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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 390)

RESULTS ANNOUNCEMENT FOR THE YEAR OF 2018

The board of directors (the “**Board**” or “**Board of Directors**”) of China Railway Group Limited (the “**Company**” or “**China Railway**”) is pleased to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2018.

1 CORPORATE INFORMATION

Basic Information

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

Contact Details

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2.1.2 Summary of consolidated balance sheet

	As at 31 December					Change
	2018	2017	2016	2015	2014	2018 vs
	<i>(Restated)</i>					2017
	<i>RMB million</i>					<i>%</i>
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	<u>942,513</u>	<u>843,992</u>	<u>754,345</u>	<u>713,505</u>	<u>682,878</u>	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	<u>720,532</u>	<u>674,364</u>	<u>605,349</u>	<u>574,267</u>	<u>573,984</u>	6.8
Total Equity	<u>221,981</u>	<u>169,558</u>	<u>148,996</u>	<u>139,238</u>	<u>108,894</u>	30.9
Total Equity and Liabilities	<u>942,513</u>	<u>843,992</u>	<u>754,345</u>	<u>713,505</u>	<u>682,878</u>	11.7

2.2 Differences between Chinese Accounting Standard (“CAS”) and IFRS

	Net Assets as at 31 December 2018 <i>RMB million</i>	Profit for the Year Ended 31 December 2018 <i>RMB million</i>
Amount attributable to the ordinary shareholders of the Company stated in the financial statements prepared in accordance with CAS	191,782	17,198
Adjustments as required by IFRS:		
– Recognition of loss on shares conversion scheme of a subsidiary	(163)	–
Amount attributable to the owners of the Company stated in the financial statements prepared in accordance with IFRS	<u>191,619</u>	<u>17,198</u>

3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3.1 Changes in Shares

3.1.1 Changes in shares

(i) *Changes in shares*

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

(ii) *Explanation for the changes in shares*

Not applicable

(iii) *Impacts of changes in shares on the financial indicators of earnings per share, net assets per share for the most recent year and the most recent period*

Not applicable

(iv) *Other contents that the Company deems necessary or required by the securities regulatory authority to be disclosed*

Not applicable

3.1.2 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
China Railway Engineering Group Company Limited ("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).

3.2 Information of Shareholders and Ultimate Controller

3.2.1 Number of shareholders

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

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

Unit: Shares

Shareholdings of the top ten shareholders

No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of pledged or frozen shares Condition of 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. – Boser 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
			Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited <i>(Note 1)</i>	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 (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.*

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

Not applicable

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

Not applicable

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

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“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 agent	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			
	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 derivative payment in kind	Listed equity derivatives settled in cash	Non-listed equity derivatives payment in kind	Non-listed equity derivatives settled in cash
<i>JPMorgan Chase & Co</i>	148,000	–	1,886,000	19,707,000	526,000	651,000	9,736,508	5,168,525
<i>BlackRock, Inc.</i>	–	–	–	7,343,000	–	–	–	538,000
<i>Deutsche Bank Aktiengesellschaft</i>	–	–	–	17,624,000	–	–	–	10,166,000
<i>Lehman Brothers Holdings Inc.</i>	–	–	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.

3.4 Information on Controlling Shareholder and the Ultimate Controller

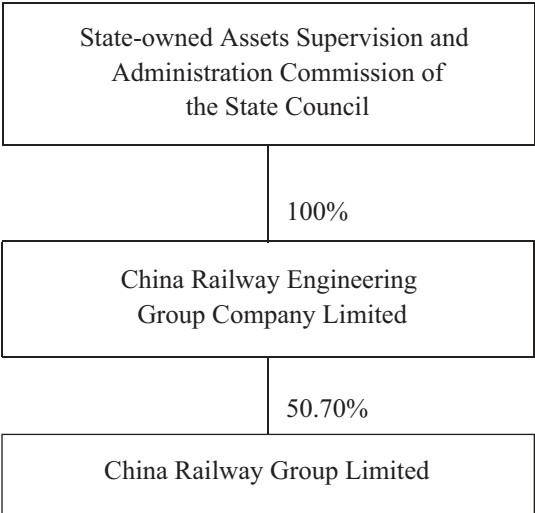
3.4.1 Details of controlling shareholder

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 estate.
Details of controlling interests and investments in other domestic and foreign listed companies during the reporting period	Nil
Other information	Nil

3.4.2 Details of ultimate controller

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 holds 100% equity interest in CREC.

