017-07	193.99	4 years	22 years

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

(ii) Material contracts signed during the reporting period

1. Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway No. 3 Engineering, China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 10 Engineering, China Railway Electrification, China Railway Construction	Lunan High-speed Rail Co., Ltd.	QHTJ-1, QHTJ-2, QHTJ-3, QHTJ-/4, LNSD-1 and LNZF-2 of Heze-Linyi Segment of the new Lunan High-speed Railway Project	2018-04 to 2018-12	1,429,358	18-42 months
2	China Railway No. 2 Engineering, China Railway Guangzhou, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway Construction, China Railway No. 5 Engineering, China Railway No. 1 Engineering, China Railway Electrification	Shanghai-Kunming Passenger Railway Line Guizhou Co., Ltd.	GNZQ-1, GNZQ-2, GNZQ-3, GNZQ-5, sections not differentiated, GNZQ-1, GNSN-2 and GN-GBDS of Guizhou Segment of the new Guiyang-Nanning Railway	2018-01 to 2018-12	1,159,048	22-72 months
3	China Railway No. 3 Engineering, China Railway No. 1 Engineering, China Railway Major Bridge Engineering, China Railway No. 4 Engineering, China Railway Wuhan Electrification Bureau Group Co., Ltd.	China Railway Design Corporation	Lump sum contract of HSTZQ-1, HSTZQ-4, HSTZQ-6, HSTZQ-7 and HSTZQ-1 of the before-station project of segments the new Hangzhou-Shaoxing-Taizhou Railway, EPC contracts of the (Shangyu segment) pipeline relocation, EPC contracts of the (Shengzhou segment) pipeline relocation	2018-03 to 2018-11	1,064,165	27-30 months
Highway						
1	China Railway, China Railway Beijing and other parties	Jilin Shuangliao-Taonan Provincial Expressway Group Co., Ltd.	Construction project of ST01 section of Shuangliao-Taonan Highway	2018-05	643,282	1,094 calendar days
2	China Railway	Tibet Autonomous Region Transportation Construction Investment Co., Ltd.	Section III of the conversion project of Naqu-Lhasa Highway segment of National Highway 109 in Tibet (Naqu-Yangbajing Segment)	2018-04	562,810	36 months
3	China Railway No. 4 Engineering	Jiangsu Provincial Traffic Engineering Construction Bureau	CX-WX3 Section of Changzhou-Wuxi Lake Tai tunnel project of Southern of Suzhou-Wuxi-Changzhou Highway (re-tender)	2018-01	240,030	36 months
Municipal Works						
1	China Railway and its subsidiaries	Shenzhen Subway Group Co., Ltd.	EPC construction contract of Shenzhen Metropolitan Railways Transit Line 14	2018-01	2,350,700	1,676 calendar days
2	China Railway and its subsidiaries	Guangzhou Subway Group Co., Ltd.	EPC contract of Guangzhou Metropolitan Railways Transit Line 13 (Phase II) and simultaneous implemented projects	2018-04	1,798,500	54 months
3	China Railway and its subsidiaries	Hangzhou Subway Group Co., Ltd.	EPC construction contract of Hangzhou Metro Line 7	2018-06	1,145,702	940 calendar days

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

2. Survey, design and consultation services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
1	China Railway Engineering Consulting	Operating branch of Shanxi Fenxi Mining (Group) Co., Ltd.	Shanxi Coking Coal Fenxi Rongxin Mining Area Railway Special Line (Phase I) Construction Project (EPC contract of the railway special line)	2018-02	72,844	Until the contract terms enforced
2	China Railway Liuyuan Engineering	Sanmenxia Shengzhong Railway Engineering Construction Co., Ltd. Yulin Branch	EPC contract of the new Yulin Xiangdao International Logistics Park project	2018-08	51,850	According to the owner
3	China Railway Engineering Consulting	Foshan Nanhai Railway Investment Co., Ltd.	EPC contract of design and construction of the FAW-Volkswagen railway special line in Nanhai, Guangdong	2018-12	49,801	Until the contract terms enforced

3. Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel Structure						
1	China Railway Shanhaiguan Bridge	Wenzhou Oujiang Estuary Bridge Co., Ltd.	Section BKGL-03 of girder manufacturing for the main bridge of the highway engineering project of Wenzhou Oujiang Estuary Bridge	2018-12	53,088	30 months
2	China Railway Baoji Bridge	Wenzhou Oujiang Estuary Bridge Co., Ltd.	Section BKGL-04 of girder manufacturing for the main bridge of Wenzhou Oujiang Estuary Bridge	2018-12	51,274	30 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu-Lanzhou Railway Co., Ltd.	The new Chengdu-Lanzhou Railway (Chengdu-Chuanzhu Temple Segment)	2018-05	32,694	22 months
2	China Railway Shanhaiguan Bridge	Manager department of Taiyuan-Jiaozuo railway project of China Railway 12th Bureau Group Co., Ltd.	Before-station project of Taiyuan-Jiaozuo railway in Shanxi province	2018-12	19,254	12 months
Construction Machinery						
1	China Railway Engineering Equipment	Inner Mongolia Chaor-West Liao River Diversion Water Supply Co., Ltd.	TBM Sales & Purchase Contract	2018-03	13,890	16 months
2	China Railway Engineering Equipment	Porr Bau GmbH & Bel Six Constuct LCC JV	EPB Shield Sales & Purchase Contract	2018-01	12,625	8 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

4. Properties development business

No.	Project name	Province where the project is located	Project type	Planning area *('0,000 m²)*
1	Changchun Automobile Industrial Development Zone 00056 Project	Changchun, Jilin	Residential	Approximately 10.84
2	Caogezhuang, Mentougou Project	Mentougou, Beijing	Residential	Approximately 9.18
3	Xinjie, Xiaoshan District, Hangzhou Project	Hangzhou, Zhejiang	Residential	Approximately 10.20
4	Houshayu, Shunyi, Beijing Project	Shunyi, Beijing	Residential	Approximately 15.24
5	Huangpi District, Wuhan City 39 Project	Wuhan, Hubei	Residential	Approximately 14.17

5. Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway South Investment & Development and other parties	Shantou Communications and Transportation Bureau	45.9%	Contract of the packaged PPP projects of Niutianyang Expressway and West Extension Line of Jinsha West Road	2018-07	131.16	3.5 years	16.5 years
2	China Railway South Investment & Development, China Railway No. 2 Engineering, China Railway No. 8 Engineering, China Railway No. 9 Engineering, China Railway Beijing, China Railway Guangzhou, and China Railway Engineering Consulting	Gaoyao Branch Park Administration of Zhaoqing High-tech Zone	90%	PPP Project Investment Contract of Xijiang international Future Science and Technology City, Gaoyao District, Zhaoqing City	2018-04	194.40	7.5 years	22.5 years
3	China Railway and other parties	Shenyang Urban and Rural Construction Commission	48%	Contract of the PPP project of Shenyang Expressway	2018-07	111.15	2 years	23 years

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

6. Strategic framework agreement

No.	Signing time	Agreement name	Investment amount agreed *(RMB100 million)*	Main contents of the agreement
1	2018-09	Agreement on deepening cooperation between the People's Government of Chengdu and China Railway Group Limited	2,000	To further enhance the level of the new-round cooperation in major infrastructure projects, including metro, tram, low and medium maglev rail tracks, highways, expressways, intercity railways, airport new city, park construction, affordable housing, land consolidation and urban double majors, comprehensive utility tunnels and sponge city, and specify the principles, methods and contents of cooperation as well as the rights and obligations of both parties.
2	2018-01	Strategic cooperation framework agreement between the People's Government of Heyuan, Guangdong province and China Railway Group Limited	1,000	In combination with the need of the development of Heyuan in the future, the parties intend to fully utilise Heyuan's advantages in ecology, resources, location, etc. and the Company's comprehensive strengths in comprehensive city development, investment and construction, operation and management, brand, technology, fund, etc., and endeavour to promote the parties' close cooperation in aspects including Heyuan's city development and construction, comprehensive traffic improvement, industrial cooperation and construction, and major issues research, so as to speed up the implementation of related projects. The total investment of the cooperation projects is initially proposed to be about RMB100 billion. According to the specific projects, the cooperation methods to be adopted may include EPC, general contracting, PPP + EPC, PPP and BOT.
3	2018-09	Strategic cooperation framework agreement between Guizhou Provincial Communications and Transportation Department and China Railway Group Limited	1,000	To Promote cooperation in projects such as highways, passenger (freight) terminals, water carriage, avionics, harbor districts and ordinary highways in strict accordance with the laws and Party A's planning, and specify the principles, contents, models and mechanisms of cooperation.
4	2018-04	Strategic cooperation framework agreement between the People's Government of Yinchuan and China Railway Group Limited	500	To commence deep strategic cooperation in areas such as the infrastructure construction of the "two parks and three districts", water environmental governance, shanty towns transformation, municipal works and rail transit, and specify the principles, contents and mechanisms of cooperation as well as the rights and obligations of both parties.

