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

2017 ANNUAL REPORT

HIGHWAY CONSTRUCTION

Completed a total length of highway construction of 2,439 kilometers in 2017

NEW CONTRACTS

New contracts entered into 2017 reached RMB**1,556.86** billion

RAILWAY CONSTRUCTION

Completed a total track laying length of railway main lane of 7,016 kilometers in 2017

MUNICIPAL WORKS

Completed a total civil engineering and laying length of urban metro and light rail lines of 201 kilometers and 231 kilometers in 2017

CONTENTS

COMPANY PROFILE

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

We are the one of largest multi-functional integrated construction group in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 55th on the 2017 Fortune 500 List. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to other businesses such as property development and mining development.

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

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

FINANCIAL SUMMARY

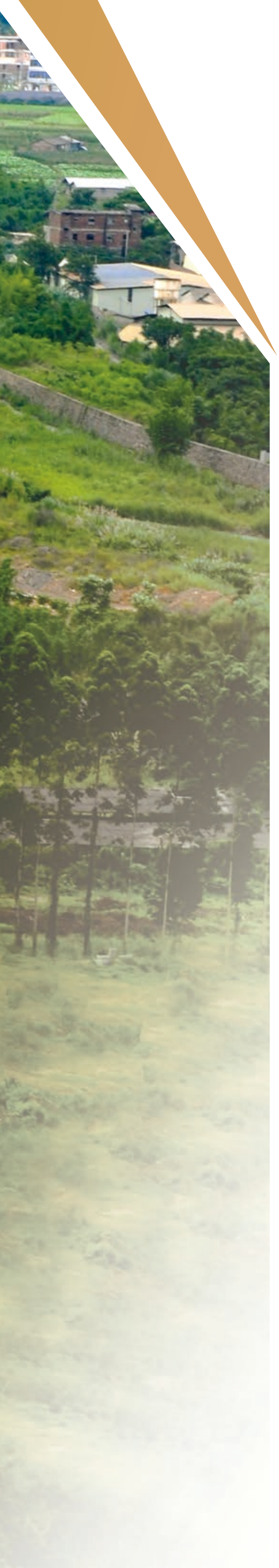
Summary of Consolidated Income Statement

	For the year ended 31 December					Change
	2017	2016	2015	2014	2013	2017 vs 2016
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**611,095**	559,223	544,207	518,022	456,272	9.3
Survey, Design and Consulting Services	**13,761**	12,312	10,711	10,265	9,180	11.8
Engineering Equipment and Component Manufacturing	**18,521**	17,063	15,782	14,519	13,711	8.5
Property Development	**30,951**	32,976	29,260	29,255	27,566	–6.1
Other Businesses	**53,074**	42,671	40,044	54,963	68,958	24.4
Inter-segment Eliminations and Adjustments	**(38,629)**	(31,389)	(40,062)	(36,858)	(35,293)	
Total	**688,773**	632,856	599,942	590,166	540,394	8.8
Gross Profit	**62,729**	49,789	48,686	48,515	40,340	26.0
Profit before Tax	**20,828**	18,772	17,017	16,233	14,819	11.0
Profit for the Year	**14,204**	12,703	11,786	10,676	10,075	11.8
Profit for the Year Attributable to Owners of the Company	**16,067**	12,509	12,258	10,360	9,374	28.4
Basic Earnings per Share *(RMB)*	**0.669**	0.517	0.530	0.482	0.440	29.4

Summary of Consolidated Balance Sheet

	As at 31 December					Change
	2017	2016	2015	2014	2013	2017 vs 2016
			RMB million			*(%)*
Assets						
Current Assets	**660,322**	595,147	565,601	545,525	503,090	11.0
Non-current Assets	**183,600**	159,198	147,904	137,353	124,940	15.3
Total Assets	**843,922**	754,345	713,505	682,878	628,030	11.9
Liabilities						
Current Liabilities	**581,716**	506,603	470,447	471,140	420,242	14.8
Non-current Liabilities	**92,648**	98,746	103,820	102,844	111,158	–6.2
Total Liabilities	**674,364**	605,349	574,267	573,984	531,400	11.4
Total Equity	**169,558**	148,996	139,238	108,894	96,630	13.8
Total Equity and Liabilities	**843,922**	754,345	713,505	682,878	628,030	11.9

As one of the largest integrated construction groups in China and all over the world, we are committed to improving construction technique, strengthening quality controls and enhancing the standard of project management to create a brighter prospect for shareholders and a better living environment for the general public.



STRIVE TO CHALLENGE LIMITS AND ACHIEVE EXCELLENCE

LI Changjin

Chairman and Executive Director

Dear Shareholders,

A year has passed, and another exciting year awaits us. In 2017, in the face of the new economic growth trend, a complicated and ever-changing market environment and a challenging and strenuous reform mission, we strictly adhered to the principles of the 18th and 19th National Congress of the Communist Party of China and actively implemented our new development concepts. We made new progress and achievements in corporate governance, production operation and reformative development, and successfully completed all our targets for the year. We scaled new heights historically in key economic indicators, including new orders received, revenue and profits.

Strong will and hard work are the only keys to success and business expansion. During the past year, we focused on strategic leadership by successfully convening the 4th party representatives' meeting of the Company to determine the general direction of our corporate development and lay down the development targets for the next five years. We forged ahead with reforms by completing the change of corporate governance structure and incorporating general party leadership requirements in the Articles of Association in order to lay a solid foundation for operational compliance. We adjusted our organizational structure and functions of our headquarters by completing the A-share listing of China Railway Hi-Tech Industry Corporation Limited and the mixed-ownership reform and employee stock ownership pilot programme of China Railway Engineering Consulting Group Co., Ltd. We persisted in business consolidation and expansion in response to market demands to capture the historic opportunities presented by general regional development strategies, such as the Belt and Road Initiative, co-development of Beijing-Tianjin-Hebei, the Yangtze River Economic Belt and Xiong'an New Area. We quickened our steps in implementing the "Go Global" strategy and enhanced our international operational level. By refining our operational systems, we expanded the Public-Private-Partnership (PPP) business and preliminarily formed a three-dimensional operational model supported by the synergistic development of contracting operation, investment operation, capital operation and asset operation. We optimized resource allocation to increase production efficiency and took an active role in the supply-side structural reform to reach the five goals of cutting industrial capacity, reducing property inventories, deleveraging, lowering corporate costs and improving weak links. To improve our efficiency, we realized the restructuring and monetization of inventory assets, and enhanced our comprehensive financial control level, investment, and financing management capability. We accelerated our innovation-driven development through innovations in the business model and ways of collaboration, and expanded the business towards critical segments along the construction industry chain and the high-end segments along the value chain. We attached equal weight to revenue increment and cost control while strengthening the management of laboratory activities. By increasing our technological investment and innovation efforts with an emphasis on high-technology industries with enormous market potential, "China Railway Intelligent Manufacturing" was introduced in the central enterprise innovation exhibition, contributing to the promotion of "High-speed Rail" as the best example of "Made-in-China" in "Going Global". We served the national strategies as a forerunner and focused on solid production by efficiently completing a large number of high-quality national key projects and large-scale projects, including the Xi'an-Chengdu High Speed Railway, Beijing-Xinjiang Expressway, Beijing Metro Line S1 and Shijiazhuang Metro Line 1. We executed key Belt and Road projects, such as China-Laos Railway and Jakarta-Bandung High Speed Railway in Indonesia, and furthered our poverty alleviation efforts, thereby setting an excellent example to industry peers and augmenting our image as a responsible central enterprise.

Only those who steadfastly uphold values will succeed in the end. From its establishment and listing in 2007 to present day, with the care and support of investors at large, the Company was listed on the capital market for a whole decade. These ten years have been filled not only with difficulties and challenges, but also with reforms and progress. During these ten years, bearing in mind our traditional can-do spirit and the honorable mission of serving the country, we worked hand-in-hand and shared joys and sorrows with investors. In the ten years since we were listed, the Company's total assets grew 3.9 times from RMB215.0 billion to RMB843.9 billion, and the net assets increased 2.9 times from RMB58.7 billion to RMB169.6 billion. The compound annual growth rate of the value of new contracts, revenue and total profits reached 20%, 15% and 20% respectively. In 2017, the Company jumped to 55th place on the Fortune Global 500 list, 287 places higher than our rank in 2007, and the Company ranked second out of the top global contractors by the Engineering News Record (ENR).

We are determined to make progress with hard work and devotion. We start on a new chapter at the outset of the new era, following the national requirements of winning the "Three Tough Battles" and achieving high-quality development, instead of relying merely on pipe dreams and boasts. We will focus on the supply-side structural reform and quality and efficiency enhancement under the leadership of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We will seek to optimize our structure through reforms, identify growth drivers through innovation and enhance our quality through transformation to fulfil our vision of becoming a leading, ultra-large integrated industrial group at home and abroad. Finally, I would like to take this opportunity to extend my sincere gratitude to our shareholders for their support of the Company's reform and development, to our community for their concern and support, and to our employees for sharing the Company's journey.

Li Changjin
Chairman

Beijing, China
29 March 2018

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Changes in Share Capital

1. Changes in Shares

(1) Changes in shares

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

(2) Explanation for the changes in shares

Not applicable

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

Not applicable

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

Not applicable

2. Changes in Shares with Selling Restrictions

Unit: Shares

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

II. Information of Shareholders and Ultimate Controller

1. Number of Shareholders

The total number of shareholders of ordinary shares as at the end of the reporting period	676,837
The total number of shareholders of ordinary shares at the end of the month preceding the disclosure date of the annual report	660,310
The total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0
The total number of shareholders of preference shares with reinstated voting rights at the end of the month preceding the disclosure date of the annual report	0

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

Unit: Shares

		Shareholdings of the top ten shareholders							
No.	Name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage *(%)*	Number of shares with selling restrictions	Number of pledged or frozen shares: Condition of shares	Number of pledged or frozen shares: Number	Nature of shareholder
1	CREC *(Note 1)*	0	12,424,784,308	54.39	308,880,308	Nil	0	State-owned
2	HKSCC Nominees Limited *(Note 2)*	+2,785,840	4,006,776,749	17.54	0	Nil	0	Other
3	China Securities Finance Corporation Limited	+317,427,302	952,221,887	4.17	0	Nil	0	Other
4	Anbang Asset Management – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Products	0	468,805,172	2.05	0	Nil	0	Other
5	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	–345,000,000	278,500,643	1.22	0	Nil	0	Other
6	Central Huijin Asset Management Ltd.	0	235,455,300	1.03	0	Nil	0	Other
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	–4,461,200	196,986,916	0.86	0	Nil	0	Other
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	–7,819,800	92,183,237	0.40	0	Nil	0	Other
9	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other
9	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	+32,836,600	87,333,100	0.38	0	Nil	0	Other

Shareholdings of the top ten shareholders of shares without selling restrictions				
		Number of shares held without selling restrictions	Type and number of shares	
No.	Name of shareholder		Type	Number
1	CREC *(Note 1)*	11,951,510,000	RMB-denominated ordinary shares	11,951,510,000
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited *(Note 2)*	4,006,776,749	Overseas listed foreign shares	4,006,776,749
3	China Securities Finance Corporation Limited	952,221,887	RMB-denominated ordinary shares	952,221,887
4	Anbang Asset Management – China Merchants Bank – Anbang Asset – No.3 Win-Win Collective Asset Management Products	468,805,172	RMB-denominated ordinary shares	468,805,172
5	Ping An UOB Fund – Ping An Bank – China Universal Capital Management Co., Ltd.	278,500,643	RMB-denominated ordinary shares	278,500,643
6	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
7	Hexie Health Insurance Co., Ltd. – Classic – Ordinary Insurance Products	196,986,916	RMB-denominated ordinary shares	196,986,916
8	China Merchants Wealth – China Merchants Bank – No.1 Guo Xin Jin Kong Specific Asset Management Plan	92,183,237	RMB-denominated ordinary shares	92,183,237
9	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
9	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	87,333,100	RMB-denominated ordinary shares	87,333,100
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: CREC held 12,424,784,308 shares of the Company, including 12,260,390,308 A shares (including 308,880,308 shares with selling restrictions) and 164,394,000 H shares of the Company.

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

Note 3: The data shown in the table is based on the register of members of the Company as at 31 December 2017.

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

Unit: Shares

No.	Name of shareholder	Number of shares held with selling restrictions	Permission for public trading for shares with selling restrictions: Permitted timing for public trading	Permission for public trading for shares with selling restrictions: Number of new shares permitted for public trading	Terms of selling restrictions
1	CREC	308,880,308	2018-07-14	0	36 months from the date of completion of the non-public issuance
Statement on the related relations and concerted actions between the shareholders above				Nil	

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

Not applicable

III. Information on Controlling Shareholder and Ultimate Controller

1. Details of Controlling Shareholder

(1) Legal person

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

Note: On 28 December 2017, China Railway Engineering Corporation was renamed as China Railway Engineering Group Company Limited.

(2) Natural person

Not applicable

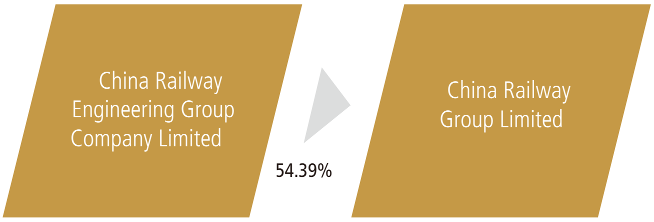
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

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



2. Details of Ultimate Controller

(1) Legal person

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

(2) Natural person

Not applicable

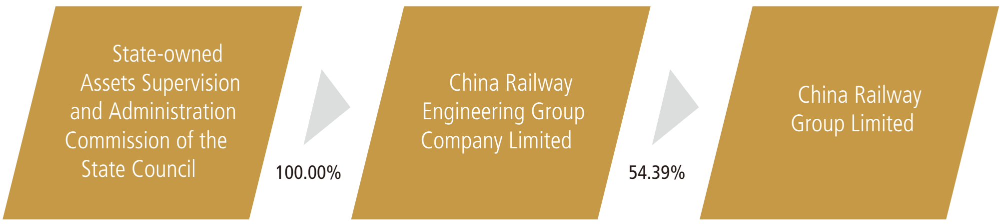
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

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



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

Not applicable

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

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

V. Information on the Restrictions on Reduction of Shareholdings

Not applicable

BUSINESS OVERVIEW

ZHANG Zongyan

Executive Director and President

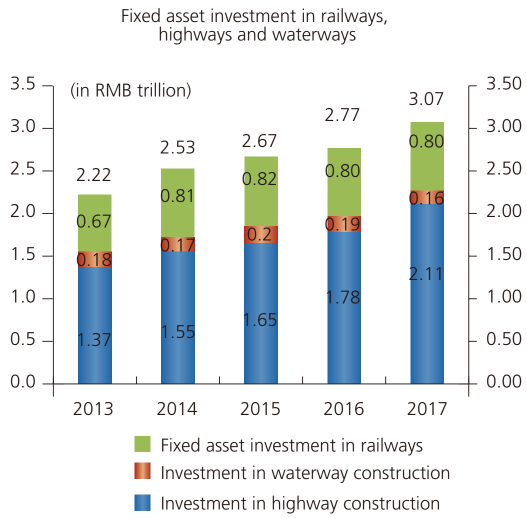
The Group is one of the largest multi-functional integrated construction groups in the PRC and even the world, which enables us to offer a full range of construction and industrial products and related services to our customers. The Group holds an industrial leading position in fields such as infrastructure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

I. Industry Development Overview

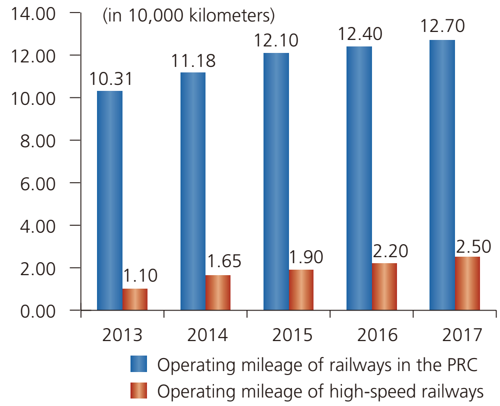
1. Infrastructure Construction Business

In recent years, the construction industry in China demonstrated a steady yet positively progressing trend with the acceleration in construction industrialization, optimization of the construction market environment and promotion of the green and intelligent development concept. In 2017, the gross output value of the construction industry in China increased at a greater rate by 10.5% year-on-year to RMB21,395.4 billion.

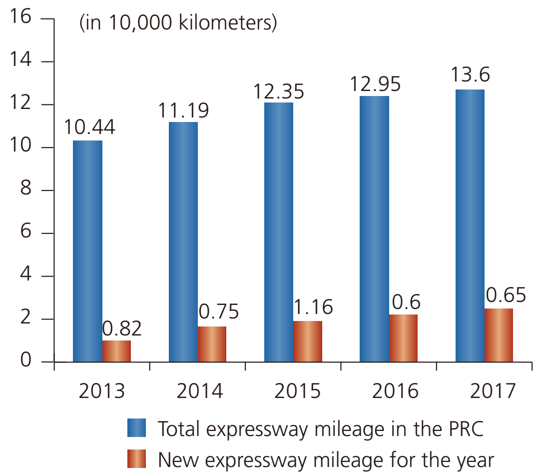
In 2017, infrastructure construction, as an important foundation for securing growth, a crucial factor for promoting supply-side structural reform and a strategic option for combating poverty, continued to maintain a healthy growth. China's economy is now at a critical stage of restructuring with growth drivers swiftly changing from investment-driven to innovation-driven. While the growth of fixed asset investment slowed down, the contribution of infrastructure investment in fixed asset investment still maintained at a high level. The fixed asset investment in railways, highways and waterways for the whole year amounted to approximately RMB3,070 billion. In particular, the fixed asset investment in railways amounted to RMB801.0 billion and the new railway operating mileage was 3,038 kilometers. The national railway operating mileage reached 127,000 kilometers, of which more than 25,000 kilometers were attributable to high-speed railway. The investment in highway construction amounted to RMB2,110 billion, with new highway mileage of approximately 73,700 kilometers (of which 6,478 kilometers were new expressway mileage), making a total highway mileage of more than 4.77 million kilometers and a total expressway mileage of 136,000 kilometers throughout the country. The continuous progress in new urbanisation construction and overall enhancement in urban infrastructure construction, in particular the rapid development of the construction of urban rail transit, contributed to 868.9 kilometers of new urban rail transit operating lines for the whole year. As at the end of 2017, 34 cities were covered by operating urban rail transit lines, with an operating mileage of 5,021.7 kilometers. China was ranked the top of the world in terms of the operating mileage of high speed railway, expressway and urban rail transit.