3.4.3 The diagram of the interests and controlling relationships between the Company and the ultimate controller



4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Review and Outlook

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 slurry shield machine “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.

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 double wheel trench cutter, 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.

4.2 Business Overview

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.

4.2.1 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.

4.2.2 Business development overview

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

In 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 RMB236.4 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 Padma Bridge railway connecting line project in Bangladesh, whose survey and design work was undertaken by the Group, commenced construction. 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 supplement the development of its principal operations.

4.2.3 Scientific research investment and technological achievements

In 2018, following the State's guidance on technological development of "achieving innovation and focused breakthroughs to support development and lead the future", by vigorously implementing the strategy of development through technology, the Group applied a lot of new technology, 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 slurry shield machine, 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 two-wheel milling and 1300-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 6 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 for Green Construction Specifications and Evaluation Standards was officially issued.

4.2.4 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.

4.2.5 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 has 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 reduced carbon emission, 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 for 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 environmental protection work and implementation requirements, 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 work is 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 planning, 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.

4.2.6 Compliance with laws and regulations

As a company dually listed on Shanghai Stock Exchange and the main board of the Hong Kong Stock Exchange, during the reporting period, the Group strictly complied with laws and regulations including the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, and the various rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, continuously enhanced the corporate governance structure 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.

4.2.7 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.

4.2.8 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.

4.2.9 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.

4.3 Financial Performance Overview

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

In the year of 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.

4.4 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 comprises 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) was 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.

4.5 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 Margin¹	Revenue as a Percentage of Total	Profit Before Tax as a Percentage of Total
	<i>RMB million</i>	<i>(%)</i>	<i>RMB million</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
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 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 and 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 and 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 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 was 24.1% and 10.5% (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 implementing 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 points from last year and 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	Type	Grade	Unit	Reserve Quantity	Group’s share (%)	Planned total investment of China Railway (’00,000)	Accumulated investment of China Railway (’00,000)	Investment in the reporting period (’00,000)	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, 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, 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, Congo	Cooper	3.42%	Ten thousand tonne	811.9	41.72	45.86	20.87	0	2021	Phase I commenced production with normal production operation, phase II construction will commence in 2019
		Cobalt	0.24%	Ten thousand tonne	57.19						
5	Wulan Lead and Zinc Mine, Guoxinxin Company, Inner 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						
6	Muhaer Lead and Zinc Mine, Guoxinxin Company, Inner Mongolia	Silver	66.23g/t	Tonne	931.81	100	/	/	0	/	Not yet exploited
		Lead	0.95%	Ten thousand tonne	6.13						
		Zinc	3.21%	Ten thousand tonne	20.68						
7	Gold mine, Guoxinxin Eerdesi Company, Inner Mongolia	Silver	114.5g/t	Tonne	736.89	100	/	/	0	/	Not yet exploited
Gold	3g/t	Tonne	3								
8	Lead and Zinc Mine, Guoxianglong Company, Inner 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.

4.6 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 because ① increase in external financing and 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 <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property development <i>RMB million</i>	Other businesses <i>RMB million</i>	Total <i>RMB million</i>
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
	<i>RMB million</i>	<i>RMB million</i>
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 were 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 and 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 contributable to 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 and 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
	<i>RMB million</i>	<i>RMB million</i>
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	<u>124,741</u>	<u>202,049</u>

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
	<i>RMB million</i>	<i>RMB million</i>
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
	<hr/>	<hr/>
Total	343,801	330,038
	<hr/> <hr/>	<hr/> <hr/>

4.7 Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2018 and 2017. 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
	<i>RMB million</i>	<i>RMB million</i>
Bank borrowings		
Secured	29,317	30,303
Unsecured	113,892	94,013
	<hr/>	<hr/>
	143,209	124,316
Long-term debentures, unsecured	30,672	36,002
Other borrowings		
Secured	2,162	–
Unsecured	14,877	13,616
	<hr/>	<hr/>
Total	190,920	173,934
	<hr/> <hr/>	<hr/> <hr/>
Long-term borrowings	88,808	85,451
Short-term borrowings	102,112	88,483
	<hr/>	<hr/>
Total	190,920	173,934
	<hr/> <hr/>	<hr/> <hr/>