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(2) Particulars of material properties

(i) Property held for development

Name of building or project	Address	Current land use	Site area (square meters)	Floor area (square meters)	State of completion	Expected completion date	Interests of the Company and its subsidiaries
Sichuan Heilongtan International Eco Tourism Resort Project	Renshou County, Meishan, Sichuan	Comprehensive	22,660,000	14,180,000	Under construction	2027	100%
China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway Yueshan Lake	Guanshan Lake District, Guiyang, Guizhou	Commercial, residential	2,360,000	2,660,000	Under construction	2020	80%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	863,900	1,482,700	Under construction	2029	100%

(ii) Property held for investment

Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
Beijing Nuode Center Phase III Building S1, S2, 16 and 19	No. 1 South Yvren Road, Fengtai District, Beijing	Commercial	Medium term	100%
Tianjin Nuode Center No. 1 Building, No. 2 Building and equipped facilities	No. 50 Lvwei Road, Hebei District, Tianjin	Commercial	Medium term	100%
Shanghai Nuode International Plaza	3/5 Blcok, 219 Lane, Xinzhuang Town, Minhang District, Shanghai	Commercial	Medium term	100%
Chengdu Nuode No. 1	Intersection of Guangxi Road and Huanhu Road, Shuangliu District, Chengdu, Sichuan	Commercial	Medium term	100%
China Railway Real Estate Qingdao Center	No. 8 Hong Kong Middle Road, South City District, Qingdao, Shandong	Commercial	Medium term	100%
Reeda Plaza	No. 46 South Shengli Road, Heping District, Shenyang, Liaoning	Commercial	Medium term	100%
China Railway South Headquarters Building	No. 3333 Houhai Center Road, Nanshan District, Shenzhen, Guangdong	Commercial	Medium term	100%
Beijing China Railway Mansion	No. 3 Yard, South Automobile Museum Road, Fengtai District, Beijing	Commercial	Medium term	100%
Nanjing Lukou Fur Town Shop District A-H, District J, Boutique Business District	No. 47 Xincheng Avenue, Jiangning District, Nanjing, Jiangsu	Commercial	Medium term	100%
Huashuiwan Celebrity Resort	Huashuiwan Hotspring Community, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%

XVI. Explanation for Other Significant Events

Not applicable

XVII. Proactive Fulfilment of Social Responsibilities

1. Poverty relief efforts of the Company

(1) Targeted poverty alleviation planning

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and the SASAC, in response to the call of the Communist Party of China and the State, CREC, our controlling shareholder, together with the Company have been active in fulfilling their social responsibilities and obligations as central enterprises. They have been participating in various targeted poverty alleviation programs since 2002. CREC and the Company have been devoting to targeted poverty alleviation by taking into account the real needs of the local people. They have been making due contributions to the timely poverty alleviation in the targeted counties by fully taking advantages of their corporate strengths and enhancing intelligence support, technical services and information and policy guidance. According to the "Notice on the Better Implementation of Targeted Poverty Alleviation Work" (Guo Kai Ban Fa [2015] No. 27) as issued jointly by nine ministries including the Leading Group Office of Poverty Alleviation and Development of the State Council, the Company's targeted poverty alleviation counties are Rucheng and Guidong of Hunan Province and Baode of Shanxi Province. In order to better carry out our poverty alleviation work, the Company has formulated the "Implementation Plans on Targeted Poverty Alleviation Work for 2016-2020", insisting on providing assistance through measures including the implementation of poverty labor training, donation of fund for schooling, and implementation of industrial assistance. The Company strives to lift all registered impoverished households out of worrying clothing and food, and help eliminate poverty in the three targeted counties in a timely manner by 2020.

(2) Targeted poverty alleviation annual summary

There are only three years away from the year 2018 to fully achieve a well-off society. In order to further fully implement the strategic deployment of the Communist Party of China and implement the basic strategies of targeted poverty alleviation and elimination, the Company has formulated the 2018 Poverty Alleviation Plan. According to the plan, in 2018, the Company, guided by alleviating poverty by education and industry, and based on key aid projects, paid attention to the innovation in thoughts on poverty alleviation, and provided strong support to win the poverty elimination battle in poverty-stricken areas.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(2) Targeted poverty alleviation annual summary (Continued)