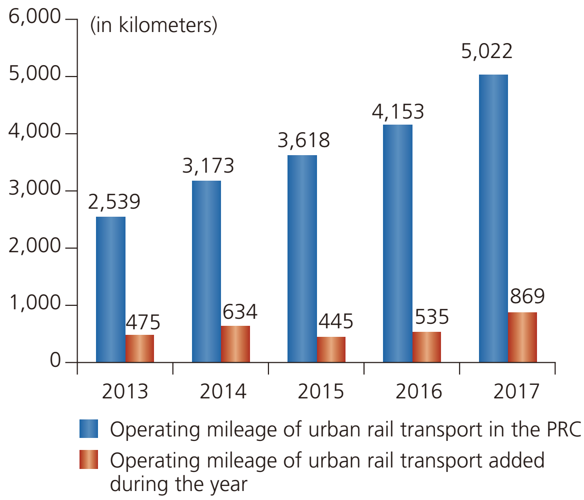
Source: Ministry of Transport



Source: Ministry of Transport

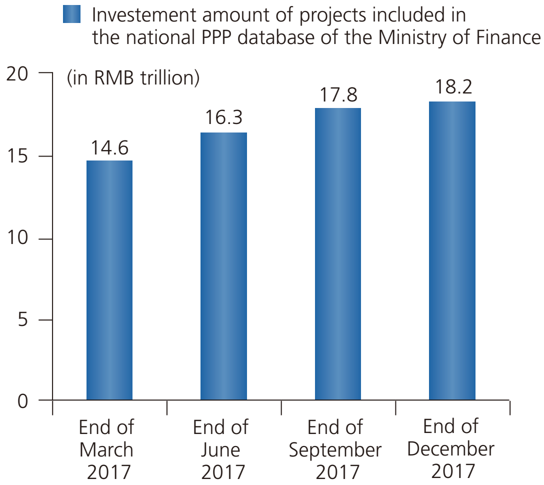


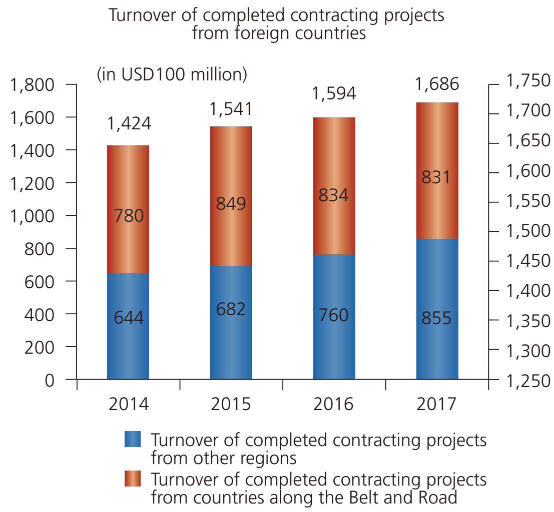
Source: Ministry of Transport



Source: China Urban Rail Transit Association

For the PPP mode, 2017 is not only a year of orderly progression and standardized operation, but also a year of innovation and breakthrough. The continual regulation and refinement of the PPP mode by the national policies will be beneficial to the sustainable development of the PPP construction mode. As at the end of 2017, 14,424 PPP projects were registered in the project database and reserve list of the National PPP Integrated Information Platform of the Ministry of Finance, covering 19 major socio-economic sectors with a total investment of RMB18,200 billion. Among them, 2,729 projects with a total investment of RMB4,600 billion were signed and put into implementation, translating into a project floor rate of 38.2% in the database.





Source: Ministry of Finance

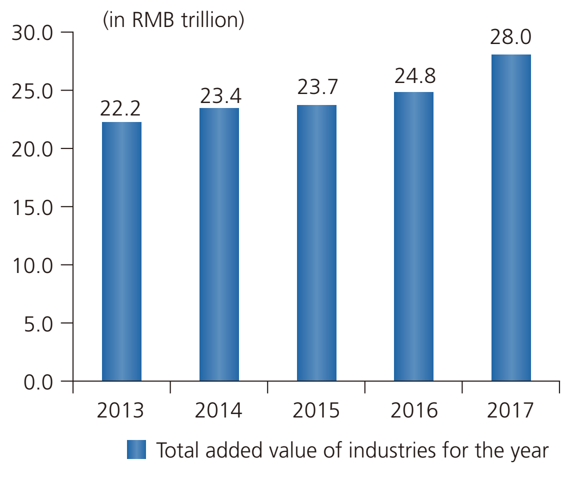
In 2017, the Belt and Road Initiative entered into a new stage of comprehensive cooperation. As the joint construction of the Belt and Road Initiative bore fruits, the trading volume gradually expanded with deeper mutual cooperation. During the year, the turnover of contracting projects from the Belt and Road countries completed by enterprises in China increased by 12.6% year-on-year to US$85.5 billion, representing 50.7% of the turnover of completed contracting projects of China from all foreign countries.

2. Survey, Design and Consulting Services Business

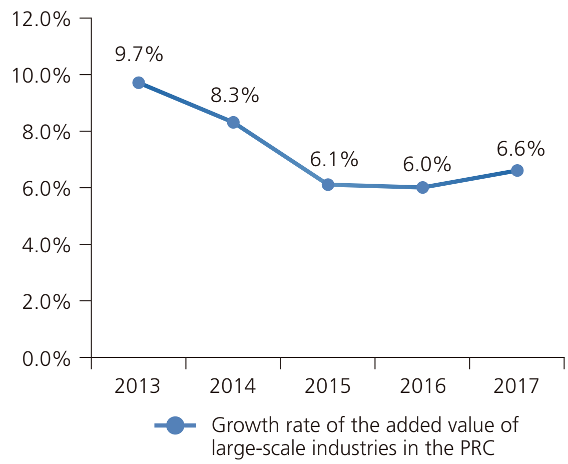
Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business is integral to project construction as it offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. As China's economic development is entering into a new era, survey and design enterprises are presented with opportunities as well as challenges. The active promotion of the construction of high speed railway, urban rail transit, irrigation works and hydroelectricity, underground tunnels and sponge cities by the country, in particular the progression of the Belt and Road Initiative, co-development of Beijing-Tianjin-Hebei, Yangtze River Economic Belt and new national urbanization planning, will continue to facilitate the development of new economic belts. The next few years are still critical for the infrastructure construction and development of China. There will still be large room for development in the domestic infrastructure market, which will provide more market opportunities for the enterprises. Nevertheless, the industry is also obsessed with new challenges and difficulties. With the acceleration in marketization and the development of internet, inter-industry and cross-industry competition will co-exist while future competition will, to a large extent, focus on the entire industry chain competition. Industry players must consider the industry as a whole and develop their capabilities of providing services throughout the entire construction lifecycle, ranging from preliminary consultation, planning, investment and financing, coordination, project management and consultation, EPC contracting to subsequent operation and maintenance, or cooperate and collaborate with the other enterprises by leveraging on their own expertise. The "innovative, coordinative, green, open and sharing" development concept is creating new paths, new elements and new markets for the development of the industry, which will in turn impose higher requirements on the survey and design industry in terms of innovation capability, technical know-how, quality standard, business scope and service pricing, while offering new market opportunities and new historical responsibilities to the industry.

3. Engineering Equipment and Component Manufacturing Business

The State Council issued a series of industrial plans including "Made in China 2025" and "13th Five-Year Plan for the Development of National Strategic Emerging Industries", which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. During the period of the "13th Five-Year Plan", fixed assets investment in railways will stay at a high level, and the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow with the increase in construction of highways, urban rail transportation, irrigation works and underground development, and in further pursuance of the Belt and Road Initiative. In the meantime, due to the concept of green development, the implementation of the "Guiding Opinions on Vigorously Developing Prefabricated Construction" and the market development of municipal bridge steel structure and high-rise steel structure construction, the market demand for steel structure will further expand. In 2017, the added value of large-scale industries recorded a year-on-year increase of 6.6% (2016: 6.0%), and the added value of high-tech industry and equipment manufacturing industry increased year-on-year by 13.4% and 11.3% respectively, which were 6.8 and 4.7 percentage points higher than that of the large-scale industries respectively.



Source: National Bureau of Statistics

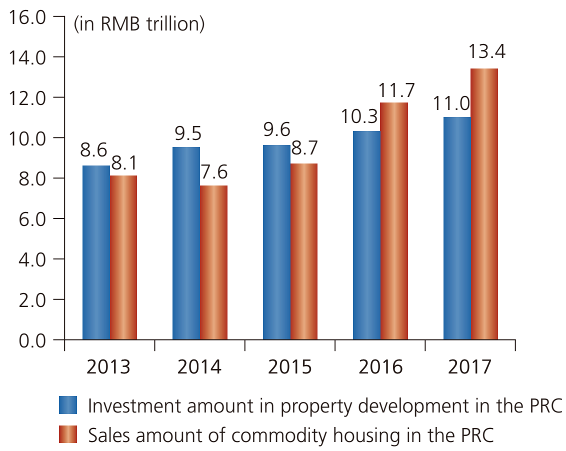


Source: National Bureau of Statistics

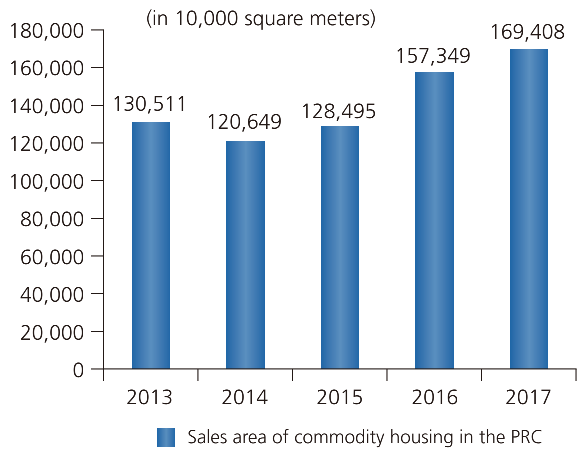
4. Property Development Business

In 2017, reiterating the residential use of housing, the local governments tailored their control measures to different categories and cities, thereby accelerating the supply-side structural reform in the property industry. Currently, the number of cities under sale restrictions and the number of cities under purchase limits have increased to 46 and 58, respectively, and 12 cities have joined the first batch of rental housing pilot cities. The Report of Communist Party's 19th National Congress emphasized that "houses are built to be inhabited, not for speculation" and proposed to speed up in establishing a housing system that ensures supply through multiple sources, provides ensurance through multiple channels, and encourages both housing purchases and rentals. In December, the Central Economic Work Conference clearly identified the need to develop a housing rental market, especially long-term rental, protect the legitimate rights of the interested parties to a lease agreement, and support the development of professional and institutionalized housing rental companies. It also called for putting in place a long-term mechanism to facilitate the steady and healthy development of the property market, maintaining the continuity and stability of property control policies, defining the authority of the central and local governments, and adopting a differentiated control policy.

During the year, the investment in property development in China was RMB10,979.9 billion, representing a year-on-year nominal increase of 7.0%. In particular, the investment in residential housing amounted to RMB7,514.8 billion, representing an increase of 9.4%. Residential housing investment accounted for 68.4% of the investment in property development. The annual sales area of commodity housing was 1,694.08 million square meters, among which the sales area of residential housing, office buildings and commercial housing increased by 5.3%, 24.3% and 18.7%, respectively. The annual sales amount of commodity housing was RMB13,370.1 billion, representing an increase of 13.7%, which was 1 percentage point higher than that of the previous year. The sales of residential housing, office buildings and commercial housing rose by 11.3%, 17.5% and 25.3%, respectively.



Source: National Bureau of Statistics



Source: National Bureau of Statistics

II. Business Development Overview

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

In 2017, the value of new contracts of the Group by business segment is set out as below:

Unit: RMB100 million

Business segments		2017	2016	Year-on-year increase/decrease (%)
Infrastructure construction		**13,552.8**	11,124.6	21.8
Including	Railways	**2,425.0**	3,404.4	–28.8
	Highways	**3,388.9**	1,806.7	87.6
	Municipal works and others	**7,738.9**	5,913.5	30.9
	Among which: Urban rail transit	**2,849.1**	2,739.2	4.0
Survey, design and consulting services		**216.9**	155.6	39.4
Engineering equipment and component manufacturing		**326.8**	260.7	25.4
Property development		**360.4**	291.9	23.5
Other businesses		**1,111.7**	517.2	114.9
Total		**15,568.6**	12,350.0	26.1

Notes:

(1) The accumulated value of new contracts of the infrastructure construction business for 2017 included new infrastructure investment projects (PPP and BOT, etc.) of RMB371.1 billion.

(2) In 2017, the Company adjusted the inclusion of the value of new contracts of infrastructure investment projects in the value of new contracts of the Company. Retrospective adjustments were made to the value of new contracts of the infrastructure construction business and other businesses for 2016, while there was no changes in the total value of new contracts of the Company. The year-on-year increase/decrease figures for 2017 in the table were calculated after adjusting the corresponding figures for 2016.

(3) For the property development business, the "value of new contracts" refers to the value of the property sales contracts signed by the Company.

In 2017, the value of new contracts of the Group by geographical region is set out as below:

Unit: RMB100 million

Geographical region	**2017**	2016	Year-on-year increase/decrease *(%)*
Domestic	**14,663.8**	11,324.9	29.5
Overseas	**904.8**	1,025.1	–11.7
Total	**15,568.6**	12,350.0	26.1

In 2017, the value of contract backlog of the Group by business segment is set out as below:

Unit: RMB100 million

Business segments		**31 December 2017**	31 December 2016	Year-on-year increase/decrease *(%)*
Infrastructure construction		**21,565.4**	16,588.8	30.0
Including	Railways	**5,483.4**	6,011.0	–8.8
	Highways	**4,030.4**	1,972.5	104.3
	Municipal works and others	**12,051.6**	8,605.3	40.0
	Among which: Urban rail transit	**4,320.7**	3,282.7	31.6
Survey, design and consulting services		**347.7**	267.3	30.1
Engineering equipment and component manufacturing		**345.5**	273.9	26.2
Other businesses		**3,460.3**	3,247.9	6.5
Total		**25,718.9**	20,377.8	26.2

1. Infrastructure Construction Business

The revenue of infrastructure construction business of the Group was RMB611.095 billion in 2017, representing a year-on-year growth of 9.3%. The value of new contracts amounted to RMB1,355.28 billion, representing a year-on-year increase of 21.8%. As at the end of 2017, the Group's contract backlog of infrastructure construction business was RMB2,156.54 billion, representing a year-on-year increase of 30%.

(1) Railway construction

In 2017, affected by the drop in tender volume in the primary railway market, the value of new contracts of railway construction of the Group amounted to RMB242.5 billion, representing a year-on-year decline of 28.8%. The Group maintained its number one position in the domestic market with a market share of 48.5% in the national tier-one railway market. As at the end of 2017, the Group's contract backlog of railway construction was RMB548.34 billion, representing a year-on-year decrease of 8.8%. During the year, the Group completed track laying of 7,016 kilometers of main railway line (new tracks and double tracks) and 8,038 kilometers of the line of the electrified railway network in total. A number of the Company's key projects under construction were progressing smoothly, such as Mongolia-China Railway, Beijing-Zhangjiakou Railway and Wuhan-Shiyan High Speed Railway. A number of the Company's key railway projects were completed and commissioned, such as Xi'an-Chengdu High Speed Railway, Baoji-Lanzhou High Speed Railway and Lanzhou-Chongqing Railway, making great contribution to the formation of the "Eight Vertical and Eight Horizontal" high speed rail network. The Company's key railway projects along the Belt and Road were also progressing smoothly overseas, such as Jakarta-Bandung High Speed Railway in Indonesia and China-Laos Railway.

(2) Highway construction

The value of new contracts of highway construction of the Group amounted to RMB338.89 billion in 2017, representing a year-on-year increase of 87.6%. As at the end of 2017, the Group's contract backlog of highway construction was RMB403.04 billion, representing a year-on-year increase of 104.3%. The Group completed 2,439 kilometers of highway construction in total, of which 1,201 kilometers were expressway. The Beijing-Xinjiang Expressway, the world's longest desert expressway completed by the Group, was formally commissioned. The main bridge of the Hong Kong-Zhuhai-Macau Bridge achieved readiness for commissioning. The Second Wuhu-Yangtze River Highway Bridge and Honggu Tunnel in Nanchang, which was the largest immersed tube tunnel along the rivers in China, were also commissioned.

(3) Municipal works and other businesses

The value of new contracts of municipal works and other construction of the Group amounted to RMB773.89 billion in 2017, representing a year-on-year increase of 30.9%. The value of new contracts of urban rail transit construction amounted to RMB284.91 billion, representing a year-on-year growth of 4% and a market share of approximately 50%. As at the end of 2017, the Group's contract backlog of municipal works and other construction amounted to RMB1,205.16 billion, representing a year-on-year increase of 40%, among which, the contract backlog for urban rail transit construction amounted to RMB432.07 billion, representing a year-on-year increase of 31.6%. In 2017, the Group participated in the construction of urban light rail and metro lines, among which, civil engineering and laying works accounted for 201 kilometers and 231 kilometers, respectively. A number of key and difficult projects, such as Beijing Metro, Shenzhen Metro, Guangzhou Metro, Chengdu Metro and Qingdao Metro, constructed by the Group were progressing smoothly.

2. Survey, Design and Consulting Services Business

In 2017, the revenue of survey, design and consulting services business of the Group was RMB13.761 billion, representing a year-on-year increase of 11.8%. The value of new contracts amounted to RMB21.69 billion, representing a year-on-year growth of 39.4%. As at the end of 2017, the Group's contract backlog of survey, design and consulting services business was RMB34.77 billion, representing a year-on-year increase of 30.1%. In 2017, the Chengdu-Ya'an section of Sichuan-Tibet Railway, whose survey and design work was undertaken by the Group, commenced construction. Chengdu-Lanzhou Railway Ping'an Tunnel, the longest railway tunnel in southwest China designed by the Group, was successfully commissioned. The main sections of the Hong Kong-Zhuhai-Macau Bridge, the world's longest cross-sea bridge whose design and construction were undertaken by the Group, finished the load test and achieved readiness for commissioning. The trial section of Shantou Rail Transit Line 1, which uses the light straddle-type monorail system as the main urban rail transit route and whose survey, design and general contracting were undertaken by the Group, commenced construction. The preliminary measurement and land survey work of the Padma Bridge railway connecting line project in Bangladesh was progressing smoothly, while the survey and design documentation for the whole line of the Moscow-Kazan High Speed Railway survey and design project was basically completed.

3. Engineering Equipment and Component Manufacturing Business

In 2017, the Group's revenue from the engineering equipment and component manufacturing business was RMB18.521 billion, representing a year-on-year increase of 8.5%. The value of new contracts amounted to RMB32.68 billion, representing a year-on-year increase of 25.4%. As at the end of 2017, the Group's contract backlog of engineering equipment and component manufacturing business was RMB34.55 billion, representing a year-on-year increase of 26.2%. The Group occupied more than 65% 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 Company greatly improved its production and operation capacity and scale in shields, and equipped itself with an annual production capacity of 250 units of shields. In 2017, 139 units of shields/TBM were sold, 142 units of shields/TBM were manufactured and 80 units of shields were remanufactured. Meanwhile, while continuing to consolidate the domestic shield market, the Group stepped further into the international market, selling its shield products to foreign countries such as Singapore, Malaysia, India and Israel.