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
	<i>RMB million</i>	<i>RMB million</i>
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
	<hr/>	<hr/>
Total	190,920	173,934
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2018 and 2017, the Group's floating-rate borrowings was 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
	<i>RMB million</i>	<i>RMB million</i>
RMB	179,432	161,069
USD	11,259	12,652
Euro	51	64
Others	178	149
	<hr/>	<hr/>
Total	190,920	173,934
	<hr/> <hr/>	<hr/> <hr/>

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 <i>RMB million</i>	Carrying amount of pledged assets and contract value of certain rights <i>RMB million</i>	Secured borrowings <i>RMB million</i>	Carrying amount of pledged assets and contract value of certain rights <i>RMB million</i>
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 newable corporate bonds and medium-term notes respectively, and RMB11.597 billion from capital contribution from non-controlling interests.

4.8 Contingent Liabilities

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

	As at 31 December	
	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	
<i>Guarantees given to banks in respect of banking facilities to:</i>				
<i>Associates</i>	2,904	2018-2025	5,077	2018-2023
<i>Joint ventures</i>	–	–	400	2018-2019
<i>A government-related entity</i>	60	2019	58	2019
<i>Property purchasers</i>	28,992	2018-2038	23,121	2018-2038
<i>Former associates</i>	554	2027	754	2020-2027
	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 principle and interest when they fall due. As at 31 December 2018, the entity has failed to repay its loan principle and interest. The Group is in the process of negotiating the debt settlement with the entities' shareholders.

4.9 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, lower return on investment which 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.

5 SIGNIFICANT EVENTS

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

5.1.1 Formulation, implementation or adjustment of the cash dividend policy

(1) 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.

(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 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 opinion 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.

(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.

- (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.

5.1.2 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

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

Not applicable

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

Not applicable

5.2 Performance Status of Undertakings

5.2.1 Undertakings made by 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 principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If 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 changes, 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.

5.2.2 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

Not applicable

5.2.3 Fulfillment of undertakings and its impact on goodwill impairment test

Not applicable

5.3 Fund Occupancy and Progress of Collection During the Reporting Period

Not applicable

5.4 Explanation of the Company on the “Modified Audit Report” from Auditors

Not applicable

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

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

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 products manufacturing and installation activities changed from including project construction period and infrastructure retention period, manufacturing and installation period and retention period to only including construction period or 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.

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

Not applicable

5.5.3 Communications with former auditors

Not applicable

5.5.4 Others

Not applicable

5.6 Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

Current appointment

Name of domestic auditors	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

5.6.1 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.

5.6.2 Explanation on the change of auditors during the audit period

Not applicable

5.7 Risk of Suspension of Listing

5.7.1 Reason for suspension of listing

Not applicable

5.7.2 Response measures to be adopted by the Company

Not applicable

5.8 Delisting and the Reasons Thereof

Not applicable

5.9 Matters Relating to Insolvency or Restructuring

Not applicable

5.10 Material Litigation and Arbitration

The Company had no material litigation or arbitration during the year.

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

Not applicable

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

Not applicable

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

5.13.1 Incentives which were disclosed in announcement without subsequent progress

Not applicable

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

Not applicable

5.14 Significant Related Party Transactions

5.14.1 Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway 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					<u>180,182</u>	<u>180,182</u>	

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 terms of both agreements are 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

5.14.2 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

5.14.3 Significant related party transactions in relation to joint external investment

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

Not applicable

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

Not applicable

- (3) *Matters undisclosed in announcement*

Not applicable

5.14.4 Amounts due from/to related parties

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

Not applicable

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

Not applicable

- (3) *Matters undisclosed in announcement*

Not applicable

5.14.5 Others

- (1) *Related party guarantees*

Unit: Thousand Currency: RMB

Guarantor	Guarantee	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.

(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.

5.15 Material Contracts and Their Performance

5.15.1 Trusteeship, contracting and leasing

(1) *Trusteeship*

Not applicable

(2) *Contracting*

Not applicable

(3) *Leasing*

Not applicable

5.15.2 Guarantees

Unit: Thousand Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee provided by the Company (excluding those provided to subsidiaries)							Guarantee provided to related parties	Related party relationship		
			Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue amount			Counter-guarantee available	
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 for shareholders, ultimate controller and their related parties (C)	
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	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.