In 2018, various indicators in the statement of state-owned enterprises responsibility for poverty alleviation signed by and between the Company and the SASAC of the State Council were overfulfilled. The Company invested RMB42.549 million of dedicated funds to targeted poverty alleviation counties, to introduce RMB11.60 million of assistance funds to targeted poverty alleviation counties, to train 60 grass-root cadres and 1,251 technical personnels, to purchase RMB2.60 million of agricultural products and help sell RMB700,000 of agricultural products of poor areas. Guidong County was officially eliminated poverty in August 2018 while the other two counties are expected to get rid of poverty in 2019. Meanwhile, the affiliated units of the Company actively participated in poverty alleviation and development work. In 2018, a total of 19 units under the Company participated in the poverty alleviation and development work, invested RMB29.5366 million of dedicated funds, and helped nearly 2,400 registered impoverished people relieve from poverty under the help offered. The poverty alleviation measures adopted by the Company mainly included the following: First is ongoing poverty alleviation through education. The Company invested RMB100,000 in Baode County and took the 92 boarding students in primary school who lived in the most remote place of Nanhegou Township among all registered impoverished households and middle school and left-behind children as key poverty alleviation targets through education. In Guidong County and Rucheng County, the Company invested RMB450,000 in 2018 to finance over 250 poor freshmen and university students. Second is fostering industries according to local features. The Company invested nearly RMB230,000 to support the establishment of a tea processing factory in Datang Town, Guidong County, to effectively solve the problems of tea processing and selling in Datang Town and surrounding towns, where there are 8,000 hectare of tea plantation. The Company built a demonstration base for poverty alleviation through industry with integrated production, supply and sale in Nandong Township, Rucheng County, and adopted the cooperation model of "company + co-ops (base) + poverty-stricken households" to solve the employment of 1,200 poor labor force. Third is building sales platforms for agricultural products. In 2018, the Company built a "processing plant of minor grain corps from Nanhegou Township in Baode County" with an investment of RMB300,000 in Lijiawan Village, Baode County. The Company has also built an "exhibition and sales center for agricultural products in Baode County" with an investment of RMB150,000 in Baode County, radiating and driving all segments in the industry chain. Fourth is the creation of "training plus employment recommendation" model to accelerate labor force transfer. The Company successively invested RMB500,000 to build a labor service brand of "good drivers in Baode" and centrally organized driving license training for registered impoverished labor force. Meanwhile, "good drivers in Baode" transport association and "good drivers in Baode" employment agency were established to help impoverished households realize employment. Fifth is the focus on poverty alleviation through skill training to drive the internal power of impoverished population. The Company invested RMB172,000 in Rucheng County to carry out a targeted poverty alleviation activity of "everyone has a skill" to popularize skills in countryside and conduct training on planting techniques to 1,500 registered impoverished households, which produced obvious poverty alleviation results. Sixth is the continuous investment of about RMB40 million to support construction of key aid projects. The project of building three workshops in Datang industrial park phase I in Guidong County and the project of Xingfu Avenue in Baode County have completed successfully. The construction of a new city for vocational education was under smooth progress. The implementation of the above mentioned three key projects has promoted the poverty alleviation work in those counties.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Targeted poverty alleviation result

Unit: Ten thousand Currency: RMB

Indicators	Quantity & Implementation
I. General	
Including: 1. Fund	7,268.56
2. Materials converted into cash	268.41
3. Number of registered impoverished people relieved from poverty under the help offered (person)	4,019 (Note: 200 of them were in consolidated poverty alleviation situation)
II. Investment Breakdown	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial projects for poverty alleviation	Poverty alleviation infrastructure, poverty alleviation workshop, agricultural products planting and cultivating, gas-adjusted fresh-preserved storehouse and etc.
1.2 Number of industrial projects for poverty alleviation	33
1.3 Amount of investment in industrial projects for poverty alleviation	5,044.58
1.4 Number of registered impoverished people relieved from poverty under the help offered (person)	4,518
2. Poverty alleviation through transferred employment	
Including: 2.1 Amount of investment in occupational skill training	241.6
2.2 Number of persons receiving vocational skill training (person/time)	1,815
2.3 Number of registered impoverished people getting employed under the help offered (person)	1,270
3. Poverty alleviation through relocation	
Including: 3.1 Number of employment for relocated household (person)	22
4. Poverty alleviation through education	
Including: 4.1 Amount of investment in financing needy students	302.96
4.2 Number of poor students financed (person)	628
4.3 Amount of investment in improving the educational resources in poverty-stricken areas	803.117
5. Poverty alleviation through health	2
Including: 5.1 Amount of investment in the medical and health resources of poverty-stricken areas	
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of Project	
6.2 Amount of investment	