4. Property Development Business

In 2017, the Group's revenue from the property development business was RMB30.951 billion, representing a year-on-year decrease of 6.1%. During the year, the newly acquired land reserves for the Group's property business was 939,000 square meters, representing a year-on-year decrease of 52.6%. The area that has commenced construction was 3.85 million square meters, representing a year-on-year increase of 14.6%. The area that has completed construction was 2.52 million square meters, representing a year-on-year decrease of 20.75%. The sales area and sales amount were 3.39 million square meters and RMB36.042 billion, respectively, representing a year-on-year growth of 11.88% and 23.47%, respectively. As at 31 December 2017, the Group had a total of 162 secondary property development projects. The project area under development of the Group was 28,341,500 square meters with a gross floor area of 53,850,100 square meters. The land reserve area and gross floor area available for development were approximately 12,750,800 square meters and 21,057,200 square meters, respectively. During the year, reiterating the residential use of housing, the Group fully implemented its "13th Five-Year" property development plan with a focus on the two themes of transformation and upgrading and enhancement of quality and efficiency. The Group quickened its steps in transforming and upgrading its property business by further strengthening the regulation of the property business, enhancing project implementation and management, rational planning of the investment scale, accelerating in destocking, revitalizing inventory assets, further increasing its efforts in avoiding market risks, and facilitating the synergistic development of other business segments (such as design and construction) through internal and external cooperation.

5. Other Businesses

In 2017, the other businesses of the Group realised revenue of RMB53.074 billion, representing a year-on-year increase of 24.4%. As the prices of copper, cobalt and molybdenum products rebounded, mining development projects such as Luming Molybdenum Mine and Sicomines Copper-Cobalt Mine 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, sewage treatment plants and overseas railway and transit transportation projects undertaken by the Group remained satisfactory with a continuous increase in revenue. The gross profits of merchandise trading business further increased as a result of our business focusing on internal centralised procurement and stable external operations. Owing to an increase in market demand, the finance business grew at a high speed. By further consolidating internal financial resources, the Group 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.

III. Scientific Research Investment and Technological Achievements

In 2017, 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 the full advancement of the quality of our projects and products. The innovation capability of the Group was significantly enhanced.

In 2017, to meet the actual needs for corporate development and project construction, the Group had a total of 1,109 scientific research topics under its technological development plan. Based on key projects including Beijing-Zhangjiakou Railway, Lhasa-Nyingchi Railway, Jakarta-Bandung High Speed Railway in Indonesia, Chengdu-Guizhou High Speed Railway, Chongqing-Kunming High Speed Railway, Dali-Ruili Railway, Zhengzhou Huanghe Bridge, China-Maldives Friendship Bridge in Maldives, Chibi Yangtze River Highway Bridge, Yarlung Zangbo River Bridge, Badaling Tunnel, Gaoli Gongshan Tunnel, Yangjiaping tunnel project on Chengdu-Lanzhou Railway, Guangzhou Metro, Beijing Metro and Kunming Metro, these topics focused on studying the construction techniques of long and large mountain tunnels under complex environmental and geological conditions, equipment and construction techniques of ultra-large diameter shields for soil-rock-boulder mixed stratum, key techniques of large-span railway (dual use for highway and railway) cable-stayed suspension combined-system bridge, integrated construction techniques of underground tunnels and the key techniques of ballastless track systems for city railways and straddle-type monorail transportation projects. The operation and management of the Group's National Engineering Laboratory of High Speed Railway Construction Technology, National Key Laboratory of Shield Tunneling and Drilling Technology, National Key Laboratory of Bridge Structural Stability and Safety, Postdoctoral Work Stations, Corporate Technology Center, BIM Technology Application, Research and Development Center and professional research and development centers of bridges, tunnels, electrification, advanced engineering materials and inspection technology, railways and construction equipment ran smoothly.

In 2017, the Group won two National Advanced Science and Technology Prizes, one Technological Invention Award – Grade II, eight Zhan Tianyou Civil Engineering Prizes and 298 Provincial Technological Achievement Awards. The Group was granted 1,205 patents, 348 of which were invention patents. Its five patents of "resonance shredding machine", "a type of water-reducing admixture specifically for self-compacting concrete of ballastless high speed railway tracks", "method of controlling the curve profile of curved bridge steel columns", "compensation device for ratchet wheel with bevel teeth" and "precise railway track geometry measuring system" were awarded the Outstanding Award at the 18th China Patent Awards. The Group had 301 provincial-level engineering methods. 18 projects, including the Qingshan-Yangtze River Highway Bridge project on the 4th Ring Road in Wuhan undertaken by China Railway Major Bridge Engineering, were recognized as one of the fifth batch of green construction demonstration projects in China's construction industry. These technological achievements and awards demonstrated the strong research and development capabilities of the Group in infrastructure construction, survey and design.

IV. Establishment and Implementation of Safety and Quality System

In 2017, 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, 2 projects of the Group won the golden award of the National Outstanding Quality Project Award, 11 projects won the Luban Prize and 35 projects were granted the National Outstanding Quality Project Award (2 of them were overseas projects). The brand reputation of the construction quality of the Group was further enhanced.

In 2017, the Group strictly adhered to the new Production Safety Law, paid more attention to safety hazards and followed the baseline safety standards. Adopting a "zero-accident" approach in safety development, the Group enhanced a responsibility system, perfected the management system and solidified the management foundation. With the establishment and operation of seven major systems, namely the organizational protection system, tiered control system, regulation system, technological support system, education and training system, emergency rescue system and safety evaluation system, the Group's production safety system functioned property and the production safety level was generally stable and controllable. During the year, no accident occurred which qualified as or more severe than a major production safety accident and a total of 15 projects of the Group received the title of national AAA-grade safe and civilized standardised credible construction sites.

V. Implementation of Environmental Protection Measures

In 2017, the Group played an active role in energy saving and emission reduction and published the "13th Five-Year Plan" for energy saving and emission reduction for China Railway. The Group established construction sites that conformed to the standards of energy saving and emission reduction, promoted the application of new technology, new techniques and new equipment to increase energy efficiency while strictly controlling the emission of pollutants, stepped up efforts in technical improvement and the elimination of obsolete equipment, reduced the emission of waste gas and sewage, and made full use of waste, such as waste residue. The Group conducted energy saving and emission reduction training for its 42 subsidiaries, while arranging the relevant companies in Beijing to address the problem of bulk coal in Beijing. In 2017, the Group did not experience any accident concerning environmental responsibilities nor materially violated any regulations or disciplinary rules on energy conservation and emission reduction. The emission of pollutants was all in compliance with the corresponding national and local emission standards.

In 2017, the Group fulfilled its environmental protection responsibilities according to the laws and regulations. Pursuant to the laws and regulations, rules and technical standards on environmental protection, including the "Environmental Protection Law of the People's Republic of China" and "Regulations on the Administration of Construction Project Environmental Protection", the Group detailed and introduced the key points and requirements on environmental protection, and set up a corporate environmental protection administration system. For the environmental protection duties of its units, based on the principles of "territoriality", "prevention-focused complemented by remediation" and "the polluter taking the responsibility" and under the supervision and administration of the national and local environmental protection authorities, the Company exercised unified leadership over itself and adopted a tiered management model in its subsidiaries and branches in order to achieve clean production and sustainable development.

VI. Compliance with Laws and Regulations

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

VII. Maintenance of Relationship with Stakeholders

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

VIII. Prospects

With respect to the domestic infrastructure market, the State actively promotes the co-development of Beijing-Tianjin-Hebei and the development of the Yangtze River Economic Belt while vowing to accelerate in the development of Xiong'an New Area and launching the construction of a batch of fundamental key projects. All these will bring new growth points and development opportunities for the infrastructure market. Meanwhile, the "Opinions on Promoting the Sustainable and Healthy Development of the Construction Industry" and "13th Five-Year Plan for the Development of the Construction Industry" published by the State in 2017 proposed a series of reformative requirements and directions, such as optimizing qualification management, refining the tendering and bidding system and accelerating in implementing general contracting. Under this trend, the supervision system and mechanism of the construction industry will become more comprehensive and the construction market environment will be further optimized so that the construction companies will be able to thrive and progress in a more regulated, fair, open and transparent market.

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 are developing countries with poor infrastructure and huge demand for infrastructure construction. This will definitely lead to continuous increase in the demand for infrastructure construction along the Belt and Road and create new development opportunities for the world's construction industry. According to the latest study conducted by the Development Research Center of the State Council, the funding needed for infrastructure development in Belt and Road countries will exceed US$10.6 trillion from 2016 to 2020. At the same time, in view of their needs to upgrade and renew their 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.

On the other hand, the State published a series of documents, including the "Notice on further regulating the borrowing and financing behavior of local governments" and "Notice on regulating the management of the PPP Integrated Information Platform Database", to regulate and restructure the PPP market. The urban rail transit industry is widely regulated by policies, and the relevant national policies and regulations are very numerous and comprehensive. Besides those at national ministries and commissions level, there are also many local government policies. The urban rail transit construction is uncertain due to the influence of changes in terms of the "threshold" of policies. Meanwhile the ever-increasing efforts in property control and tightening banking supervision will also pose challenges to corporate development. Moreover, as the State continues to raise the requirements on power-saving and environmental protection, enterprises also need to address the problem of securing progress while satisfying the requirements for energy-saving and environmental protection for their construction projects. On the international front, the subsistence of various risk factors, such as continuous regional wars and conflicts, heightened terrorism situation and awakened "deglobalisation", will pose uncertainties and potential risks for the international operations of the construction enterprises in China. Construction enterprises also have to meet new requirements on technical innovation, energy conservation, environmental protection and green development, which will make it more difficult for construction enterprises to expand their operations overseas.

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

IX. Operation Plan

In 2018, the Group plans to achieve total revenue of approximately RMB670 billion, costs of operation of approximately RMB604 billion, aggregate of selling, administrative and finance expenses of approximately RMB36.2 billion. It is estimated that the new contracts to be entered into will amount to approximately RMB1,480 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

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

In the year of 2017, the Group achieved revenue of RMB688.773 billion, representing a year-on-year increase of 8.8%. Profit for the year increased by 11.8% year-on-year to RMB14.204 billion while profit for the year attributable to owners of the Company increased by 28.4% year-on-year to RMB16.067 billion.

A comparison of the financial results for 2017 and 2016 is set forth below.

II. Consolidated Results of Operations

Revenue

In 2017, the Group's total revenue increased year-on-year by 8.8% to RMB688.773 billion. It was mainly due to the significant increase in revenue of the Group from municipal works and highways.

Cost of Sales and Services 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 2017, the Group's cost of sales recorded a year-on-year increase of 7.4% to RMB626.044 billion while gross profit of the Group increased year-on-year by 26.0% to RMB62.729 billion. The overall gross profit margin for 2017 was 9.1%, representing an increase of 1.2 percentage points as compared to 7.9% in 2016, 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 profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government, and other income. In 2017, the Group's other income was RMB2.819 billion, increased by 52.0% from RMB1.855 billion of last year. The increase of other income was primarily due to the increase in revenue from sales of materials and dividend income.

Other Expenses

The Group's other expenses primarily includes expenditures on research and development. In 2017, other expenses increased by 6.6% from RMB10.417 billion of last year to RMB11.103 billion, mainly due to the fact that the Group further improved its technological self-development and innovation capabilities and enhanced energy saving and emission reduction efforts.

Other Gains and Losses

The Group's other gains and losses mainly include impairment losses on financial assets and other assets, foreign exchange gains/losses, increase/decrease in the fair value of financial assets classified as held-for-trading, and gains/losses on disposal/write-off of assets and subsidiaries. The other losses of RMB9.480 billion recorded in 2017 (2016: other gains of RMB0.630 billion) primarily included impairment losses on financial assets and other assets of RMB9.223 billion (2016: RMB2.660 billion) and decrease in fair value of financial assets classified as held-for-trading RMB0.471 billion (2016: RMB0.08 billion).

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and transportation costs and advertising costs. In 2017, the Group's selling and marketing expenses amounted to RMB2.852 billion, representing a year-on-year increase of 11.4%. The selling and marketing expenses as a percentage of the revenue for 2017 was 0.4%, same as that for 2016.

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 2017, the Group's administrative expenses increased year-on-year by 13.8% to RMB20.119 billion. Administrative expenses as a percentage of revenue was 2.9%, representing an increase of 0.1 percentage point from 2.8% for 2016.

Interest Income

In 2017, the interest income was RMB2.075 billion, representing a decrease of 5.6% as compared to 2016. It was mainly due to the decrease in interest rates of other loans and receivables and the Group's strengthening fund centralization management, which caused the decrease in balances at external banks.

Interest Expenses

In 2017, the interest expenses was RMB4.773 billion, representing a decrease of 17.3% as compared to 2016. It was mainly due to the decrease in average balance of interest-bearing liabilities of the Group and the decrease in borrowing interest rate.

Profit Before Tax

As a result of the foregoing reasons, the profit before tax for 2017 increased by RMB2.056 billion, or 11.0%, to RMB20.828 billion from RMB18.772 billion for 2016.

Income Tax Expense

In 2017, the income tax expense increased year-on-year by 9.1% to RMB6.624 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group decreased by 0.9 percentage point from 26.5% for 2016 to 25.6% for 2017.

Profit for the year Attributable to Owners of the Company

As a result of the foregoing reasons, profit for the year attributable to owners of the Company for 2017 increased by 28.4% to RMB16.067 billion from RMB12.509 billion for 2016.

III. Segment Results

The revenue and results of each segment of the Group's businesses for the year ended 31 December 2017 are set forth in the table below.

Business Segment	Revenue *RMB million*	Growth Rate *(%)*	Profit/(loss) Before Tax *RMB million*	Growth Rate *(%)*	Profit/(loss) Before Tax Margin[1] *(%)*	Segment Revenue as a Percentage of Total *(%)*	Profit/(loss) Before Tax as a Percentage of Total *(%)*
Infrastructure Construction	611,095	9.3	19,514	32.3	3.2	84.0	88.3
Survey, Design and Consulting Services	13,761	11.8	1,564	8.5	11.4	1.9	7.1
Engineering Equipment and Component Manufacturing	18,521	8.5	1,533	13.6	8.3	2.5	6.9
Property Development	30,951	(6.1)	3,255	32.4	10.5	4.3	14.8
Other Businesses	53,074	24.4	(3,768)	Profit turning into loss	(7.1)	7.3	(17.1)
Inter-segment Elimination and Adjustments	(38,629)		(1,270)				
Total	**688,773**	**8.8**	**20,828**	**11.0**	**3.0**	**100.0**	**100.0**

1 *Profit/(loss) before tax margin is the profit/(loss) before tax divided by the revenue.*

Infrastructure Construction Business

Revenue from the operation of the Group's infrastructure construction business is mainly derived from construction of railway, highway, municipal works and other constructions. Revenue from the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2017, the revenue from the infrastructure construction business accounted for 84.0% of the total revenue of the Group (2016: 84.2%). In 2017, revenue from the Group's infrastructure construction business increased by 9.3% year-on-year to RMB611.095 billion. It was mainly due to the significant growth in revenue from municipal works and highways benefiting from the continuing prosperous development trend of the domestic infrastructure construction market and the continuous increase year by year in amount of new signed contracts entered into by the Group. Gross profit margin and profit before tax margin of the infrastructure construction business for 2017 was 6.7% and 3.2% respectively (2016: 5.8% and 2.6% respectively). The increases in gross profit margin and profit before tax margin were mainly due to ① increase in investment projects as a result of the Group's increasing effort in market development, and the higher gross profit margin of infrastructure construction projects driven by the investment, ② satisfactory result on changes and claims as a result of the Group's strengthening in changes and claims management and ③ increase in proportion of municipal work segment which has higher gross profit margin.

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. Benefiting from the stable growth of investment scale in domestic infrastructure construction, in 2017, revenue of survey, design and consulting services business of the Group recorded RMB13.761 billion, representing a year-on-year increase of 11.8%. Gross profit margin and profit before tax margin for 2017 was 29.3% and 11.4% respectively (2016: 29.6% and 11.7% respectively). The decrease in gross profit margin and profit before tax margin were mainly due to the decrease in gross profit margin resulting from the increase in staff cost, outsourcing expenses and technical consultancy charges this year, which was mainly attributable to using dispatched workers to satisfy the on-site demand in several projects under the circumstances of large number of projects and tight working schedule as a result of rapid business expansion in survey and design business this year.

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 2017, 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 and leasing of shields and subcontracting business of drilling, revenue of the engineering equipment and component manufacturing business of the Group increased by 8.5% year-on-year to RMB18.521 billion in total. Gross profit margin and profit before tax margin was 21.0% and 8.3% respectively for 2017 (2016: 21.4% and 7.9% respectively). The decrease in gross profit margin was mainly due to the increase in proportion of revenue from products with lower gross profit margin. The increase in profit before tax margin was mainly due to the increase in share of profits from joint ventures and associated companies as well as the decrease in interest expenses.

Property Development Business

The Group strictly followed the national real estate policy orientation, oriented by market demand, revitalized stock assets and accelerated the transformation and upgrade of traditional business mode. In 2017, affected by new real estate policies, especially the financial policy control including policies on mortgage interest rate as well as the periodic fluctuation on development, revenue from property development business recorded RMB30.951 billion, decreased by 6.1% year-on-year. Gross profit margin and profit before tax margin for 2017 was 24.0% and 10.5% respectively (2016: 19.8% and 7.5% respectively). It was mainly attributable to the impairment losses on assets of RMB1.170 billion recognised by the Group in 2016. By excluding the impact of impairment losses on assets, there would be a decrease in gross profit margin in 2017 which was mainly because the increase in sales price is lower than that of cost with an increased pace of destocking of the remaining projects.

Other Businesses

The Group has steadily implemented the "limited and interrelated" diversification strategy. Revenue from other businesses increased year-on-year by 24.4% to RMB53.074 billion in total in 2017. Gross profit margin for 2017 was 24.2% (2016: 19.6%), such increase was mainly due to the increase in gross profit margin of mining and merchandise trading business. Loss before tax for 2017 was RMB3.768 billion (2016: Profit before tax of RMB0.184 billion), mainly due to the recognition of impairment losses on assets of RMB8.146 billion (2016: RMB2.148 billion). Among which, ① revenue from operation of PPP and BOT projects was RMB2.645 billion, representing a year-on-year increase of 6.9% while gross profit margin was 51.1%, representing a decrease of 8.1 percentage points as compared to last year. ② Revenue from mining business was RMB4.278 billion, representing a year-on-year increase of 61.7% while gross profit margin was 44.4%, representing an increase of 26.6 percentage points as compared to last year. ③ Revenue from merchandise trading business was RMB32.29 billion, representing a year-on-year increase of 28.1% while gross profit margin was 8.1%, representing an increase of 3.9 percentage points as compared to last year and ④ Revenue from financial business was RMB4.500 billion, representing a year-on-year increase of 0.7% while gross profit margin was 84.9%, representing a decrease of 12.1 percentage points as compared to last year.

As at 31 December 2017, the Group's mining resources reserves information is shown below.