5.15.3 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	-
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	-

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)
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	-

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 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	1600.00	Yes	No	-

Others

Not applicable

(iii) Provision of impairment of entrusted loans

Not applicable

(3) *Others*

Not applicable

5.15.4 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
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

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
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	2005 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

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-Jinjiang 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.	Shield Sales & Purchase Contract	2017-07	20,200	11 months

4. Property development business

No.	Project name	Project location	Project type	Planning area (<i>'0,000 m²</i>)
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 (<i>RMB'0,000</i>)	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

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 (<i>RMB100 million</i>)	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

(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

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
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

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 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 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

4. Properties development business

No.	Project name	Province where the project is located	Project type	Planning area ('0,000 m ²)
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

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.

(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 Bloc, 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%

5.16 Explanation for Other Significant Events

Not applicable

5.17 Proactive Fulfilment of Social Responsibilities

5.17.1 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.

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 RMB11.6 million of assistance funds to targeted poverty alleviation counties, to train 60 grass-root cadres and 1,251 technical personnels, to purchase RMB2.6 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.

(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	

Indicators	Quantity & Implementation
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of Project	
6.2 Amount of investment	
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 Shanxi Province.

(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.

5.17.2 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 see the Social Responsibility Report of China Railway Group Limited for 2018 and the Environmental, Social and Governance Report 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>.

5.17.3 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 "4.2.5 Implementation of environment protection measures" of this announcement.

- (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.

5.17.4 Others

Not applicable

5.18 Convertible Corporate Bonds

Not applicable

6 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Note	2018 RMB million	2017 RMB million
Revenue	4	740,383	688,773
Cost of sales and services		<u>(668,725)</u>	<u>(626,044)</u>
Gross profit		71,658	62,729
Other income	5	2,379	2,819
Other expenses	5	(13,436)	(11,103)
Net impairment losses on financial assets and contract assets	6	(7,484)	—
Other gains/(losses), net	7	1,034	(9,480)
Selling and marketing expenses		(3,537)	(2,852)
Administrative expenses		<u>(21,901)</u>	<u>(20,119)</u>
Operating profit		28,713	21,994
Finance income		1,764	2,075
Finance costs		(7,148)	(4,773)
Share of profit of joint ventures		61	224
Share of profit of associates		<u>1,555</u>	<u>1,308</u>
Profit before income tax		24,945	20,828
Income tax expense	8	<u>(7,509)</u>	<u>(6,624)</u>
Profit for the year		<u>17,436</u>	<u>14,204</u>
Profit attributable to:			
– Owners of the Company		17,198	16,067
– Non-controlling interests		<u>238</u>	<u>(1,863)</u>
		<u>17,436</u>	<u>14,204</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	9	<u>0.718</u>	<u>0.669</u>
– Diluted	9	<u>0.718</u>	<u>0.669</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
Profit for the year	17,436	14,204
Other comprehensive (expenses)/income, net of income tax		
<i>Items that will not be reclassified to profit or loss:</i>		
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)
	<u>(917)</u>	<u>1</u>
<i>Items that may be subsequently reclassified to profit or loss:</i>		
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
	<u>(4)</u>	<u>(787)</u>
Other comprehensive expenses for the year, net of tax	<u>(921)</u>	<u>(786)</u>
Total comprehensive income for the year	<u>16,515</u>	<u>13,418</u>
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	16,319	15,397
– Non-controlling interests	196	(1,979)
	<u>16,515</u>	<u>13,418</u>

CONSOLIDATED BALANCE SHEET

As at 31 December

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

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

NOTES:

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 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.

(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.

(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 joint 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.

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 preliminary 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 next year.

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

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	Change of operating cycle	31 December	IFRS 9	IFRS 15	1 January
	As originally presented		2017 Restated			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
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

Balance sheet (extract)	31 December 2017 As originally presented <i>RMB million</i>	Change of operating cycle <i>RMB million</i>	31 December 2017 Restated <i>RMB million</i>	IFRS 9 <i>RMB million</i>	IFRS 15 <i>RMB million</i>	1 January 2018 Restated <i>RMB million</i>
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
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

3.2 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. 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:

	<i>Note</i>	Amount <i>RMB million</i>
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>(i)</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>(i)</i>	54
Remeasurement of fair value of debt instruments classified as FVPL, net of tax	<i>(iii)</i>	(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		<u>222</u>
Opening retained earnings 1 January 2018 – IFRS 9		<u><u>67,471</u></u>