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Targeted poverty alleviation result (Continued)

Indicators	Quantity & Implementation
7. Baseline security	
Including: 7.1 Amount of investment in helping the elderly people, women and left-behind children in rural areas	10.7 (4.2 was introduced fund)
7.2 Number of elderly people, women and left-behind children in rural areas helped (person)	230
7.3 Amount of investment in helping needy disabled people	77.7
7.4 Number of needy disabled people helped (person)	69
8. Poverty alleviation through society	
Including: 8.1 Amount of investment in coordinated eastern-western poverty alleviation	
8.2 Amount of investment in targeted poverty alleviation	219.03
8.3 Public social charitable fund for poverty alleviation	10
9. Other projects	
Including: 9.1 Number of projects	32
9.2 Amount of investment	654.9
9.3 Number of registered impoverished people relieved from poverty under the help offered (person)	585
9.4 Description about other projects	Project of "Standing together through thick and thin", "Hundreds of counties and thousands of villages"

III. Awards Received (Nature and Level)

1. Praise from CPC committee of Chenzhou City.
2. China Railway No.4 Engineering was awarded the honored title of Advanced Unit in Poverty Alleviation Assignment by Yingshang County.
3. China Railway No.4 Engineering was awarded the honored title of "Distribution Award" granted by the government and poverty alleviation working group committee in Balihe Town.
4. China Railway No.4 Engineering won the second prize in micro-video and the third prize in pictures of poverty alleviation work conducted by provincial and central units stationed in village in Anhui Province.
5. Cadres sent by China Railway No.8 Engineering won the title of Model in Poverty Alleviation in the poverty alleviation work of "take root in front line and do the best for people" in 2018 by Jinkouhe District, Leshan City.
6. China Railway Trust Co., Ltd. won the title of "2017 Advanced Unit in Poverty Alleviation through Finance" and "Unit with Outstanding Contribution in Sichuan Charity Activity of "Poverty Alleviation by Hundreds of Enterprises" by CBRC Sichuan Office.
7. China Railway Development and Investment Co., Ltd. won the title of "Love-caring Enterprise" in Dongchuan District.
8. China Railway Baoji Bridge Group Co., Ltd. won the title of "Good Enterprise in Helping Poverty Alleviation" by Poverty Alleviation Headquarters in Shaanxi Province.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(4) Subsequent precision poverty relief plans

In 2019, the Company will further integrate its resources by adhering to the basic strategies of targeted poverty alleviation and elimination. Through innovation of thinking methods and active actions, China Railway will implement the "Implementation Plans of China Railway on Targeted Poverty Alleviation Work for 2016-2020" and strive to enhance its work in order to continually and effectively facilitate poverty reduction.

2. Social responsibility commitments

As a leading enterprise in the construction industry, the Company has always taken being a practitioner, promoter and leader as its corporate social responsibilities. Since 2008, China Railway has started setting up a scientific, regulated, systematic and effective mechanism for corporate social responsibility management system. Based on the ten aspects of social responsibility planning, namely compliant corporate governance, quality services, efficiency creation, employee development, safety supervision, technological advancement, environmental protection, charity, win-win cooperation and overseas responsibilities, a series of corporate social responsibility activities in all rounds was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous outstanding contribution to the society. During the reporting period, the Company donated a total of RMB69,233,000 (2017: RMB52,961,000) for the fulfillment of social responsibilities. For details in relation to the social responsibility commitments of the Company, please refer to the Social Responsibility Report and the Environmental, Social and Governance Report of China Railway Group Limited for 2018 as disclosed on the website of Shanghai Stock Exchange at http://www.sse.com.cn and the HKEXnews website of the Hong Kong Stock Exchange at http://www.hkexnews.hk.