No	Project name	Type	Mining resources Grade	Resource/Reserve Unit	Quantity	Group's share (%)	Planned total investment (billion)	Accumulated investment (billion)	Investment in the reporting period (billion)	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Moly bdenum	0.09%	Thousand tonne	708.2	83	4.217	4.102	–	Completed	Normal production and operation
2	Luishia Copper-Cobalt Mine, Comagnie Minière de Luisha S.A.S,	Cooper Cobalt	2.47% 0.168%	Thousand tonne	657.8 44.9	72	1.657	1.989	–	Completed	Normal production and operation
3	MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga sprl,	Cooper Cobalt	2.78% 0.33%	Thousand tonne	86.4 10.2	80.2	1.195	1.199	–	Completed	Normal production and operation
4	Sicomines Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Cooper Cobalt	3.41% 0.24%	Thousand tonne	8,309.7 575.9	41.72	24.915	10.79	0.122	Completed	Phase I commenced production with normal production and operation
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	1.6% 3.17% 66.34g/t	Thousand tonne Tonne	282.1 586.7 1,252.11	100	–	0.139	–	Completed	Normal production and operation
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	0.75% 3.50% 108.33g/t	Thousand tonne Tonne	81.7 382.6 1,184.64	100	–	–	–	/	Exploration and feasibility study in progress
7	Gold mine, Wurileaobao and Zhanggaitaolegai, Xinxin Company, Mongolia	Gold	3g/t	Tonne	3	100	–	–	–	/	Exploration in progress
8	Lead and Zinc Mine, Chafu, Xianglong Mineral Co., Ltd.,Mongolia	Lead Zinc Silver	6.28% 3.81% 234.67g/t	Thousand tonne Tonne	151.5 91.9 866	100	–	–	–	/	Ceased production

IV. Cash Flow

In 2017, the net cash inflow from operating activities of the Group amounted to RMB33.178 billion, representing a decrease in net cash inflow of RMB21.317 billion from RMB54.495 billion in 2016. Although there was a decrease in amount of the Group's net cash inflow from operating activities compared to last year, the Group still recorded a relatively significant amount of net cash inflow in 2017. It was mainly because under the circumstances of the tighter national financial control and liquidity of currency market and the continuous expansion of the Group's business scale, the Group continuously strengthened its cash flow plan and improved the cash flow through payment control based on high increase of working assets (such as inventory, trade and bills receivables). In 2017, the net cash outflow from investing activities of the Group amounted to RMB32.377 billion, representing an increase in net cash outflow of RMB14.899 billion from RMB17.478 billion for 2016, which was mainly due to ① increase in external equity interest investment and in PPP project investment resulting from the Group's adapting to the reform on investment and financing system and ② increase in fixed bank deposits with maturity over 3 months. In 2017, the net cash inflow from financing activities of the Group amounted to RMB1.541 billion while there was a net cash outflow from financing activities of RMB15.770 billion for 2016. It was mainly because ① proceeds were raised from the asset restructuring of China Railway Industry, a listed company controlled by the Company and ② the Group's subsidiaries absorbed external investments in the mix-ownership reform.

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 for 2017 was RMB15.748 billion (2016: RMB14.677 billion).

The following table sets forth the Group's capital expenditure by business segment in 2017.

For the year ended 31 December 2017	Infrastructure construction *RMB million*	Survey, design and consulting services *RMB million*	Engineering equipment and component manufacturing *RMB million*	Property development *RMB million*	Other businesses *RMB million*	Total *RMB million*
Property, plant and equipment	9,844	184	677	898	3,266	14,869
Land use rights	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**

Working Capital

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
Inventories	**30,946**	28,737
Properties under development for sale	**74,253**	60,962
Trade and bills receivables	**202,049**	162,379
Trade and bills payables	**336,388**	298,715
Turnover of inventory (days)	**17**	18
Turnover of trade and bills receivables (days)	**95**	88
Turnover of trade and bills payables (days)	**183**	173

At the end of 2017, the balance of Group's inventories and properties under development for sale increased by 7.7% and 21.8% respectively as compared to that at the end of 2016. It was mainly due to ① significant increase in products in progress for preparation for new contracts of construction machinery products resulting from the significant increase in such contracts of the Group and ② increase in investment of property development. The inventory turnover days was 17 days in 2017, basically remained the same as that for 2016. The Group's trade and bills receivables increased by 24.4% to RMB202.049 billion as at the end of 2017 as compared to that at the end of 2016 while the turnover days of trade and bills receivables was 95 days in 2017, representing an increase of 7 days as compared to 88 days in 2016. It was mainly due to ① increase in trade and bills receivables as a result of expansion in the Group's business scale and ② delay in payment from certain project owners as a result of change in domestic's investment and financial market environment.

Trade and Bills Receivables

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 26.2% (31 December 2016: 25.4%) 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 2017 and 2016, based on invoice date.

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
Less than six months	**119,687**	92,483
Six months to one year	**29,519**	28,676
One year to two years	**36,098**	23,037
Two years to three years	**8,494**	9,328
More than three years	**8,251**	8,855
Total	**202,049**	162,379

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 12.6% from the end of 2016 to RMB336.388 billion as at the end of 2017. It was mainly because ① simultaneous increase in payable for staff outsourcing and purchase as a result of the expansion of the Group's business scale and increase in investment in projects and ② reasonable payment arrangement by making good use of the Group's good business credit as well as maximization of the Group's profitability. Therefore, the turnover days of trade and bills payables was 183 days in 2017, representing an increase from 173 days in 2016. 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 9.0% (31 December 2016: 9.9%) of the total payables.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 31 December 2017 and 2016, based on invoice date.

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
Less than one year	**306,155**	269,171
One year to two years	**18,544**	18,217
Two years to three years	**5,504**	5,549
More than three years	**6,185**	5,778
Total	**336,388**	298,715

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2017 and 2016. As at 31 December 2017, 50.9% of the Group's borrowings were short-term borrowings (31 December 2016: 46.4%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
Bank borrowings		
Secured	**30,303**	30,466
Unsecured	**94,013**	91,760
	124,316	122,226
Long-term debentures, unsecured	**36,002**	33,322
Other borrowings		
Secured	**–**	431
Unsecured	**13,616**	16,346
	49,618	50,099
Total	**173,934**	172,325
Long-term borrowings	**85,451**	92,308
Short-term borrowings	**88,483**	80,017
Total	**173,934**	172,325

Bank borrowings carry interest rates ranging from 0.75% to 8.00% (31 December 2016: 1.12% to 9.00%) per annum. Long-term debentures carry fixed interest rates ranging from 2.88% to 6.40% per annum (31 December 2016: 3.07% to 6.40%). Other borrowings carry interest rates ranging from 4.35% to 6.15% (31 December 2016: 1.00% to 7.98%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 31 December 2017 and 2016.

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
Less than one year	**88,483**	80,017
One year to two years	**19,958**	28,117
Two years to five years	**38,387**	36,931
More than five years	**27,106**	27,260
Total	**173,934**	172,325

As at 31 December 2017 and 2016, the Group's bank borrowings comprised fixed-rate bank borrowings amounting to RMB37.859 billion and RMB1.502 billion and floating-rate bank borrowings amounting to RMB86.457 billion and RMB120.724 billion, respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2017 and 2016. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euro.

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
RMB	**161,069**	163,184
USD	**12,652**	8,841
Euro	**64**	136
Others	**149**	164
Total	**173,934**	172,325

The following table sets forth the details of the Group's secured borrowings as at 31 December 2017 and 2016.

	As at 31 December			
	2017		2016	
	Secured borrowings	**Carrying amount of pledged assets and contract value of certain rights**	Secured borrowings	Carrying amount of pledged assets and contract value of certain rights
	RMB million	***RMB million***	*RMB million*	*RMB million*
Property, plant and equipment	**9**	**7**	12	13
Land use rights	**–**	**–**	300	793
Intangible assets	**20,586**	**29,317**	21,043	35,098
Properties under development for sale	**8,600**	**18,315**	8,888	19,428
Trade receivables	**1,108**	**3,389**	654	944
Total	**30,303**	**51,028**	30,897	56,276

As at 31 December 2017, the Group's unused credit line facility from banks was RMB595.122 billion (31 December 2016: RMB518.242 billion).

As at 31 December 2017, the Group's gearing ratio (total liabilities/total assets) was 79.9%, representing a decrease of 0.3 percentage point as compared with 80.2% for 2016. The Group has been primarily financing its working capital and other capital requirements through cash generated from operations, and mainly through borrowings in case of any deficiencies. In the year of 2017, the Group completed a note issuance of USD0.5 billion which has a maturity of 5 years and bears interest at a coupon rate of 2.88% per annum.

VI. Contingent Liabilities

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

	As at 31 December	
	2017	2016
	RMB million	*RMB million*
Pending lawsuits *(Note 1)*		
– arising in the ordinary course of business	**1,468**	987
– overseas lawsuits *(Note 2&3)*	**–**	381
Outstanding guarantees *(Note 4)*	**25,860**	24,301

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

*Note 2: Exploitations Artisanales Au Congo ("**EXACO**") was a former shareholder of La Miniere De Kalumbwe Myunga sprl ("**MKM**"), an indirectly owned subsidiary of the Company. As at 30 August 2011, EXACO had disposed of its entire equity interests in MKM.*

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

On 30 November 2016 and 10 April 2017, MKM, CRRGH and CRRG jointly submitted their statement of defense and counterclaims to the arbitration tribunal, respectively. EXACO accordingly submitted the responses to the statement of defense and counterclaims, which amended the amount of losses caused by 43.5% share transfer from USD54.77 million (equivalent to approximately RMB356 million) to USD53.40 million (equivalent to approximately RMB370 million).

On 22 May 2017, the hearing was held at the International Court of Arbitration in Paris, and the verdict was pronounced on 2 August 2017. The International Court of Arbitration rejected the arbitration applications filed by EXACO and the counterclaims made by MKM, CRRGH and CRRG. In addition, EXACO should bear 80% of the arbitration fees amounted to EUR463,470.40 (equivalent to approximately RMB4 million), and compensate 80% of the legal counsel costs and other expenses to MKM, CRRGH and CRRG, amounting to approximately RMB4 million in total. An interest at 8% per annum will be charged to the outstanding expenses payable by EXACO from the date of arbitration pronouncement till the full amount is paid off. As at 31 December 2017, the Group has no pending litigations relating to the EXACO case.

*Note 3: On 19 May 2017, the case, involving two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd. and two independent parties, and Polish General Directorate for National Roads and Motorways in Poland (the "**Poland Case**"), was settled. All parties agreed to withdraw the claims and waive the rights for compensation. As at 31 December 2017, the Group has no pending litigations relating to the Poland Case.*

Note 4: 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			
	2017		2016	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,077**	**2018-2023**	5,467	2017-2023
Joint ventures	**400**	**2018-2019**	400	2017-2019
A government-related enterprise	**58**	**2019**	61	2017
Property purchasers	**23,121**	**2018-2038**	21,005	2017-2025
Former associates	**754**	**2020-2027**	1,363	2020-2024
A former subsidiary	**–**	**–**	928	2022
Total	**29,410**		29,224	

VII. Business Risks

The Group is exposed to a variety of business risks, including market risk, operation risk, management risk, policy risk, financial risk, investment risk, exchange rate risk and commodity price fluctuation 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 condition of infrastructure and expectation on future expansion demand and expectation on the overall growth level of related industries. In addition, the instability of political and economic environment of overseas market could bring uncertainties to the Group's overseas market development, which may affect the normal project implementation.

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

(3) **Management risk**: With the Group's incapability to fully control all the actions of its non-wholly owned subsidiaries, plus high risk of the construction industry, and the rapid growth in the business scale of the Company 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.

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

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

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

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

(8) **Commodity price fluctuation 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.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Directors

LI Changjin
(Chairman and Executive Director)

LI Changjin, aged 59, a member of the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC), senior engineer, is an executive director, Chairman, Secretary to the Communist Party Committee, Chairman of the Strategy Committee and Chairman of the Nomination Committee of the Board of the Directors of the Company. Mr. LI is also the Chairman, Secretary to the Communist Party Committee of CREC and the Chairman of the Listed Companies Association of Beijing. Mr. LI was the General Manager of CREC from June 2010 to March 2013. He was a director, Chairman and Deputy Secretary to the Communist Party Committee of CREC from June 2010 to November 2016. He has been the Chairman, an executive director and Secretary to the Communist Party Committee of the Company since June 2010. Mr. LI assumed the responsibilities of the President of the Company from January 2014 to March 2014. He has been a director and the Chairman and Secretary to the Communist Party Committee of CREC since November 2016.

ZHANG Zongyan
(Executive Director and President)

ZHANG Zongyan, aged 54, senior engineer, is an executive director, President, Deputy Secretary to the Communist Party Committee, Chairman of the Safety, Health and Environmental Protection Committee of the Board of the Directors of the Company, and is a director, General Manager and Deputy Secretary to the Communist Party Committee of CREC. Mr. ZHANG was the Vice President of China Railway Construction Corporation Limited from April 2009 to March 2013. Mr. ZHANG was the President and Deputy Secretary to the Communist Party Committee of China Railway Construction Corporation Limited and concurrently a director and Secretary to the Communist Party Committee of China Railway Construction Corporation from March 2013 to July 2015, and an executive director of China Railway Construction Corporation Limited from June 2013 to July 2015. Mr. ZHANG was a director and Secretary to the Communist Party Committee of CREC from July 2015 to November 2016. He has been the President of the Company since July 2015, an executive director of the Company since January 2016, and a director, General Manager and Deputy Secretary to the Communist Party Committee of CREC since November 2016.

ZHOU Mengbo
(Executive Director)

ZHOU Mengbo, aged 53, senior engineer, is an executive director and Deputy Secretary to the Communist Party Committee of the Company. He is also the Deputy Secretary to the Communist Party Committee of CREC. He was a Vice President of the Company from September 2007 to June 2017. He has been an executive director of the Company since June 2017, Deputy Secretary to the Communist Party Committee of the Company since September 2017 and Deputy Secretary to the Communist Party Committee of CREC since September 2017.

ZHANG Xian, aged 57, senior engineer, is an executive director and Standing Member of the Communist Party Committee of the Company. He is also a Standing Member of the Communist Party Committee of CREC. He was a Vice President of the Company from August 2010 to June 2017. He has been an executive director of the Company since June 2017.

ZHANG Xian
(Executive Director)

GUO Peizhang, aged 68, senior economist, is an independent non-executive director and Chairman of the Remuneration Committee of the Board of the Directors of the Company. Mr. GUO was the Chairman of the Supervisory Committee of GD Power Development Co., Ltd. from November 2007 to April 2011, an independent non-executive director of China Shenhua Energy Company Limited from June 2010 to June 2017, and an external director of China Dongfang Electric Corporation from December 2010 to September 2015. Mr. GUO has been an independent non-executive director of the Company since June 2014.

GUO Peizhang
(Independent Non-executive Director)

WEN Baoman, aged 66, senior political work professional, is an independent non-executive director of the Company and an external director of China Telecom Group. Mr. WEN was Deputy Secretary of the Party Committee with concurrent position as Headmaster of Party School of Ansteel Group, Chairman of Supervisory Committee of Angang Steel Company Limited and a Standing Committee Member of Anshan Municipal Committee from July 2005 to December 2011. Mr. WEN has been an external director of China Telecom Group since March 2012. He has been an independent non-executive director of the Company since June 2014.

WEN Baoman
(Independent Non-executive Director)

ZHENG Qingzhi
(Independent Non-executive Director)

ZHENG Qingzhi, aged 65, senior accountant, is an independent non-executive director of the Company, Chairman of the Audit and Risk Management Committee of the Board of the Directors of the Company and Deputy Chairman of China Agriculture Industrialisation Association. Mr. ZHENG was a director, General Manager and Deputy Secretary of the Party Committee of China National Agricultural Development Group Co., Ltd. from October 2004 to April 2013 with concurrent position as Chairman of the Board of Directors of China Animal Husbandry (Group) General Corporation, and was concurrently the Secretary General of China Agriculture Industrialisation Association from April 2013 to April 2015. He has been the Deputy Chairman of China Agriculture Industrialisation Association since April 2013, an external director of Wuhan FiberHome Technologies Group since October 2015 and an external director of Telecommunication Science and Technology Research Institute Co., Limited since January 2018. He has been an independent non-executive director of the Company since June 2014.

CHUNG Shui Ming Timpson
(Independent Non-executive Director)

CHUNG Shui Ming Timpson, aged 66, a member of the 10th to 13th National Committee of the Chinese People's Political Consultative Conference and a Pro-Chancellor of the City University of Hong Kong. Mr. CHUNG is currently an independent non-executive director of Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation, China Unicom (Hong Kong) Limited and Jinmao Hotel and Jinmao (China) Investments Holdings Limited (all listed on the Hong Kong Stock Exchange). Mr. CHUNG served as a senior audit officer of PricewaterhouseCoopers, an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, the chairman of China Business of Jardine Fleming Holdings Limited, deputy chief executive officer of BOC International Limited, director-general of the Democratic Alliance for the Betterment and Progress of Hong Kong, chairman of the Advisory Committee on Art Developments, chairman of the Council of the City University of Hong Kong, chairman of the Hong Kong Housing Society, member of the Executive Council of the Hong Kong Special Administrative Region, vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, member of the Managing Committee of the Kowloon-Canton Railway Corporation, member of the Hong Kong Housing Authority, member of the Disaster Relief Fund Advisory Committee, independent non-executive director of Henderson Land Development Company Limited and Nine Dragons Paper (Holdings) Limited, independent director of China Everbright Bank Corporation Limited and China State Construction Engineering Corporation Limited, and external director of China Mobile Communications Corporation. Mr. CHUNG holds a bachelor of science degree from the University of Hong Kong and a master's degree of business administration from the Chinese University of Hong Kong and obtained a Doctor of Social Sciences honoris causa from the City University of Hong Kong in 2010. In 2000, he received the Gold Bauhinia Star from the Government of Hong Kong Special Administrative Region. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. He has been an independent non-executive director of the Company since June 2017.

MA Zonglin
(Non-executive Director)

MA Zonglin, aged 60, senior engineer, is a non-executive director of the Company. He served as a director, General Manager and Standing Member of the Communist Party Committee of Power Construction Corporation of China from August 2011 to February 2014, Secretary to the Communist Party Committee and director of Power Construction Corporation of China from February 2014 to November 2016, a director, General Manager and Standing Member of the Communist Party Committee of Powerchina Limited from February 2014 to December 2014, and Secretary to the Communist Party Committee and Vice Chairman of Powerchina Limited from December 2014 to November 2016. He has been a full-time external director of Central Enterprises since November 2016 and a non-executive director of the Company since June 2017. He is also a non-executive director of China Forestry Group Corporation.

II. Supervisors

LIU Chengjun
(Chairman of Supervisory Committee)

LIU Chengjun, aged 54, senior engineer and senior economist entitled to government special allowance from the State Council, is the Chairman of the Supervisory Committee and a shareholder representative supervisor of the Company. He was the General Manager of the design and consulting branch company from December 2001 to July 2014, a shareholder representative and Vice Chairman of China Railway Eryuan Engineering Group Co., Ltd. from December 2006 to October 2007, Chairman of the Supervisory Committee of China Railway South Investment & Development Co., Ltd. from December 2007 to September 2012, Deputy Chief Engineer and Head of Scientific Design Division of the Company from January 2008 to June 2014 and Chairman of China Railway Northwest Research Institute Co., Ltd. from December 2009 to July 2014. He also served as the Chairman of China Railway Major Bridge Survey and Design Institute Group Co., Ltd. from December 2010 to March 2013. Mr. LIU has been Chairman of Supervisory Committee and a shareholder representative supervisor of the Company since June 2014.

LIU Jianyuan
(Supervisor)

LIU Jianyuan, aged 56, senior economist and political work professional, is an employee representative supervisor, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company, with concurrent position as an employee director and Chairperson of the Labour Union of CREC. She was Vice Chairperson of the Labour Union of the Company from January 2008 to June 2014. Ms. LIU has been an employee director of CREC since August 2012, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company since June 2014, Vice Chairperson of Female Staff Committee of All-China Federation of Railway Labour Union since December 2015, Executive Committee Member of All-China Federation of Labour Unions since January 2016 and Deputy Chief (part-time) of the Grassroots Department of All-China Federation of Labour Unions since October 2016. Ms. Liu has been an employee representative supervisor of the Company since January 2011.