(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 <i>RMB million</i>	Financial assets at FVOCI <i>RMB million</i>	Held-for-trading financial assets ("held-for-trading") <i>RMB million</i>	Available-for-sale financial assets ("available-for-sale") <i>RMB million</i>	Amortised cost ("receivables and others") <i>RMB million</i>
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
Financial liabilities			Financial liabilities at FVPL	Held-for-trading	
		<i>Note</i>	<i>RMB million</i>	<i>RMB million</i>	
Closing balance 31 December 2017 – IAS 39			—		57
Reclassify held-for-trading financial instruments to FVPL		<i>(iii)</i>	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:

	<i>Note</i>	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>(i)</i>	—	218	(218)
Remeasure fair value of unlisted equity investments classified as FVPL	<i>(i)</i>	—	—	54
Reclassify equity and debt instruments from available-for-sale to FVOCI	<i>(ii)</i>	385	(385)	—
Remeasure the fair value of unlisted equity investments classified as FVOCI	<i>(ii)</i>	611	—	—
Remeasure fair value of debt instruments classified as FVPL	<i>(iii)</i>	—	—	(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.

(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.

(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.

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.

(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.

3.4 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 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 RMB million	Remeasurement RMB million	IFRS 15 carrying amount 1 January 2018
	RMB million (Restated)			RMB million (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.

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 items 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:

Consolidated balance sheet (extract)

	As at 31 December 2018		
	Amounts without adoption of IFRS 15 RMB million	Effects of the adoption of IFRS 15 RMB million	Amounts as reported 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 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 and other railway related equipment and materials, steel structures and engineering machinery (“**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.

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

	For the year ended 31 December 2018						
	Infrastructure construction <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property development <i>RMB million</i>	Other businesses <i>RMB million</i>	Elimination <i>RMB million</i>	Total <i>RMB million</i>
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
Timing of revenue recognition:							
- At a point of time	3,033	63	17,092	43,991	67,339	(34,042)	97,476
- Over time	643,881	15,032	3,695	-	391	(20,092)	642,907
	646,914	15,095	20,787	43,991	67,730	(54,134)	740,383
Segment results							
Profit before tax	17,111	1,536	1,532	4,603	755	(2,827)	22,710
Segment results included:							
Share of profits/(losses) of joint ventures	78	11	75	(154)	51	-	61
Share of profits 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 <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property development <i>RMB million</i>	Other businesses <i>RMB million</i>	Elimination <i>RMB million</i>	Total <i>RMB million</i>
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	<u>611,095</u>	<u>13,761</u>	<u>18,521</u>	<u>30,951</u>	<u>53,074</u>	<u>(34,036)</u>	<u>693,366</u>
Segment results							
Profit before tax	<u>19,514</u>	<u>1,564</u>	<u>1,533</u>	<u>3,255</u>	<u>(3,768)</u>	<u>(2,554)</u>	<u>19,544</u>
Segment results included:							
Share of profits/(losses) of joint ventures	91	3	73	(9)	66	–	224
Share of profits/(losses) of associates	329	1	102	4	872	–	1,308
Finance income	2,900	54	29	276	854	(2,068)	2,045
Finance costs	<u>(3,110)</u>	<u>(58)</u>	<u>(119)</u>	<u>(978)</u>	<u>(3,320)</u>	<u>2,812</u>	<u>(4,773)</u>

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

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
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	<u>740,383</u>	<u>688,773</u>
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	<u>1,764</u>	<u>2,075</u>
Segment finance costs, before inter-segment elimination	9,728	7,585
Inter-segment elimination	(2,580)	(2,812)
Total consolidated finance costs, as reported	<u>7,148</u>	<u>4,773</u>
Segment results, before inter-segment elimination	25,537	22,098
Inter-segment elimination	(2,827)	(2,554)
Reconciling item:		
Land appreciation tax (<i>Note (a)</i>)	2,235	1,284
Total consolidated profit before tax, as reported	<u>24,945</u>	<u>20,828</u>

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

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

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

As at 31 December 2017							
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Elimination	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Segment assets	<u>724,142</u>	<u>23,392</u>	<u>32,818</u>	<u>214,535</u>	<u>266,617</u>	<u>(424,264)</u>	<u>837,240</u>
Segment assets included:							
Investments in joint ventures	7,966	42	347	278	2,521	-	11,154
Investments in associates	<u>7,554</u>	<u>273</u>	<u>322</u>	<u>151</u>	<u>1,548</u>	<u>-</u>	<u>9,848</u>
Unallocated assets							<u>6,682</u>
Total assets							<u>843,922</u>
Segment liabilities	603,011	14,173	21,027	189,558	235,230	(393,581)	669,418
Unallocated liabilities							<u>4,946</u>
Total liabilities							<u>674,364</u>

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	2017
	<i>RMB million</i>	<i>RMB million</i>
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 (<i>Note (a)</i>)	(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	<u>942,513</u>	<u>843,922</u>
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	<u>720,532</u>	<u>674,364</u>

- (a) Losses on non-tradable shares reform of subsidiaries are recorded in segment assets in segment reporting and are adjusted to other gains and losses in profit or loss in prior years.