3. Environmental protection information

(1) Description of environmental protection efforts of the highly polluting companies and their key subsidiaries as announced by the environmental protection authorities

Not applicable

(2) Description of environmental protection efforts of companies other than highly polluting companies

In 2018, the Company implemented in an all-round way the decisions of the CPC Central Committee and State Council on ecological civilization construction and environmental protection, and learned more about General Secretary Xi Jinping's ecological civilization thought. With ecological environmental protection as an important way to achieve high-quality development for enterprises and a mandatory political task, the Company surmounted difficulties and launched innovative initiatives to actively promote the green development of construction enterprises. By improving the environmental protection mechanism and speeding up green transformation and upgrading, the Company also strengthened prevention and control of environmental pollution. For details, please refer to "V. Implementation of Environment Protection Measures" under "Business Review" of this annual report.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental protection information (Continued)

(3) Explanation of reasons for the undisclosed environmental information of the Company other than highly polluting companies

Not applicable

(4) Explanation of the subsequent progress or changes in the disclosure of environmental information content during the reporting period

In 2018, the Company published the "Notice of China Railway on Further Strengthening Ecological Environmental Protection" and "Notice of China Railway on Strengthening the Prevention and Control of Air Pollution by Earnestly Implementing the Three-Year Action Plan for Winning the Battle for the Defense of Blue Sky". The Company improved the responsibility system for environmental protection, and specified the corporate environmental protection management working mode. By identifying and evaluating the environmental factors of projects under construction and the workplace, the Company determined the environmental factors under key control and prepared the work plan for managing the project environment. In addition, the Company strengthened its control over the emission of sewage (fluid waste), waste (smoke) gas, construction dust, noise (vibration), solid waste (residue), and radioactive hazardous waste from the course of production, to protect and improve the ecological environment. Meanwhile, the Company earnestly implemented the requirements of investigation and management for ecological protection of central enterprises, and strengthened the responsibility and awareness of protecting ecological environment across the Company by taking investigation and management as an opportunity in this respect.

4. Others

Not applicable

XVIII. Convertible Corporate Bonds

Not applicable

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CREC	China Railway Engineering Group Company Limited
4	China Railway Industry	China Railway Hi-Tech Industry Corporation Limited, Stock Code: 600528.SH
5	BT	"Build-Transfer" mode
6	BOT	"Build-Operate-Transfer" mode
7	PPP	"Public-Private-Partnership" mode
8	STM	Shield Tunnelling Machine, a full-section tunnelling excavator which can complete tunnelling, slag discharging, pipe segments assembling and other operations under the protection of a rigid shield.
9	TBM	Tunnel Boring Machine
10	TWM	Two-Wheel Milling, an advanced special equipment for diaphragm wall construction, which can excavate in different hardness geology by changing different types of cutter, featuring high construction efficiency, high precision and strong adaptability under complex stratum conditions with little environmental impact and pollution.
11	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
12	BIM	Building Information Modeling, a new tool in architecture, engineering and civil engineering
13	Engineering method	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology
14	Belt and Road Initiative	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"
15	New Regulation for Asset Management	Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly published by People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange on 27 April 2018

Directors

Executive directors
LI Changjin *(Chairman)*
ZHANG Zongyan
ZHOU Mengbo
ZHANG Xian

Independent non-executive directors
GUO Peizhang
WEN Baoman
ZHENG Qingzhi
CHUNG Shui Ming Timpson

Non-executive director
MA Zonglin

Supervisors

ZHANG Huijia *(Chairman)*
LIU Jianyuan
WANG Hongguang
CHEN Wenxin
FAN Jinghua

Joint Company Secretaries

HE Wen
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

ZHOU Mengbo
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

ZHENG Qingzhi *(Chairman)*
WEN Baoman
CHUNG Shui Ming Timpson

Remuneration Committee

GUO Peizhang *(Chairman)*
WEN Baoman
MA Zonglin

Strategy Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
ZHOU Mengbo
GUO Peizhang
MA Zonglin

Nomination Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, Health and Environmental Protection Committee

ZHANG Zongyan *(Chairman)*
ZHANG Xian
ZHENG Qingzhi
CHUNG Shui Ming Timpson
MA Zonglin

COMPANY INFORMATION

Registered Office

918, Block 1
No. 128 South 4th Ring Road West
Fengtai District
Beijing 100070
PRC

Principal Place of Business in Hong Kong

Unit 1201-1203
12/F, APEC Plaza
49 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Auditors

Domestic

PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road
Huangpu District
Shanghai, PRC

International

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Legal Advisors

For PRC Law

Jia Yuan Law Firm
F407, Ocean Plaza
158, Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law

Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

A Shares

Place of listing: Shanghai Stock Exchange
Stock name: China Railway
Stock code: 601390

H Shares

Place of listing: The Stock Exchange of Hong Kong Limited
Stock name: China Railway
Stock code: 390

Principal Bankers

The Export-Import Bank Of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

Company Website

http://www.crec.cn

中國中鐵
CHINA RAILWAY

Block A, China Railway Square, No.69, Fuxing Road,
Haidian District, Beijing, China
Postal Code: 100039

http://www.crec.cn