WANG Hongguang
(Supervisor)

WANG Hongguang, aged 58, senior economist, is an employee representative supervisor, Vice Secretary to the Disciplinary Committee and Head of Supervision Department of the Company, with concurrent position as Deputy Secretary to the Disciplinary Committee of CREC. Mr. WANG has been Deputy Secretary to the Disciplinary Committee and Head of Supervision Department of the Company since November 2009 with concurrent position as Deputy Secretary to the Disciplinary Committee of CREC. Mr. WANG has been an employee representative supervisor of the Company since June 2014.

CHEN Wenxin
(Supervisor)

CHEN Wenxin, aged 54, senior economist, solicitor and corporate legal advisor, is a shareholder representative supervisor of the Company. Mr. Chen was a supervisor of China Railway South Investment & Development Co., Ltd. from December 2007 to August 2012 and the Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He was a director of Linha Railway Co., Ltd. from December 2010 to June 2015, and a director and Vice Chairman of Linha Railway Co., Ltd. from June 2015 to February 2018. He has been a director of China Railway Eastern International (Group) Limited since August 2016, as well as a shareholder representative supervisor of the Company since January 2011.

FAN Jinghua
(Supervisor)

FAN Jinghua, aged 52, senior auditor and senior accountant, is an employee representative supervisor and Head of Audit Department of the Company. He was a supervisor and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from October 2005 to May 2011, a supervisor, Deputy Chief Accountant and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from June 2011 to June 2013, Deputy Head of Audit Department of the Company from July 2013 to November 2013. Mr. FAN has been Head of Audit Department of the Company since November 2013 and an employee representative supervisor of the Company since June 2014.

III. Senior Management

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

LIU Hui
(Vice President and Chief Engineer)

LIU Hui, aged 57, senior engineer, is a state registered consulting engineer and first-grade state-registered architect, Vice President, Chief Engineer and Standing Member of the Communist Party Committee of the Company and a Standing Member of the Communist Party Committee of CREC. He is concurrently the Vice Chairman of China Railway Design Corporation and the Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd.. Mr. LIU has been a director and Vice Chairman of China Railway Design Corporation since January 2007, a director and Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd. since June 2011 and a Vice President and Chief Engineer of the Company since September 2007.

MA Li
(Vice President)

MA Li, aged 60, senior engineer, is a Vice President and Standing Member of the Communist Party Committee of the Company. He is also a Standing Member of the Communist Party Committee of CREC. He has been a Vice President of the Company since September 2007.

YANG Liang
(Chief Financial Officer)

YANG Liang, aged 48, senior accountant, is the Chief Financial Officer and a Standing Member of the Communist Party Committee of the Company. He is also a Standing Member of the Communist Party Committee of CREC. Mr. YANG was a supervisor of China Railway Resources Company Limited from April 2008 and March 2014, Head of Finance Department of the Company from September 2007 to March 2014 and a director of China Railway Trust Co., Ltd. from November 2013 to March 2014. He has been the Chief Financial Officer of the Company since March 2014.

YU Tengqun
(Secretary to the Board of Directors, General Legal Advisor and the spokesperson of the Company)

YU Tengqun, aged 48, senior economist, is the Secretary to the Board of Directors, General Legal Advisor, spokesperson and Standing Member of the Communist Party Committee of the Company. He is also a Standing Member of the Communist Party Committee of CREC. Mr. YU was the Secretary to the Board of Directors of the Company from December 2007 to March 2014 and Secretary to the Board of Directors and spokesperson of the Company from September 2010 to March 2014. He has been the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company since March 2014.

TAM Chun Chung
(Joint Company Secretary and Qualified Accountant)

TAM Chun Chung, aged 45, is the Joint Company Secretary and Qualified Accountant of the Company and also an independent non-executive director of Huiyin Household Appliances (Holdings) Co., Ltd. and Lap Kei Engineering (Holdings) Limited. Mr. TAM joined the Company in November 2007. Prior to joining the Company, Mr. TAM served as a Qualified Accountant and Joint Company Secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. TAM worked for a large international accounting firm as an assistant manager. Mr. TAM has over 20 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

REPORT OF THE DIRECTORS

Business Review

1. Business Review of the Financial Year

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

In the year of 2017, China adhered to general working keynote of making progress with stable pace, focusing on enhancement of development quality and efficiency, and taking supply-side structural reform as the main thread. As such, the national economy continued to maintain the development trend of making progress with stability and good momentum for growth and the overall situation was better than as expected. Although the growth of investment in fixed assets from the whole society slowed down to some extent, investment in infrastructure remained increased at high speed and the contribution to infrastructure investment still maintained tremendous proportion in fixed assets investment. During the year of 2017, the Group closely concentrated on the centralised work of the year, implemented thoroughly streamlining as well as quality and efficiency enhancement, continuously deepened the improvement of quality and efficiency, and proactively involved in the supply-side structural reform. Also, the Group made full use of three historic opportunities of the booming development of infrastructure construction market, the steady progress of construction along the Belt and Road and continuous deep reform of State-owned enterprises so as to accelerate the pace of industry centralisation and transformation as well as upgrade and deepen the reform of production and operation system and mechanism. The Group completed the restructure of industry segment and asset swap for listing of China Railway Erju Co., Ltd ("**China Railway Erju**"), implemented and designed the mixed-ownership reform as well as the pilot employees stock ownership program of the segment subsidiaries to improve regional operation capability and international operation level. Therefore, the economic operation of the Group continuously remained stable and increasing trend.

In the year of 2017, the Group achieved revenue of RMB688.773 billion, representing a year-on-year increase of 8.8%. In the year of 2017, the Group achieved net profit of RMB14.204 billion, representing a year-on-year increase of 11.8%. The profit for the year attributable to the owner of the Company was RMB16.067 billion, representing a year-on-year increase of 28.4%.

Further details of the Group's business review of the financial year are set out in Parts I to VII of "Business Overview" on pages 13 to 24 and Parts I to VI of "Management Discussion and Analysis" on pages 26 to 37 of this annual report.

2. Principal Risks and Uncertainties

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

Further details of the Group's principal risks are set out in Part VII of "Management Discussion and Analysis" on pages 37 to 38.

3. Future Development of Businesses

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

Details of the Group's expectations to and plans of businesses future development are set out in Part VIII to Part IX of "Business Overview" on pages 24 to 25.

Financial Statements

The profits of the Group for the year ended 31 December 2017 and the financial positions of the Group as at such date are set out in the Financial Statements on pages 98 to 226.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.113 per share (including tax), totalling approximately RMB2.581 billion for the financial year ended 31 December 2017 (2016: RMB0.088 per share (including tax), totalling approximately RMB2.010 billion). The distribution plan will be implemented upon approval at the 2017 annual general meeting of the Company and the dividends are expected to be paid in around August 2018 to the shareholders of the Company.

Donations

Donations made by the Group during the financial year amounted to RMB52.961 million (2016: RMB5.219 million).

Property, Plant and Equipment

Changes in property, plant and equipment of the Group during the financial year are set out in note 16 to the Financial Statements.

Share Capital

Details of the Company's share capital are set out in note 35 to the Financial Statements.

Distributable Reserves

As at 31 December 2017, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB41.990 billion.

Results of the Non-public Issuance of A Shares by the Subsidiary of the Company

On 2 December 2015, the Company and China Railway Erju, a subsidiary of the Company, entered into an asset swap agreement, pursuant to which the Company agreed to sell to China Railway Erju 100% equity interests held by the Company in China Railway Shanhaiguan Bridge Group Co., Ltd., China Railway Baoji Bridge Group Co., Ltd., China Railway Science & Industry Group Co., Ltd. and China Railway Engineering Equipment Group Co., Ltd. ("**Disposed Assets**"), and China Railway Erju agreed to swap with the Company all of its assets and liabilities ("**Acquired Assets**") (by first injecting them into its wholly-owned subsidiary China Railway Erju Engineering Co., Ltd., and then transferring the 100% equity interests in China Railway Erju Engineering Co., Ltd.) for equal value, the difference in the value of assets shall be paid by China Railway Erju by non-public issuance of new A shares with par value of RMB1.00 each ("**Consideration Shares**") to the Company. China Railway Erju also resolved to issue no more than 513,698,630 new A shares to no more than ten qualified designated investors at the issue price of no less than RMB11.68 per share by way of a non-public offering to raise proceeds of no more than RMB6,000,000,000 in aggregate. On 19 April 2016, Company and China Railway Erju entered into an asset swap supplemental agreement (the "**Asset Swap Supplemental Agreement**") to confirm the final transaction prices of the Disposed Assets and the Acquired Assets respectively, which are determined and agreed by the parties by reference to the relevant assets appraisal results. Pursuant to the Asset Swap Supplemental Agreement, the transaction price of the Disposed Assets was RMB11.688 billion (equivalent to approximately HK$14.172 billion), and the transaction price of the Acquired Assets was RMB7.228 billion (equivalent to approximately HK$8.764 billion).

On 5 January 2017 ("**Closing Date**"), the formalities of the transfer of equity interests and change of business registration regarding the Acquired Assets and Disposed Assets under this transaction were completed. With effect from the Closing Date, the rights, obligations and risks in respect of the Disposed Assets were transferred to China Railway Erju, and the rights, obligations and risks in respect of the Acquired Assets were transferred to the Company.

On 12 January 2017, China Railway Erju completed the registration of the issuance of 383,802,693 Consideration Shares to the Company. After this issuance, the Company directly and indirectly held an aggregate of 1,113,577,100 shares of China Railway Erju, representing a shareholding of 60.42%.

On 24 January 2017, China Railway Erju completed the registration of the change of its name to China Railway Hi-Tech Industry Corporation Limited. On 2 March 2017, the stock name of China Railway Erju (now China Railway Industry) was changed from "China Railway Erju" to "China Railway Industry".

In March 2017, upon approval by the China Securities Regulatory Commission ("**CSRC**"), China Railway Industry conducted a fundraising through non-public share offering to not more than ten designated investors and eventually issued 378,548,895 shares at RMB15.85 per share for total proceeds of RMB5,999,999,985.75. Registration was completed for these new shares on 27 March 2017. After the completion of this non-public share offering, the equity interests in China Railway Industry held directly and indirectly by the Company was changed to 50.12% as at the date of this annual report.

Reserves

Changes in reserves of the Group during the financial year are set out in the consolidated statement of changes in equity on pages 102 to 103 of this annual report.

Major Customers and Suppliers

The China Railway Corporation, which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2017, sales to the China Railway Corporation accounted for approximately 34.2% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the China Railway Corporation) in aggregate accounted for approximately 36.7% of the total revenue of the Group. At no time during the financial year have the directors, their associates or any shareholder of the Company (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2017, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 1.2% of the total cost of sales of the Group in 2017.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2017 are set out in note 49 and note 23, respectively, to the Financial Statements.

Directors, Supervisors and Senior Management of the Company

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

Name	Position
LI Changjin (re-elected on 28 June 2017)	Chairman and Executive Director
ZHANG Zongyan (re-elected on 28 June 2017)	Executive Director
ZHOU Mengbo (elected on 28 June 2017)	Executive Director
ZHANG Xian (elected on 28 June 2017)	Executive Director
GUO Peizhang (re-elected on 28 June 2017)	Independent Non-executive Director
WEN Baoman (re-elected on 28 June 2017)	Independent Non-executive Director
ZHENG Qingzhi (re-elected on 28 June 2017)	Independent Non-executive Director
CHUNG Shui Ming Timpson (elected on 28 June 2017)	Independent Non-executive Director
MA Zonglin (elected on 28 June 2017)	Non-executive Director
YAO Guiqing (resigned on 28 June 2017)	Vice Chairman and Executive Director
NGAI Wai Fung (resigned on 28 June 2017)	Independent Non-executive Director

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

Name	Position
LIU Chengjun (re-elected on 28 June 2017)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan (re-elected on 13 June 2017)	Employee Representative Supervisor
WANG Hongguang (re-elected on 13 June 2017)	Employee Representative Supervisor
CHEN Wenxin (re-elected on 28 June 2017)	Shareholder Representative Supervisor
FAN Jinghua (re-elected on 13 June 2017)	Employee Representative Supervisor

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

Name	Position
ZHANG Zongyan (re-appointed on 28 June 2017)	President
LIU Hui (re-appointed on 28 June 2017)	Vice President and Chief Engineer
MA Li (re-appointed on 28 June 2017)	Vice President
YANG Liang (re-appointed on 28 June 2017)	Chief Financial Officer
YU Tengqun (re-appointed on 28 June 2017)	Secretary to the Board of Directors, General Legal Advisor and Joint Company Secretary
TAM Chun Chung (re-appointed on 28 June 2017)	Joint Company Secretary and Qualified Accountant
ZHOU Mengbo (resigned on 28 June 2017)	Vice President
ZHANG Xian (resigned on 28 June 2017)	Vice President

The 2016 annual general meeting of the Company was held on 28 June 2017, at which Mr. LI Changjin and Mr. ZHANG Zongyan were re-elected and Mr. ZHOU Mengbo and Mr. ZHANG Xian were elected as executive directors of the Company; Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were re-elected and Mr. CHUNG Shui Ming Timpson was elected as the independent non-executive directors of the Company; and Mr. MA Zonglin was elected as the non-executive director of the Company. The aforesaid directors constitute the fourth session of the Board of Directors, with a term of three years commencing on 28 June 2017 and ending on the expiration of the fourth session of the Board of Directors. Accordingly, Mr. YAO Guiqing and Mr. NGAI Wai Fung ceased to be the directors of the Company from the same date. In addition, the first meeting of the fourth session of the Board of Directors was held on 28 June 2017, at which Mr. LI Changjin was re-elected as the Chairman of the Board of Directors.

The third joint meeting of chairmen of the second session of employee representative general meeting of the Company was held on 13 June 2017, at which Ms. LIU Jianyuan, Mr. WANG Hongguang and Mr. FAN Jinghua were re-elected as employee representative supervisors of the fourth session of the Supervisory Committee, with a term of three years commencing on 13 June 2017 and ending on the expiration of the fourth session of the Supervisory Committee. At the 2016 annual general meeting of the Company held on 28 June 2017, Mr. LIU Chengjun and Mr. CHEN Wenxin were re-elected as shareholder representative supervisors of the Company, with a term of three years commencing on 28 June 2017 and ending on the expiration of the fourth session of the Supervisory Committee. The aforesaid supervisors constitute the fourth session of the Supervisory Committee. Furthermore, the first meeting of the fourth session of the Supervisory Committee was held on 28 June 2017, at which Mr. LIU Chengjun was re-elected as the Chairman of the Supervisory Committee.

At the first meeting of the fourth session of the Board of Directors held on 28 June 2017, Mr. ZHANG Zongyan was re-appointed as President of the Company, Mr. LIU Hui was re-appointed as Vice President and chief engineer of the Company, Mr. MA Li was re-appointed as Vice President of the Company, Mr. YANG Liang was re-appointed as Chief Financial Officer of the Company, Mr. YU Tengqun was re-appointed as General Legal Advisor of the Company and Secretary to the Board, and Mr. TAM Chun Chung was re-appointed as Joint Company Secretary of the Company. The terms of office of the aforesaid senior management shall commence on the day of appointment by the Board and end on the expiration of the fourth session of the Board of Directors. Accordingly, Mr. ZHOU Mengbo and Mr. ZHANG Xian ceased to be Vice Presidents of the Company.

In addition, in November 2016, CREC, the controlling shareholder of the Company, received the Notice on Appointment and Dismissal of YAO Guiqing and ZHANG Zongyan (Guo Zi Ren Zi [2016] No. 167) issued by SASAC, pursuant to which, Mr. ZHANG Zongyan was nominated as the general manager of CREC. On 22 December 2016, the 68th meeting of the first session of the board of directors of CREC considered and approved the Proposal on Appointment of the General Manager of China Railway Engineering Corporation, agreeing to appoint Mr. ZHANG Zongyan as the general manager of CREC. The Company received the Letter on Exempting the President of China Railway Group Limited from Restriction on Concurrent Positions (Shang Shi Bu Han [2017] No. 410) issued by the CSRC in early July 2017, agreeing to exempt Mr. ZHANG Zongyan from the restriction to serve concurrent positions as senior management. The Company published the Announcement on Exempting the President of the Company from Restriction on Concurrent Positions of China Railway Group Limited (Lin 2017-031) on the website of the Shanghai Stock Exchange on 4 July 2017 and on the website of the Hong Kong Stock Exchange on 3 July 2017. The independent directors of the Company were of the view that ZHANG Zongyan, the president of the Company, could perform the duties of the president of the Company as first priority during the concurrent position period as the general manager of the controlling shareholder, focus on the promotion of the operation, management, reform and development of the Company, and deal well with the relationship between the Company and the controlling shareholder loyally, diligently and devotedly. Therefore, ZHANG Zongyan justified the confidence from the Board and shareholders of the Company. There were no activities that might impair the interests of the Company and other shareholders due to such concurrent position, which was compliance with the independence requirements of staff of the listed company.

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

Directors' and Supervisors' Interests in Contracts

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

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

Details of the emoluments of the directors, supervisors and senior management of the Company in 2017 are set out in note 15 to the Financial Statements.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2017, none of the Company or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

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

Permitted Indemnity Provisions

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

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

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

Save as disclosed below, as at 31 December 2017, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

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

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

As at 31 December 2017, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of substantial shareholders	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	12,260,390,308	Long position	65.79	53.67

Holders of H Shares

Name of substantial shareholders	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
BlackRock, Inc.	Interest of controlled corporations	385,228,318	Long position	9.16	1.69
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.46
Deutsche Bank Aktiengesellschaft	*(Note 1)*	229,803,271 123,424,962 10,406,000	Long position Short position Lending Pool	5.46 2.93 0.25	1.01 0.54 0.05
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560 94,560,550	Long position Short position	5.00 2.25	0.92 0.41

Notes:

1 *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*	*–*

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

	Long Position				*Short Position*			
Name of substantial shareholders	*Listed equity derivative payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*	*Listed equity derivatives payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*
BlackRock, Inc.	*–*	*–*	*–*	*4,982,000*	*–*	*–*	*–*	*–*
Deutsche Bank Aktiengesellschaft	*–*	*–*	*–*	*17,624,000*	*–*	*–*	*–*	*10,166,000*
Lehman Brothers Holdings Inc.	*–*	*–*	*10,000,000*	*–*	*–*	*–*	*60,000*	*–*

Apart from the foregoing, as at 31 December 2017, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

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

Connected Transactions

1. Continuing Connected Transactions Defined under the Listing Rules

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

(1) the Comprehensive Services Agreement between the Company and CREC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) have exceeded the cap.

In accordance with the above requirements, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 55 to 56 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company for submission to the Hong Kong Stock Exchange.

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

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

Details of the significant related party transactions as defined by PRC laws and regulations during the reporting period are set out on pages 235 to 238 of this annual report.

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

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

Pre-emptive Rights

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

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the financial year, or existed as at 31 December 2017.

Bank and Other Loans

Particulars of bank and other loans of the Group as at 31 December 2017 are set out in note 39 to the Financial Statements.

Management Contract

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

Financial Summary

The summary of the audited consolidated income statement and consolidated balance sheet of the Group for the last five financial years is set out on page 3 of this annual report.