Other segment information:

	Year ended 31 December 2018					Consolidated RMB million
	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	
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	8,914	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 of provision for foreseeable losses on construction 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

Year ended 31 December 2017

	Infrastructure construction <i>RMB million</i>	Survey, design and consulting services <i>RMB million</i>	Engineering equipment and component manufacturing <i>RMB million</i>	Property development <i>RMB million</i>	Other businesses <i>RMB million</i>	Consolidated <i>RMB million</i>
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

Revenue from external customers in the Mainland China and other regions is as follows:

	For the year ended 31 December	
	2018 <i>RMB million</i>	2017 <i>RMB million</i>
Mainland China	697,522	647,092
Other regions (including Hong Kong and Macau)	42,861	41,681
	740,383	688,773

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
	<i>RMB million</i>	<i>RMB million</i>
Mainland China	195,673	110,052
Other regions (including Hong Kong and Macau)	10,833	8,818
	<u>206,506</u>	<u>118,870</u>

Other regions primarily include countries and regions in Africa, South America, South East Asia and Oceania.

5 OTHER INCOME AND EXPENSES

	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
Other income from:		
Government subsidies (<i>Note (a)</i>)	886	378
Dividends from financial assets at FVPL	809	—
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
	<u>2,379</u>	<u>2,819</u>
Other expenses on:		
Research and development expenditures	<u>13,436</u>	<u>11,103</u>

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.

6 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
Trade and other receivables (excluding advance to suppliers)	5,765	—
Other financial assets at amortised cost	1,274	—
Contract assets	445	—
	<u>7,484</u>	<u>—</u>

7 OTHER GAINS/(LOSSES), NET

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
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 fair value through profit and loss	325	—
Gains arising on change in fair value of financial assets/liabilities at fair value through profit and loss	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	–
	<u>1,034</u>	<u>(9,480)</u>

8 INCOME TAX EXPENSE

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
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	<u>7,509</u>	<u>6,624</u>

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 tax per the consolidated income statement as follows:

	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<u>24,945</u>	<u>20,828</u>
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)
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)
Share of profit of joint ventures	(15)	(56)
Share of profit of associates	(389)	(327)
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 respect of prior years	131	(241)
Others	(79)	53
Income tax expense for the year	<u>7,509</u>	<u>6,624</u>

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

The tax charge relating to components of other comprehensive income is as follows:

	2018			2017		
	Before tax RMB million	Tax charge RMB million	After tax RMB million	Before tax RMB million	Tax charge RMB million	After tax 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		273			117	
		273			117	

9 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.

	2018	2017
Profit attributable to owners of the Company (RMB million)	17,198	16,067
Less: distribution relating to the perpetual notes (RMB million) (<i>Note i</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.

10 DIVIDENDS

	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
Proposed final dividend of RMB0.128 per ordinary share (2017: RMB0.113)	<u>2,924</u>	<u>2,581</u>

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.

11 TRADE AND OTHER RECEIVABLES

	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
Trade and bills receivables	132,855	206,832
Less: Loss allowance	<u>(8,114)</u>	<u>(4,783)</u>
Trade and bills receivables – net	124,741	202,049
Other receivables (net of impairment)	60,406	48,925
Advance to suppliers (net of impairment)	<u>41,613</u>	<u>29,183</u>
	226,760	280,157
Less: Amount due after one year included in non-current assets	<u>(14,013)</u>	<u>(34,409)</u>
Amount due within one year included in current assets	<u>212,747</u>	<u>245,748</u>

(a) 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.

(b) As at 31 December 2018, bills receivables – bank acceptance and commercial acceptance notes of RMB286 million (2017: RMB480 million) were endorsed to suppliers. 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.