Emolument Policy

The Group has been devoted to establishing a remuneration management scheme that is continuing to be scientific and reasonable, fair and equitable, normative and orderly, in accordance with the requirements of the modern enterprise system, focused on the incentive and constraint functions that of remuneration distribution may serve, and aimed to attract and retain the core talents of the Group and maintain the reasonable and orderly growth in remuneration. In respect of remuneration policies, in 2017, the Group formulated the *Guiding Opinion of China Railway on Strengthening The Construction of Market-oriented Mechanism of Employees' Remuneration That May Increase and Decrease,* focusing on strengthening the construction of mechanism of aggregate salary which may increase and decrease, and promoted the internal remuneration system reform which is combined with market and linked with performance. The Group also regulated three key points of employees' welfare security system, established remuneration management system which is linked with appraisal and rationalised the remuneration distribution relationships within the enterprise.

In terms of aggregate salary and salary level management, in 2017, the Group, in accordance with the relevant regulations of the SASAC on budgetary management of aggregate salary and based on *Interim Measures for Budgetary Management of Aggregate Salary* and the *Rules for Implementing Budgetary Management of Aggregate Salary,* formulated *Measures for Budgetary Management of Aggregate Salary of Second-level Enterprises of China Railway Group Limited.* In compliance with the requirements of pilot unit of filing-based regulatory scheme for budgetary management of aggregate salary by SASAC, the Group strengthened the management of aggregate salary, further improved salary and performance linkage mechanism as well as the floating method of salary growth by the managing line, and implemented the aggregate salary differentiate management according to various business segments, with an aim to ensure a reasonable and orderly growth in aggregate salary of each business segment in the Company and employee wage so as to facilitate the scientific development of the Company.

Employee remuneration comprises basic salary, performance-based bonus and allowances. In accordance with applicable PRC laws, the Group entered into an employment contract with each of its employees. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination. Particulars of the employee remuneration of the Company are set out in note 15 to the Financial Statements.

In accordance with applicable regulations, the Group makes contributions to the employee pension contribution plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to employee housing provident fund according to applicable PRC regulations. In addition to statutory contributions, the Group also provides voluntary benefits to current employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans for both current and retired employees, and annuities for current employees.

In 2017, the Group refined the training and management system, established the training layout with all coverage in "All Details and All Aspects", trained all staff of the Group via different levels and classifications, fully implemented the "Training Staff on A Large Scale and Raising the Quality By A Large Margin" project. The headquarter of the Company held 66 training lessons for over 7,000 persons, which vigorously promoted the improvement of employees' quality and capability as well as building of talent team, and ensured the completion of each task for production and operation of the enterprise. The Group continued to make greater efforts for training, reform and creation, take the initiative to introduce the advanced training method and idea such as action learning. The Group simultaneously deeply promoted the construction of internet learning platform, provided the employees with enormous online learning sources and strengthened the convenience, autonomy and pertinence of learning.

In 2018, the Group will continue to focus on the Group's strategy and key work, devote greater efforts to staff training, implement the "686" action plan formulated by the *Training Plan of China Railway Group Limited for Personnel of Thirteenth Five-Year Plan,* focus on the organization and implementation of training works for directors, supervisors, senior management, leaders of the enterprise, international personnel, investment and financing personnel, professional and technical personnel and other training works and steadily implement training curriculums development, teaching staffs construction and other securities and foundations for training, devote greater efforts to the training reform and innovation and continuously improve the quality and efficiency of training, promote the transformation and upgrading of the Group and improved quality and efficiency.

The remuneration of executive directors of the Company is on an annual basis and consists of base salary and performance-based bonus. The revised remuneration policies for the independent directors of the Company were approved at the 2009 annual general meeting of the Company held on 29 June 2010, according to which, the remuneration of the independent non-executive directors of the Company is a fixed salary depending on position. The amendments to the original Salary (Remuneration) Management Measures of Directors and Supervisors of the China Railway Group Limited were approved at the 2016 annual general meeting of the Company held on 28 June 2017. According to the amended Salary (Remuneration, Work Subsidy) Management Measures of Directors and Supervisors of China Railway Group Limited, the remuneration of an independent non-executive director shall be determined with reference to provisions on the board of directors' pilot scheme of remuneration and treatment of external directors of central enterprises issued by the SASAC, and it shall be submitted to the general meeting of shareholders for consideration and approval after being discussed and approved by the Board of Directors. For the head of central enterprises who has left the current office and serves as an independent non-executive director, the remuneration shall be determined with reference to the requirements of the SASAC on the relevant matters regarding the payment of work subsidies for the head of central enterprises who has left the current office and serves as an external director. Remuneration of the directors is determined with reference to the prevailing market conditions and in accordance with applicable regulations. Details of the remuneration of the directors of the Company are set out in note 15 to the Financial Statements.

The personnel expenses of the Company for the year ended 31 December 2017 were RMB35.041 billion. As at 31 December 2017, the number of employees hired by the Group was 283,637. The following table sets forth a breakdown of the Group's employees by professional composition as at 31 December 2017:

Education Level	Number of employees as at 31 December 2017
Postgraduate and above	8,555
Undergraduate	110,936
Junior College	46,844
Technical Secondary School	117,302
Total	**283,637**

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 15 and note 41 to the Financial Statements.

Public Float

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

Compliance with the Corporate Governance Code

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 62 to 79 of this annual report.

Auditors

The 2017 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by PricewaterhouseCoopers, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by PricewaterhouseCoopers Zhong Tian LLP.

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu had provided annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, according to the "Proposal in relation to the Engagement of the Auditors for 2017" and "Proposal in relation to the Engagement of Internal Control Auditors for 2017" which were considered and passed successively at the 31st meeting of the third session of the Board held on 30 March 2017 and at the annual general meeting for the year 2016 held on 28 June 2017, it was agreed to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2017 and engage PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors of the Company for 2017. For details, please refer to the Announcement on the Resolutions Passed at the Annual General Meeting for the Year 2016 of China Railway published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 29 June 2017.

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

By order of the Board of Directors

Li Changjin
Chairman

Beijing, the PRC
29 March 2018

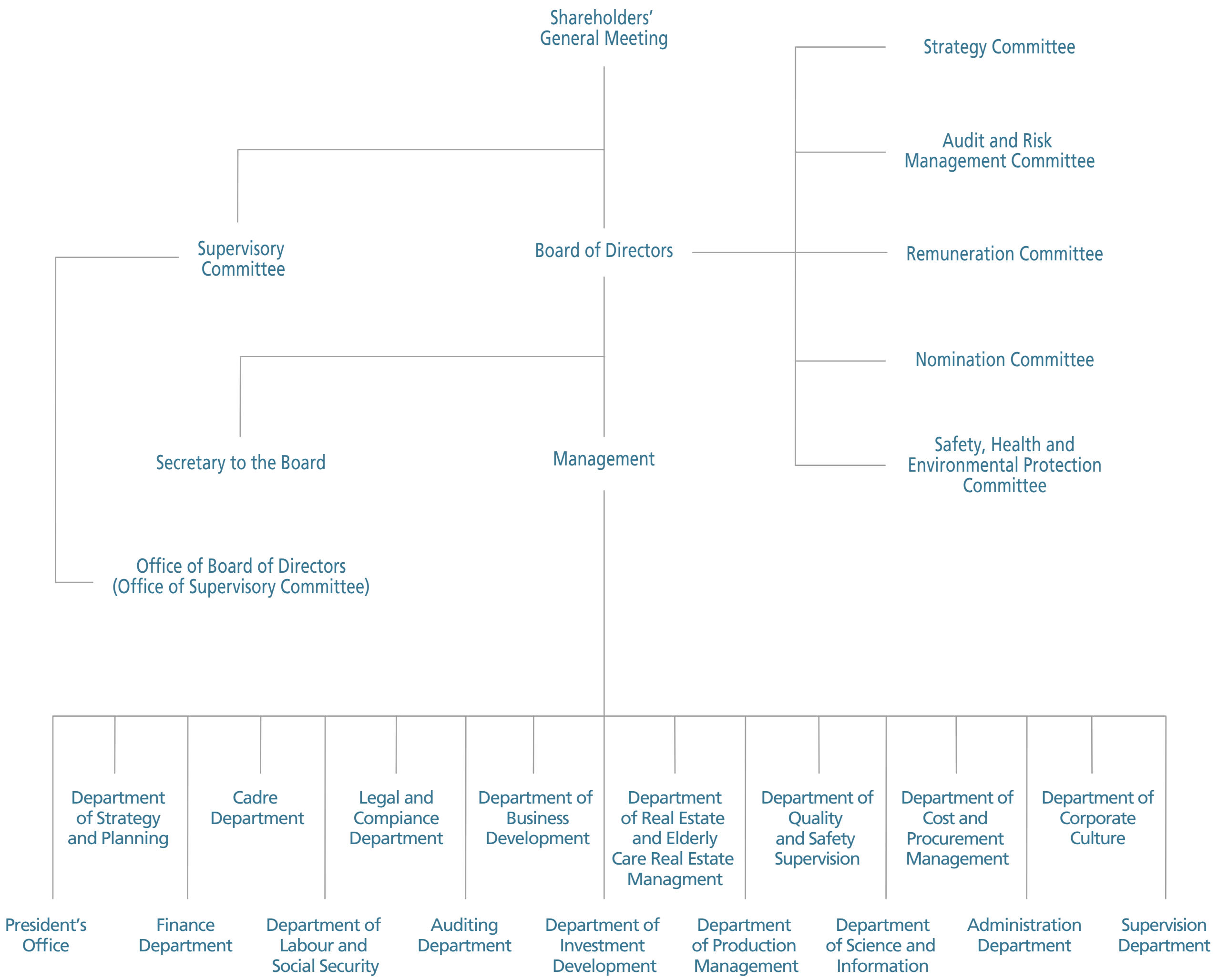
REPORT ON
CORPORATE GOVERNANCE PRACTICES

Overview

During the reporting period, the Company has complied with the laws and regulations of the places where it operates its business as well as the regulations and guidelines prescribed by regulatory authorities such as the CSRC, the Securities and Futures Commission, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The goals of the Company are to ensure the sustainable long-term development of the Company and generate greater returns for its shareholders. The Board believes that, in order to achieve these goals, the Company must implement and maintain corporate governance principles of and structures consistent with integrity, transparency, openness and effectiveness. For this reason, we have taken various measures to achieve an effective Board of Directors, including the creation of five committees under the Board, i.e. the Strategy Committee, the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Safety, Health and Environmental Protection Committee, and setting up 18 functional departments. We have adopted internal working procedures to ensure accurate and timely information disclosure in accordance with the requirements under the Listing Rules as well as the requirements under relevant PRC laws and regulations. The Company will continue to adopt measures to refine its corporate governance structures, improve its corporate governance and enhance practices in corporate governance standards in light of the actual circumstances of the Company.

Corporate Governance Framework

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



Compliance with the Code Provisions of the Corporate Governance Code

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

Shareholders' General Meeting

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

During the reporting period, the Company convened and held one shareholders' general meeting, being the 2016 annual general meeting held on 28 June 2017. At the 2016 annual general meeting, a total of 15 ordinary resolutions were considered and approved, including the 2016 report of the Board of Directors, the 2016 report of the Supervisory Committee, the 2016 work report of independent directors of the Company, the 2016 A share annual report and the abstract, H share annual report and results announcement for the year of 2016, the 2016 audited consolidated financial statements, the 2016 profit distribution plan, the appointment of the external auditors for 2017, the appointment of internal control auditors for 2017, the provision of total amount of external guarantee by the Company for the second half of 2017 and the first half of 2018, the proposed amendments to the Salary (Remuneration) Management Measures of Directors and Supervisors of the Company, the salary (remuneration) of directors and supervisors of the Company for the year of 2016, the purchase of liabilities insurance for directors, supervisors and senior management of the Company for the year of 2017, the proposal on issuing asset securitization products, the proposal on the composition of the fourth session of the Board of Directors, the proposal on the shareholder representative supervisors of the fourth session of the Supervisory Committee, and two special resolutions were also considered and approved, namely granting a general mandate to issue new shares to the Board of Directors and proposing the amendments to the Articles of Associations of the Company as set out in the circular of the Company dated 12 May 2017. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (re-elected on 28 June 2017)	1	1	–
ZHANG Zongyan (re-elected on 28 June 2017)	1	1	–
ZHOU Mengbo (elected on 28 June 2017)	1	1	–
ZHANG Xian (elected on 28 June 2017)	1	1	–
GUO Peizhang (re-elected on 28 June 2017)	1	1	–
WEN Baoman (re-elected on 28 June 2017)	1	1	–
ZHENG Qingzhi (re-elected on 28 June 2017)	1	1	–
CHUNG Shui Ming Timpson (elected on 28 June 2017)	1	1	–
MA Zonglin (elected on 28 June 2017)	1	1	–
YAO Guiqing (resigned on 28 June 2017)	1	1	–
NGAI Wai Fung (resigned on 28 June 2017)	1	1	–

The Board of Directors

1. Composition of the Board of Directors

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

LI Changjin (re-elected on 28 June 2017)	Chairman and Executive Director
ZHANG Zongyan (re-elected on 28 June 2017)	Executive Director
ZHOU Mengbo (elected on 28 June 2017)	Executive Director
ZHANG Xian (elected on 28 June 2017)	Executive Director
GUO Peizhang (re-elected on 28 June 2017)	Independent Non-executive Director
WEN Baoman (re-elected on 28 June 2017)	Independent Non-executive Director
ZHENG Qingzhi (re-elected on 28 June 2017)	Independent Non-executive Director
CHUNG Shui Ming Timpson (elected on 28 June 2017)	Independent Non-executive Director
MA Zonglin (elected on 28 June 2017)	Non-executive Director
YAO Guiqing (resigned on 28 June 2017)	Vice Chairman and Executive Director
NGAI Wai Fung (resigned on 28 June 2017)	Independent Non-executive Director

The 2016 annual general meeting of the Company was held on 28 June 2017, at which Mr. LI Changjin and Mr. ZHANG Zongyan were re-elected and Mr. ZHOU Mengbo and Mr. ZHANG Xian were elected as executive directors of the Company; Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were re-elected and Mr. CHUNG Shui Ming Timpson was elected as the independent non-executive directors of the Company; and Mr. MA Zonglin was elected as the non-executive director of the Company. The aforesaid directors constitute the fourth session of the Board of Directors, with a term of three years commencing on 28 June 2017 and ending on the expiration of the fourth session of the Board of Directors. Accordingly, Mr. YAO Guiqing and Mr. NGAI Wai Fung ceased to be the directors of the Company from the same date. In addition, the first meeting of the fourth session of the Board of Directors was held on 28 June 2017, at which Mr. LI Changjin was re-elected as the Chairman of the Board of Directors.

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

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

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

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

2. Board Meetings

In 2017, the Company held 14 Board meetings. A total of 187 proposals were considered and passed at these Board meetings, including proposals for the consideration of the periodical reports, change of accounting policies, and the working plan of the assessment of internal control, and heard 36 briefings including management reports, meeting reports and work evaluations.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (re-elected on 28 June 2017)	14	13	1
ZHANG Zongyan (re-elected on 28 June 2017)	14	12	2
ZHOU Mengbo (elected on 28 June 2017)	7	5	2
ZHANG Xian (elected on 28 June 2017)	7	7	–
GUO Peizhang (re-elected on 28 June 2017)	14	14	–
WEN Baoman (re-elected on 28 June 2017)	14	13	1
ZHENG Qingzhi (re-elected on 28 June 2017)	14	14	–
CHUNG Shui Ming Timpson (elected on 28 June 2017)	7	5	2
MA Zonglin (elected on 28 June 2017)	7	7	–
YAO Guiqing (resigned on 28 June 2017)	7	6	1
NGAI Wai Fung (resigned on 28 June 2017)	7	6	1

3. Responsibilities and Operation of the Board

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

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

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

4. Model Code for Securities Transactions by Directors

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

5. Directors' Training

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

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

	Trainings		
Director	**Thematic training for directors delivered by the CSRC Beijing Bureau and Shanghai Stock Exchange**	**Thematic training for directors of enterprise owned by central government delivered by SASAC**	**Internal business training delivered by the Company**
LI Changjin (re-elected on 28 June 2017)	–	–	1
ZHANG Zongyan (re-elected on 28 January 2016)	1	–	1
ZHOU Mengbo (elected on 28 June 2017)	1	–	1
ZHANG Xian (elected on 28 June 2017)	1	–	1
GUO Peizhang (re-elected on 28 June 2017)	1	1	2
WEN Baoman (re-elected on 28 June 2017)	1	1	2
ZHENG Qingzhi (re-elected on 28 June 2017)	1	1	2
CHUNG Shui Ming Timpson (elected on 28 June 2017)	1	–	2
MA Zonglin (elected on 28 June 2017)	2	–	2
YAO Guiqing (resigned on 28 June 2017)	–	–	–
NGAI Wai Fung (resigned on 28 June 2017)	–	2	–

6. Committees under the Board

The first meeting of the fourth session of the Board of Directors was held on 28 June 2017, at which the composition of the committees under the Board of Directors changed as follows: Mr. LI Changjin, Mr. ZHANG Zongyan, Mr. ZHOU Mengbo, Mr. GUO Peizhang and Mr. MA Zonglin were appointed as members and Mr. LI Changjin was appointed as Chairman of the Strategy Committee of the Board of Directors, Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. CHUNG Shui Ming Timpson were appointed as members and Mr. ZHENG Qingzhi was appointed as Chairman of the Audit and Risk Management Committee of the Board of Directors, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. MA Zonglin were appointed as members and Mr. GUO Peizhang was appointed as Chairman of the Remuneration Committee of the Board of Directors, Mr. LI Changjin, Mr. ZHANG Zongyan, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. LI Changjin was appointed as Chairman of the Nomination Committee of the Board, and Mr. ZHANG Zongyan, Mr. ZHANG Xian, Mr. ZHENG Qingzhi, Mr. CHUNG Shui Ming Timpson, and Mr. MA Zonglin were appointed as members and Mr. ZHANG Zongyan was appointed as Chairman of the Safety, Health and Environmental Protection Committee of the Board.

(a) Strategy Committee

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

During the reporting period, the Strategy Committee held 4 meetings and heard 5 reports including *the Report on the Execution of Company's Development Strategy for 2016 and the Key Working Arrangement for 2017,* and *the Analysis Report on Capital Markets for 2016,* and approved 7 proposals including *the Proposal on the Progressive Development Plan of China Railway for 2017-2019* and *the Proposal on the Formulation of the Administrative Measures on the Investment of China Railway*.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (re-elected on 28 June 2017)	4	4	–
ZHANG Zongyan (re-elected on 28 June 2017)	4	3	1
ZHOU Mengbo (elected on 28 June 2017)	2	2	–
GUO Peizhang (re-elected on 28 June 2017)	4	3	1
MA Zonglin (elected on 28 June 2017)	2	2	–
YAO Guiqing (resigned on 28 June 2017)	2	1	1
ZHENG Qingzhi (ceased to be member of the Strategy Committee since 28 June 2017)	2	2	–

(b) Audit and Risk Management Committee

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

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

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

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

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

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

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

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

During the reporting period, the Audit and Risk Management Committee held 8 meetings, at which a total of 27 proposals were considered, including the periodical reports, financial statements, and proposals on internal auditing, internal control assessment, and risk management and heard 8 briefings.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHENG Qingzhi (re-elected on 28 June 2017)	8	8	–
Wen Baoman (re-elected on 28 June 2017)	8	8	–
CHUNG Shui Ming Timpson (elected on 28 June 2017)	4	3	1
NGAI Wai Fung (resigned on 28 June 2017)	4	3	1

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

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

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

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

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

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

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

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

During the reporting period, the Remuneration Committee held 7 meetings, at which a total of 18 reports and proposals were considered, including the plan for the performance contract with senior management and the contract signing, remuneration assessment and determination for senior management, total remuneration management, performance remuneration and business payment management plan for personnel at all levels of the Company, performance assessment plan and remuneration management plan for responsible officer of the subordinate enterprises.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GUO Peizhang (re-elected on 28 June 2017)	7	7	–
WEN Baoman (re-elected on 28 June 2017)	7	7	–
MA Zonglin (elected on 28 June 2017)	2	2	–
ZHENG Qingzhi (ceased to be member of the Remuneration Committee since 28 June 2017)	5	5	–

The emolument payable to directors, supervisors and members of senior management of the Company are determined in accordance with the contractual terms under their respective employment contracts. Details of the remuneration of directors and supervisors are set out in note 15 to the financial statements.

(d) Nomination Committee

The primary responsibilities of the Nomination Committee are:

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

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

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

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

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

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

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

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

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

During the reporting period, the Nomination Committee held 1 meeting at which a total of 5 proposals were considered including *the Proposal on the Appointment of the President for China Railway Group Limited* and *the Proposal on the Appointment of the Vice President, Chief Financial Officer, Chief Engineer and General Legal Advisor for China Railway Group Limited*.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LI Changjin (re-elected on 28 June 2017)	1	1	–
ZHANG Zongyan (re-elected on 28 June 2017)	1	1	–
GUO Peizhang (re-elected on 28 June 2017)	1	1	–
WEN Baoman (re-elected on 28 June 2017)	1	1	–
ZHENG Qingzhi (re-elected on 28 June 2017)	1	1	–

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

(e) Safety, Health and Environmental Protection Committee

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

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

During the reporting period, the Safety, Health and Environmental Protection Committee held 2 meetings, at which *the Report on Safety Quality, Health and Environmental Protection of China Railway for 2016 and the Key Working Arrangement for 2017 and the Report on Safety Quality, Health and Environmental Protection of China Railway for the First Half Year of 2017 and the Key Working Arrangement for the Second Half Year were heard,* and *the Proposal on the Formulation of the Thirteenth Five-Year Plan for the Production Safety of China Railway Group Limited* were considered.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHANG Zongyan (re-elected on 28 June 2017)	2	2	–
ZHANG Xian (elected on 28 June 2017)	1	1	–
ZHENG Qingzhi (started to be member of the Safety, Health and Environmental Protection Committee since 28 June 2017)	1	1	–
CHUNG Shui Ming Timpson (elected on 28 June 2017)	1	1	–
MA Zonglin (elected on 28 June 2017)	1	1	–
GUO Peizhang (ceased to be member of the Safety, Health and Environmental Protection Committee since 28 June 2017)	1	1	–
WEN Baoman (ceased to be member of the Safety, Health and Environmental Protection Committee since 28 June 2017)	1	1	–
YAO Guiqing (resigned on 28 June 2017)	1	1	–
NGAI Wai Fung (resigned on 28 June 2017)	1	1	–

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

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

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

(3) examining the Company's financial matters;

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

(5) making proposals for shareholders' general meetings;

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

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

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

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

LIU Chengjun (re-elected on 28 June 2017)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan (re-elected on 13 June 2017)	Employee Representative Supervisor
WANG Hongguang (re-elected on 13 June 2017)	Employee Representative Supervisor
CHEN Wenxin (re-elected on 28 June 2017)	Shareholder Representative Supervisor
FAN Jinghua (re-elected on 13 June 2017)	Employee Representative Supervisor

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

During the reporting period, the Supervisory Committee held 8 meetings, considered a total of 25 proposals, and heard a total of 24 briefings.

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

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
LIU Chengjun (re-elected on 28 June 2017)	8	8	–
LIU Jianyuan (re-elected on 13 June 2017)	8	6	2
WANG Hongguang (re-elected on 13 June 2017)	8	8	–
CHEN Wenxin (re-elected on 28 June 2017)	8	7	1
FAN Jinghua (re-elected on 13 June 2017)	8	7	1

Joint Company Secretaries

The Joint Company Secretaries of the Company are Mr. YU Tengqun and Mr. TAM Chun Chung. Mr. YU and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional trainings during the reporting period.

Shareholders' Rights

1. Convening of Extraordinary General Meeting

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

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

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

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

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

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

2. Putting Forward Proposals in the Shareholders' General Meeting

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

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

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

3. Enquiries to the Board

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

Amendment to the Articles of Association

In order to implement the spirit of Sixth Plenary Session of 18th Central Committee of Communist Party of China and Party Building Work Conference of National State-owned Enterprises so as to integrate the reinforcement of leadership of the Party with the improvement of corporate governance, and taken into account the actual needs in connection with the corporate legal construction and compliance management, the necessity to elaborate the basis and reasons for treating perpetual debt as equity instrument and the exemption for restricting senior management personnel from concurrent positions, certain amendments to the Articles of Association were approved at the 2016 annual general meeting held on 28 June 2017. The latest version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Relationship with the Controlling Shareholder

CREC is the Company's controlling shareholder. The Company is independent from CREC in respect of its staff, assets, finance, organisational structure and operation. During the reporting period, except for the Chairman and executive director of the Company, Mr. LI Changjin, who also served as the chairman of CREC, the Vice Chairman and executive director of the Company, Mr. YAO Guiqing (Mr. YAO Guiqing resigned on 28 June 2017), who also served as the vice chairman of CREC, the executive director and President, Mr. ZHANG Zongyan, who also served as a director of CREC, and supervisor of the Company, Ms. LIU Jianyuan, who also served as a director of CREC, none of the directors, supervisors or senior management of the Company held any positions with CREC or received any salary from CREC and/or its associates. Notwithstanding the fact that Mr. LI Changjin, Mr. YAO Guiqing and Mr. ZHANG Zongyan (collectively the "**Overlapping Directors**") and Ms. LIU Jianyuan act as directors of CREC and directors or supervisors of the Company respectively, they have the capacity to commit to the daily management of the Company because there was less day-to-day management work of CREC. Moreover, the Overlapping Directors represent a minority in the Board of Directors. During the reporting period, the Board of Directors also had four independent non-executive directors, which ensured that the interests of the Company and shareholders were protected. The Company also has its own financial management system and related personnel who are independent from CREC.

The Company entered into the Comprehensive Services Agreement and its renewal agreements with CREC in relation to the mutual provision of comprehensive services between the CREC and the Group on 23 November 2007, 1 January 2010 and 28 March 2013 respectively, with each valid for three years. Pursuant to the Comprehensive Services Agreement and its renewal agreements, CREC and/or its associates will provide social services, including health check, vaccination and preventive medical services, on-site medical services, prevention of occupational diseases and other special medical services to employees of the Group as well as training to the Group's employees. On 30 December 2015, the Company entered into another comprehensive services renewal agreement with CREC, effective from 1 January 2016 to 31 December 2018. None of the relevant percentage ratios of the transactions under this comprehensive services renewal agreement is more than 0.1%, and is therefore exempted from all report, announcement and approval by the independent shareholders under the Listing Rules.

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

Auditors' Remuneration

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu had provided annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, according to the "Proposal in relation to the Engagement of the Auditors for 2017" which was considered and passed successively at the 31st meeting of the third session of the Board held on 30 March 2017 and at the annual general meeting for the year 2016 held on 28 June 2017, it was agreed to engage PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP (collectively the "**External Auditors**") as the international and domestic auditors of the Company, respectively.

Fees paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2017 are approximately RMB31.3 million.

Information Disclosure

The Secretary to the Board of Directors and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company actively studied and reacted to new changes in regulatory policies in the Chinese capital market and domestic and overseas securities markets, and continuously adapted itself to the new requirements on information disclosure by regulatory authorities; it continued to advocate for voluntary information disclosure as a supplement to statutory disclosure requirements, intensified its efforts in internal report and approval on material matters, strengthened targetedness and effectiveness of content of periodical reports, and effectively increased transparency in information disclosure by the Company. The Company published 242 announcements and circulars in total, among which, announcements for A shares totalled 86, and announcements and circulars for H shares totalled 156. All of the announcements are published through the Shanghai Stock Exchange, Hong Kong Stock Exchange and designated newspapers.

Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

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

In addition, the Company carefully complied with regulatory rules and prepared 2017 social responsibility report and appraisal report on internal control. Deloitte Touche Tohmatsu CPA LLP had provided annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, according to the "Proposal in relation to the Engagement of Internal Control Auditors for 2017" which was considered and passed successively at the 31st meeting of the third session of the Board held on 30 March 2017 and at the annual general meeting for the year 2016 held on 28 June 2017, it was agreed to engage PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors of the Company for 2017. PricewaterhouseCoopers Zhong Tian LLP has audited the effectiveness of the Company's internal control in relation to financial statements in 2017 and PricewaterhouseCoopers Zhong Tian LLP issued standard clean opinions in this respect.

Accountability of the Directors in Relation to Financial Statements

The directors of the Company are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2017, the directors of the Company have selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimation so as to give a true and fair view of the financial position, results and cash flow of the Group for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 93 to 97 of this annual report.

Investors Relations

In 2017, the Company has fully exerted the functions of investors' hotlines, IR mailbox and Shanghai Stock Exchange e-interaction platform. Through a variety of activities including convening results briefings, receiving investors' visits, convening annual general meeting and attending investment summits, the Company communicated and interacted with investors, listened carefully to and handled suggestions and advices from shareholders and investors well.

During the reporting period, the Company has held 4 large results briefings, 2 large results press conferences, 2 results promoting phone conferences, 1 stock analysts conference, 26 telephone communication meetings; picked 2,057 hotlines from investors, received and replied 7,932 important emails and information; has received more than 37 visits by investors, and 213 visits by individual investors; was present in 23 foreign and domestic prestigious investment forums and investment strategy conferences; organised 68 roadshows, interacted and exchanged with fund managers and analysts for 322 times. Through above communication, the understanding and recognition of shareholders and investors of the Company has been strengthened and the management level and transparency of the Company has increased.

During the reporting period, the Company received the honour's of, including but not limited to, "Tianma Award – the Best Board of Directors in Investor Relations in China Main Board Listed Companies", "Top 100 HK-listed Companies and Top 10 HK-listed Companies with the Highest Revenue" awarded by Finet, "Best Corporate Governance – Golden Award" issued by the Asset, "China Top 100 Enterprises" awarded by CBT 100, "Enterprise Transactions Best Investor Relations" awarded by Hong Kong Investor Relations Association, and "Golden Bauhinia Awards – Best Investor Relations Management Listed Company" awarded by Ta Kung Pao.

Continuous Evolvement of Corporate Governance

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

I. Promotion of Energy Saving and Emission Reduction

In 2017, the Company actively carried out energy saving and emission reduction work, issued "13th Five-Year" energy saving and emission reduction plan of China Railway, and fully implemented 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 waste liquid, and made full use of waste residues and other waste. It carried out energy saving and emission reduction training to its 42 units and organized the relevant units in Beijing to carry out the management of scattered coal in Beijing area in an all-round way. In 2017, there was neither environmental liability accident nor major illegal event on energy saving and emission reduction for the Company; and the pollutant emission of the Company reached both relevant national and local emission standards.

In 2017, the Company completed the energy saving and emission reduction statistics and summary analysis report in time on a quarterly basis. The annual consolidated energy consumption (comparable price) of operating revenue was 0.0571 tonne of standard coal/ten thousand yuan, which was reduced by 3.22% on year-on-year basis, so that it successfully completed the scheduled annual objectives for energy saving and emission reduction.

In 2017, 18 engineering projects were defined as the 5th batch of national green construction demonstration projects in construction industry, and 71 projects won the title of standardized construction site for energy saving and emission reduction of China Railway Group Limited. In 2017, China Railway made further efforts in R&D of key energy-saving and low-carbon technologies, and 27 technologies were selected as CREC key energy-saving and low-carbon technologies of China Railway. At the same time, it also carried out the research on enterprise standard, "Green Bridge Construction Project Specifications and Evaluation Criteria".

II. Key Performance Indicators in Three Aspects of Emissions, Resource use, Environmental and Natural Resources

	Emissions and Energy Types	Accumulated Completion Value Last Year	Accumulated Completion Value This Year	Environmental and Natural Resources
Exhaust emission types and related emission data	Nitrogen oxide, sulfur oxide and other pollutants regulated by national laws and regulations	–	–	–
Total amount of greenhouse gas emission (ton)	CO_2	13,195,853.6	12,613,192	–
	Other gases (specify if any)	–	–	
Hazardous waste produced	In 2017, China Railway continued to make the improvement of its energy saving and emission reduction management system as the basis, and excellence evaluation and construction promotion as the starting point, so that its green construction and green manufacturing levels on energy saving and emission reduction demonstration projects in infrastructure construction, industrial manufacturing, real estate and investment sectors have been significantly improved, the exhaust emission and total waste were decreased compared to the same period of last year, and a new progress was made in energy saving and emission reduction as well as in environmental protection. The Company plans to continue the establishment of energy saving and emission reduction demonstration project, select and promote the application of key energy-saving and low-carbon technologies, and comprehensively reduce emission and total waste; it will make efforts to improve the statistical level of China Railway waste gas and hazardous/non-hazardous waste emissions, comprehensively improve the Company's environment, energy saving and emission reduction data monitoring system, and achieve a new promotion in classification and quantitative statistics of exhaust emission and total hazardous/non-hazardous waste so as to overall promote China Railway energy saving and environmental protection work.			–
Total amount of non-hazardous waste produced				–
Detailed description of measures and the results obtained in energy saving and emission reduction	In 2017, the comprehensive energy consumption (comparable price) per ten-thousand operating income of the Company was 0.0571t standard coal, which was reduced by 3.22% on year-on-year basis compared to the last year, and the Company successfully completed the annual objectives for energy saving and emission reduction.			–
Detailed description of methods for handling hazardous and non-hazardous waste, measures to reduce production and all results	Generally, hazardous and non-hazardous wastes are handled through physical, chemical, biological, physicochemical and biochemical methods in order to make them suitable for transport, storage, utilization or disposal. The goal of waste disposal is harmless, reduced, and resource-based. The main methods currently used include compaction, crushing, sorting, solidification, incineration, and biological treatment, etc. For example, in response to the difficult problem of processing and recycling about 1.2 million cubic meters of construction rubbles produced in housebreaking and migration in the south area of new town in the south of Nanjing, the Company took the first to explore the recycling of large amounts of construction rubbles in China. Up to now, it has completed the construction of construction rubbles treatment plant to process and treat the building solid waste produced in demolition such as concrete blocks, bricks, and muck, and used them to fill road structure layers. Through the recycling of construction rubbles, the transportation volume of more than 1 million tons of building materials can be effectively reduced.			–

	Emissions and Energy Types	Accumulated Completion Value Last Year	Accumulated Completion Value This Year	Environmental and Natural Resources
Direct/indirect energy classified by type (e.g. electricity, gas or oil)	Electricity (kilowatt)	837,891	829,139	–
	Gasoline (ton)	372,650	357,620	–
	Diesel (ton)	1,267,443	1,218,530	–
	Natural gas (10,000 standard cubic meters)	4,100	4,390	–
	Other energy (specify the name if any)	17,080 (ton standard coal)	14,850 (ton standard coal)	
Total water consumption	Water (ton)	–	163,640,091	–
Describe energy use benefit plan and the results obtained	In 2017, the comprehensive energy consumption (comparable price) per ten-thousand operating income of the Company was 0.0571t standard coal, which was reduced by 3.22% on year-on-year basis compared to the last year, and the Company successfully completed the annual objectives for energy saving and emission reduction.			–
Describe any problems on the applicable water source, and enhancement in water efficiency and results obtained	There is no problem on the applicable water source, and the construction production water is mainly used for concrete curing, vehicle washing and dust suppression. The project departments of the Company attached great importance to water saving in construction and formulated effective measures, including setting up a three-stage sedimentation tank, developing an automatic spraying system and collecting natural precipitation to effectively save water resources.			–
NA, omitted	–			–
Describe the significant impact of operational activities on the environment and natural resources and the actions taken to manage the impact	The Company attached great importance to energy saving and emission reduction demonstration project construction, and carried out control from the source to reduce energy consumption. Through energy saving and emission reduction target management, system construction in construction site, it implemented energy saving and emission reduction responsibility system. Moreover, it formulated effective measures to standardize project management and realized the conservation and comprehensive utilization of resources and energy to ensure that there are no environmental accidents and serious violations of laws and regulations in energy saving and emission reduction. According to the requirements of "China Railway Group Limited Interim Measures for Promotion and Management of Energy-saving and Low-carbon Technologies" (hereinafter referred to as the Measures), through strict review, it solicited and appraised the third batch of key energy-saving and low-carbon technologies of the Company, and encouraged all subbranches to organize research and development of key energy-saving and low-carbon technologies. A total of 27 technologies were selected as China Railway Key Energy-Saving and Low-carbon Technologies (the third batch), and were listed into the directory database of key energy-saving and low-carbon technologies of the Company.			

III. Strengthening Environment Governance

In 2017, the Company performed enterprise environmental protection work 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 regulation, rules and system as well as technical specifications, it released the details of key environmental protection work and implementation requirements, and established enterprise environmental protection management system. The Company carried out the principles of "Localization Management", "Prevention First, Combination of Prevention and Treatment", and "Pollution Control by the Unit Producing Pollution" in terms of enterprise environmental protection at all levels. Under the supervision and administration of national and local environmental protection authorities, it implemented a management model of unified leadership by the 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. For construction projects that the Company invests, designs, and with resources enterprises as the main investors, it 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 relevant infrastructure and technological renovation projects are designed, constructed and put into operation simultaneously with the pollution prevention and control facilities and 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 2017, the Company actively took part in the evaluation and promotion of national key practical technologies and demonstration projects of environmental protection. The projects including suburban railway works from South 4th Ring Road to South Zhengzhou Railway Station by China Railway No. 7 Engineering Group Co., Ltd., main works of Hong Kong-Zhuhai-Macau Bridge and Yichang Miaozui Yangtze River Bridge by China Railway Major Bridge Engineering Group Co. Ltd. won 2017 national green construction demonstration projects in construction industry.

In 2017, China Railway Baoji Bridge Group Co., Ltd. focused on the treatment of volatile organic compounds in the steel structure coating process and newly built three mobile painting booths. During the painting operation, under the action of the exhaust fan, certain section air velocity is generated in the painting working area, so that the paint mist generated by the painting can be discharged in time and effectively, thus the environment of the painting worker's operation area is in line with the industrial hygiene standards. After organic waste gas is collected, it can be purified by a combined process of activated carbon fiber adsorption and concentration, hot air desorption and catalytic combustion.

IV. Protection of Ecological Environment

In 2017, the Company 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 liable to be disturbed, it planed the ecological environment and project construction synchronously. 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.