(c) As at 31 December 2018, the credit loss allowance of trade and bills receivables is determined as follows:

Trade receivables	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
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
– Credit loss allowance (RMB million)	<u>15</u>	<u>33</u>	<u>25</u>	<u>18</u>	<u>12</u>	<u>64</u>	<u>167</u>
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
– Credit loss allowance (RMB million)	<u>168</u>	<u>387</u>	<u>309</u>	<u>161</u>	<u>124</u>	<u>445</u>	<u>1,594</u>
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
– Credit loss allowance (RMB million)	<u>36</u>	<u>52</u>	<u>42</u>	<u>21</u>	<u>15</u>	<u>36</u>	<u>202</u>
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
– Credit loss allowance (RMB million)	<u>25</u>	<u>27</u>	<u>8</u>	<u>2</u>	<u>62</u>	<u>8</u>	<u>132</u>
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
– Credit loss allowance (RMB million)	<u>67</u>	<u>159</u>	<u>152</u>	<u>162</u>	<u>121</u>	<u>200</u>	<u>861</u>
Total							
– Gross carrying amount (RMB million)	<u>106,647</u>						
– Credit loss allowances (RMB million)	<u>2,956</u>						

Bill receivables	Expected loss rate	Gross carrying amount <i>RMB million</i>	Loss allowance <i>RMB million</i>
Bank acceptance note	0.00%	690	–
Commercial acceptance note	0.22%	2,897	6
		<u> </u>	<u> </u>
Long-term trade receivables	Expected loss rate	Gross carrying amount <i>RMB million</i>	Loss allowance <i>RMB million</i>
Long-term trade receivables	0.50%	15,218	76
		<u> </u>	<u> </u>

As at 31 December 2018, trade receivables and long-term trade receivables amounted to RMB4,150 million and RMB3,253 million (2017: RMB78,955 million and nil) were individually impaired with the provision of RMB1,932 million and RMB3,144 million (31 December 2017: RMB2,131 million and nil), respectively.

(d) Movements on loss allowance of trade and other receivables are as follows:

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
At 31 December in prior year	16,758	8,446
Change in accounting policy (<i>Note 3.3</i>)	(202)	–
At 1 January	16,556	8,446
Provision for the year (<i>Note 6 & 7</i>)	5,829	8,421
Receivables written off during the year as non-collectible	(301)	(109)
At 31 December	22,084	16,758

The provision and release of provision for 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.

(e) The carrying amount of trade and other receivables are denominated in the following currencies:

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
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
	<u> </u>	<u> </u>
	226,760	280,157
	<u> </u>	<u> </u>

As at 31 December 2018, other currencies mainly comprised of West African CFA Franc and South African Rand.

- (f) The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above.
- (g) 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).

12 TRADE AND OTHER PAYABLES

	2018 <i>RMB million</i>	2017 <i>RMB million</i>
Trade and bills payables (<i>Note (a)</i>)	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 (<i>Note (b)</i>)	153	98
Other payables	71,306	65,048
	<u>424,431</u>	<u>472,394</u>
Analysed for reporting purposes:		
Non-current	2,617	2,911
Current	421,814	469,483
	<u>424,431</u>	<u>472,394</u>

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 <i>RMB million</i>	2017 <i>RMB million</i>
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
	<u>343,801</u>	<u>330,038</u>

- (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
	<i>RMB million</i>	<i>RMB million</i>
RMB	416,622	468,961
USD	4,803	2,531
Other currencies	3,006	902
	<u>424,431</u>	<u>472,394</u>

At 31 December 2018, other currencies mainly consist of Bolivar, West African Franc and ETB.

7 AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2018.

8 DIVIDENDS

The Board of Directors of the Company recommended the payment of a final dividend in the amount of RMB0.128 per share (including tax), totalling approximately RMB2.924 billion for the 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 dividend is expected to be made to shareholders of the Company in approximately August 2019.

9 REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries sell any securities of the Company, nor did they repurchase or redeem any of the securities of the Company during the year ended 31 December 2018.

10 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

11 PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2018 Annual Report prepared in accordance with the IFRS will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2018 Annual Report and its abstract prepared in accordance with CAS will be released on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.crec.cn).

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

29 March 2019

As at the date of this announcement, the executive directors of the Company are LI Changjin (Chairman), ZHANG Zongyan, ZHOU Mengbo and ZHANG Xian; the independent non-executive directors are GUO Peizhang, WEN Baoman, ZHENG Qingzhi and CHUNG Shui Ming Timpson; and the non-executive director is MA Zonglin.