In Guanting Reservoir Super-large Bridge construction in Beijing-Zhangjiakou High-Speed Rail, China Railway Major Bridge Engineering Group Co., Ltd. entrusted a third-party water quality monitoring unit for real-time monitoring of reservoir water quality in order to protect the ecological environment of Guanting Reservoir (one of Beijing's three major water sources) from being affected. In addition, it repeatedly optimized the construction scheme, took the construction scheme of assembling steel beam on the shore and pushing the beam to the middle of lake from the shore to minimize the water construction procedures and minimize the impact of the construction on water resources in the reservoir area.

Wangjing Tunnel in Beijing-Shenyang High-Speed Rail constructed by China Railway Tunnel Group Co. Ltd. is the first large-diameter slurry shield tunnel in the high-speed rail in Beijing area. In construction, through scientific and technological innovation, the project departments summed up a set of methods for screening, swirling, filter pressing, centrifugation and auxiliary agents, and successfully solved the problem of separation of ultra-fine soil particles to achieve solid-liquid separation of slurry shield. The separated muck was transported to a special storage place while the fresh water was recycled to ensure zero emissions, zero leakage and zero pollution for green construction.

V. Community Service

China Railway always insisted on the work ideas of local corporate civilization and harmonious construction, widely supported the army and gave preferential treatment to the families of the armyman and martyrs, supported military police construction, offered volunteer services to gerocomium, hospital, street office, community, school and other local institutions, implementing its corporate citizenship responsibility by its actual deeds.

In 2017, the Company totally set up 1,105 volunteer service teams that offered volunteer services by 16,414 persons, and carried out various volunteer service activities for 4,283 times, with 44,033 persons receiving the help. It vigorously carried forward the social morality, and actively built a harmonious society.

In 2017, the Company donated more than RMB12 million for education, helped nearly 9,000 students; it invested over RMB60 million to other public welfare undertakings.

Since 2013, China Railway No.4 Engineering Group Co., Ltd. has explored and carried out a number of public welfare activities including the "Happiness Project" volunteer project for migrant workers to serve migrant workers and benefit migrant workers through "comprehensive system planning, full-coverage resource integration and full-cycle volunteering". The Loving-care Team of China Railway No.4 Engineering Group Co., Ltd. won a number of awards such as National Outstanding Young Volunteer Organization Award, Outstanding Project Award, Gold, Silver and Bronze Prizes of National Young Volunteer Service Project Competition, and its "Happiness Project" volunteer project for caring migrant workers was included in the national "Four 100" best volunteer service projects.

On 10 June 2017, China Railway No.6 Engineering Group Co., Ltd. conducted Open Day activity of the capital state-owned enterprises. More than 50 Beijing residents, more than 20 reporters from 18 media and MiniHouse friends walked into the construction site of Beijing-Zhangjiakou High Speed Rail project and the Maglev Line S1 site undertaken by China Railway No.6 Engineering Group Co., Ltd.. They respectively experienced at the construction site of the modernized high-speed railway bridges, high-tech production command centers, standardized auxiliary production areas, specialized construction production and safety experience halls and the first medium and low speed Maglev Line S1 in Beijing.

On 6 September 2017, the organ of China Railway No.10 Engineering Group Co., Ltd. organized a blood donation activity on the theme of "gathering blood to pass on love". In this activity, a total of 74 loving-care volunteers donated blood of 26,200 ml. The organ of China Railway No.10 Engineering Group Co., Ltd. organizes voluntary blood donation activities every year, thus effectively alleviating the shortage situation of clinical blood supply in Jinan and making positive contributions to ensuring people's lives and health.

VI. Internal Control Supervision

China Railway attached great importance to construction of the internal control system. According to Basic Norms of Corporate Internal Control, by issuing relevant documents including Instruction Manual for Internal Control of Engineering Projects, in 2017, China Railway strengthened efforts on management defect rectification found in internal control audit and appraisal under the requirements of overall in-depth corporate reform. It took relevant rectification measures, revised and improved internal control system documents of the Headquarter. In the whole year, management system appraisal meeting was held for 5 times, and 32 rules and regulations have been appraised.

In combination with its reality and based on the organization of initial information collection for risk management and risk assessment results of all subordinate units, China Railway compiled the risk assessment questionnaire, listed five categories and 76 risk points that it was facing, formulated risk assessment standards from the probability and influence degree of risk, carried out risk questionnaire survey, assessed and determined the great and major risks that it was facing and compiled the Overall Risk Management Report 2017.

The Company strictly abide by the laws and regulations of China and the countries and regions in which it conducted overseas business, and resolutely prohibit bribery, extortion, fraud and money laundering, etc. continuously strengthened the building of anti-corruption system and staff training, set up an independent audit department, intensified internal audit efforts, strengthened the monitoring of various businesses and actively created an incorruptible culture atmosphere of "do not want to corrupt, cannot corrupt, and dare not corrupt".

VII. Improvement of Service Quality

In 2017, China Railway always insisted on the general idea of "ever perfecting and continuous improvement" and adhered to people oriented concept to constantly improve its service quality in an attitude of highly responsible for the nation, the people and the corporate. In the meantime, the Company fully protected our customers' sensitive business information and personal privacy.

In project quality management, the Company seriously implemented ISO9000 system standard and Measures for Project Quality Supervision and Management, vigorously carried out QC activities, developed feasible quality plan, set up professional quality engineers and prepared special excellence programs to ensure the quality of excellence to achieve the goal.

In industrial equipment service, the Company adhered to the development philosophy of "Advancing with Technical Services and Developing with Customer Trust", strengthened the construction of after-sales service system and promoted the transformation from the self-creation value of industrial products to value creation for customers. Based on the product marketing, it achieved the transformation toward manufacturing and service and the transformation from product providing to value-added service providing as well as from one-time product selling to profiting in the entire life cycle, thus forming an integrated and comprehensive service system so as to provide customers with "Butler" after-sales service in full life cycle to promote the Company to realize comprehensive transformation and upgrading from an industrial manufacturing enterprise to an industrial manufacturing service-oriented enterprise.

In 2017, the "deep chasm turning into thoroughfare and four-in-one quality management mode" of China Railway Major Bridge Engineering Group Co., Ltd. was nominated for the 3rd China Quality Award, which was the only short-listed construction company.

The Company fully carried out technical additional services to a package of project engineering including shield re-manufacturing, equipment assembly and debugging, trade-in, technical consulting, shield leasing, tunneling subcontracting, shield cloud information technology services, and established a remote information service center for tunneling machine so as to provide customers with real-time remote monitoring, intelligent fault diagnosis and prediction services.

VIII. Continuous Promotion of Employment

China Railway always fulfills employment responsibility which is taken as a key content of its corporate social responsibility. In 2017, the Company strictly implemented the staff employment commitment of Collective Contract, making every endeavor to promote laid-off employees for re-employment. Every year, the Company will create and provide large amounts of new job positions for the society through receiving the graduates from junior college and technical secondary school, receiving demobilized armyman and introducing talents from HR market. In 2017, the Company received more than 11,014 new graduates from junior college and technical secondary school, and was praised by Military Demobilization Office of the State Council for its good reception work for demobilized army cadres.

In 2017, the Company provided employment opportunities for 1.8 million migrant workers. On the basis of vigorously promoting "Five Same" Management for peasant workers and staff, the Company continued to promote the management of real-name system of peasant workers, special wage account system, wage deposit and bank payoff system, etc. In addition, it strictly carried out pre-job safety education and training to the migrant workers and on-site operation skill training, and gave intensive prejob training for all special work posts to constantly improve their job skills. At the same time, it took various measures to ensure that the wages of migrant workers were paid off in full and on time. Moreover, the Company upholds the principle of equal employment Strict compliance with the state regulations on the prohibition of the use of child labour and prohibit the employment of forced labor and child labor. Child labour has not been found so far. At the same time, the management of the use of subcontractors is strengthened, such as the discovery of illegal use of compulsory labor and child labor, and resolutely clear up. The Company always insists on providing diversified development opportunities without discrimination against employees in gender, race, religion, age or nationality.

In 2017, the Company strictly carried out Measures for Talent Introduction Management for talent introduction control. It organized human resources departments of its affiliated units to conduct graduates recruitment work for main specialties in Southwest Jiaotong University and other colleges and universities, and a total of more than 550 excellent university graduates were recruited, adding fresh blood and reserve forces for the corporate.

IX. Maintenance of Staff's Rights and Interests

China Railway paid high attention to maintenance of staff's rights and interests, and supported gender equality. Through signature of labor contract according to law, it established a scientific salary management system and maintained the staff's legal rights and interests.

1. Labor Contract Management

In 2017, the Company strictly implemented the Labor Contract Law and signed labor contract with its staff in written form, and the signature rate of labor contract reached 100%. Moreover, it strictly executed contract clauses; in addition, it clearly defined the rights and obligations of both parties through labor contract, and strictly executed the terms of the contract to effectively safeguard the staff's legal rights and benefits. The Company strengthened the management of labor contract and handled the relevant formalities in time for employees whose contracts have been expired, changed or terminated. Both parties will terminate the labor contract if an employee is not competent for the work post or seriously violates the Company rules and regulations.

2. Staff Salary Management

In 2017, in accordance with the requirements of national laws, regulations and policies, the Company further standardized the normal staff salary growth and income guarantee mechanism on the basis of original remuneration system so that the staff income growth could keep up with the corporate economic growth and the staff income level was steadily increased. The staff salaries were paid off in full and on time, and they could enjoy the Company's development achievements.

3. Staff Social Insurance Management

The Company protected legal social security rights and interests of the staff, supervised and urged member corporates to join in primary endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for the staff. In addition, the Company actively implemented national requirements about industry and corporate social insurance to be listed into local management. In 2016, it vigorously Standardized and boosted enterprise annuity management, supervised member corporates to establish annuity plan.

4. Democratic Rights of Staff

In 2017, the Company held the 3rd session of the second workers' congress. On the congress, the labor union signed China Railway 2017 Collective Contract with the corporate on behalf of all staff; it insisted on the systems of workers' congress review of administrative work report, democratic appraisement to leaders, and staff proposal report, and further unblocked the channel for democratic participation, management and supervision.

5. Life Guarantee for Staff

In 2017, the Company seriously carried out Guidance to Staff Life Guarantee Work, further deepened the "three permissions and three preventions" commitments for staff care program and the activity of "warmth-delivery in two festivals" to help staff solve the difficulties. It spent annual expenditure of RMB56.50 million for "three preventions" activity, and helped over 30,000 staff in difficulty. The Company raised warmth-delivery fund of RMB166 million for "warmth-delivery in two festivals", visited over 250,000 staff and migrant workers, and granted study aid payment of RMB8.78 million to help 3,936 children of the staff and migrant workers.

6. Staff Holiday System

The Company strictly followed the national labor laws and regulations, carefully implemented the national Regulations on Paid Annual Leave of Employees and various other holiday regulations. It paid remuneration and overtime salary to staff or implemented days-off pattern to staff who worked on legal holidays, public holidays or work overtime according to national legal provisions.

X. Promotion of Staff's Growth

China Railway strongly implemented the "Talent Corporate" strategy, treated the talents as the first corporate recourse, made effort to give priority to development of talent resources, give priority to adjustment of talent structure, give priority to talent investment and give priority to innovation of the talent system. The Company has set up professional and technical personnel promotion appraisal committee in engineering, accounting, economy, political work and other series, and carried out qualification review to senior professional and technical personnel who applied for the above series in accordance with the relevant provisions of the Company.

In 2017, the Company developed the China Railway "13th Five-Year" talent development plan and talent training program, in order to provide a blueprint and basis for further promotion of the strategy of talent thriving enterprises and creation of "eight talent teams".

In 2017, the Company organized Jinggangshan ideal and faith training class once for leading cadres, theoretical training class twice for leading cadres, operation management training class twice for leading cadres, advanced study class once for department leaders in SASAC branch of Party School of the CPC Central Committee to vigorously carry out the education on ideal and faith, party style and party discipline, political theory, and has trained more than 350 leaders at all levels. The Company has totally trained over 300,000 talents in all fields and promoted the substantially improvement of talent team in capacity and quality.

In 2017, the Company established a new China Railway Expert Committee and set up 17 professional groups. At the beginning of the year, each professional group determined the projects by centering on scientific and technological innovation, project construction and management, research on major and key technical issues, and reported to the Expert Committee on the progress and achievements of the projects at the end of the year. At the same time, the Company conducted advanced research on various industry development trends and innovated new processes and methods to provide powerful technical support for technological innovation of enterprise and improvement of technological level of all industries, and gave full play to the professional advantages of experts and high-end think tank.

In 2017, the Company added 3 "master designers in national engineering survey and design", 2 "young science and technology talents in national transportation", 18 experts enjoying the State Council special contribution allowance, and promoted 4,090 personnel to senior professional title.

In 2017, the Company continued to carry out "3 +1" order-oriented training work for international engineering reserve talent, and totally recruited 338 junior students in 8 cooperative colleges and universities, an increase of 16 students over last year. At the same time, more than 300 college students graduated from the second international engineering class were assigned to various overseas projects to begin the actual practice. 60 young backbones who successfully graduated from the second China Railway International Engineering Seminar have completed fulltime study of nearly 10 months. They have improved the level of foreign languages and become familiar with the international engineering contracts, laws, businesses, and management knowledge, laying a solid foundation for better participation in the development of international business in the future.

In 2017, the Company carefully organized the appraisal of skills, appraisal of high-skilled personnel and appraisal of premium technicians. It appraised and approved 597 senior technicians and 139 premium technicians, and Ju Xiaolin, Bai Zhiyong and Dou Tie were evaluated as Great Craftsman Technicians.

XI. Perfection of Management System

China Railway is constantly taking "to maintain stable condition of safe production, to provide the society with safe and good-quality architectural products, to provide the public with pleasant environment and create safe and health working condition for the staff" as the most important aspect of its social responsibility. In the long-term construction production and project management process, the Company formed a complete set of perfect safety management system, including the safe production responsibility system, prevention of major accidents, safety input, safety education, safety management and safety inspection, safety assessment, rewards and punishments and so on.

China Railway safety concept: Hidden danger is more dangerous than open fire, prevention is better than disaster relief, and responsibility is extremely heavy.

Safety management policies: Safety first, prevention as the main and comprehensive management.

Safety management principles: Unified leadership, responsibility implementation, classification management and guidance, full participation.

Safety management objectives: Building of intrinsic safe enterprise.

In 2017, China Railway firmly established the concept of safety development and "Zero Accident" and further strengthened the "Red Line" awareness and "Bottom Line" thinking. Combining with the actual situation of corporate reform and development and being problem-oriented, the Company insisted on resolving the current problems and eliminating the root causes, paid attention to top-level design, improved rules and regulations. Moreover, it successively studied and formulated the Rigid Requirement on Prevention of Inertial Accidents and Strengthening of Technology and Management Exchanges, and put forth rigid requirement on technology and management exchanges for preventing inertial accidents. By strengthening management training and information exchange, the Company further improved the on-site prevention and control measures, controlled the accident source, adhered to the process control and strictly followed technical standards, and worked hard to prevent production safety accidents. In addition, the Company issued Notice on Putting the Operation of "Safety and Quality Hidden Danger Investigation and Management System" into Safety and Quality Inspection and Assessment at All Levels". It gave full play to the role of science and technology, carried out regulation violation rectification actions in an in-depth manner and promoted the standardization construction on engineering project and safety management; it strengthened safety education and training, planed and implemented the "Year of Learning" activities in the whole company production safety system, intensified safety production inspection, hidden danger investigation and management as well as accident liability investigation, strengthened safety and quality control over investment projects and general contracting projects so as to ensure the stability of the whole company in production safety, occupational health, and environmental protection.

XII. Implementation of Safeguard

In 2017, the Company held production safety conferences for many times to keep alarm bell ringing. Moreover, it re-deployed, re-arranged and re-implemented the safety production work and further highlighted key cities and key areas. The Company strictly controlled the total number of accidents and the frequency of various types of accidents, insisted on problem orientation, adhered to the on-site management, insisted on standardization management, perfected system and mechanism, strove to achieve "zero deviation" in rules and regulations, "zero error" in technical management, "zero loophole" in subcontracting management, "zero violation" in construction operation, "zero defect" in equipment status, "zero omission" in acceptance of materials and equipment, and "zero hidden danger" in construction site so as to realize "zero accident" in the enterprise and projects.

In the second half of 2017, China Railway conducted a large-scale inspection of safety production in the whole company and each unit set up a special inspection team led by key leaders. They focused on tunnel and underground engineering, large temporary facilities, supporting systems, lifting equipment disassembling and lifting operations, construction of business lines, accident warning education, troubleshooting system application to carry out on-site civilized construction, environmental protection and occupational health management in order to completely eradicate inertial problem such as "three violations" on site and ensure that the situation of safety production in the whole company is stable and controllable.

In 2017, China Railway Beijing Engineering Group Co., Ltd. conducted a pilot program of Internet + safety training mode in all affiliated units and project departments. It carried out comprehensive innovation in terms of training form, content and carrier, and developed a network training platform to support more than 200 countries and regions in the world to access, having achieved full coverage of safety education; it developed an off-line program and used the second-generation ID card identification device to support front-line workers and peasant workers for centralized video learning in meeting rooms and other places. Through on-site ID identification devices, projectors, notebook computers, it has set up a mobile electronic classroom for enterprises to effectively solve the safety education problem in project departments.

XIII. Concerns about Occupational Health

In 2017, the Company seriously organized the implementation of "Law of the People's Republic of China on Prevention and Control of Occupational Diseases" (revised in 2016), adhered to doing occupational health work in accordance with the laws and regulations. In order to further enhance the safety and technical management of construction projects, the Company issued the "Notice on 2017 Safety Production Training Program" and determined that the year 2017 would be the "Year of Learning" in the whole company production safety system. The Company planed and organized 11 training courses throughout the year, of which 4 courses were organized by the Headquarter. Up to now, the Company has held four training courses in railway bridge, technical management on tunnel construction safety and quality, management on high quality engineering, underground engineering, shield construction technology and safety and quality management, bridge, supporting system, lifting and fire fighting, temporary electricity construction technology as well as safety and quality management. Through the "Year of Learning" activity in safety production system, the construction technology and safety and quality awareness of project managers and workers have been continuously improved.

The Company further perfected staff health record, regularly organized staff physical examination, conducted occupational injury insurance for the staff, carried out health lectures so as to lead staff and enterprises to control the occupational hazard source and actively carry out scientific prevention and treatment to occupational hazard by cooperating with related departments. On the construction site, the Company continued to increase fund investment, improved staff's working conditions, constantly improved the site dustproof, noise reduction and safety facilities, enhanced the inspection and governance of all hazardous gas, dust, noise in the workshop, provided the personnel with working protection facilities and personal protecting devices that meet the safety and sanitation standards, maximally minimized the occupational hazards, and actively created a safe, clean, comfortable and harmonious working environment for the staff.

In 2017, the key project departments in the Company set up the "Staff Soul Shelter", which was listed and carried out service work by the project labor union. With psychological counseling, EAP psychological assistance and other technical assisted measures, it helped the employees to solve psychological confusion and ideological problems in psychology, emotion, career, learning, family, relationship and other aspects.

XIV. Promotion of Industrial Cooperation

In 2017, the Company actively pushed forward industrial cooperation in high-speed rail, infrastructure construction, financial service and building materials. In the field of high-speed rail construction, the Company carried out strategic cooperation in talent cultivation and technology sharing with Beijing Union University and other colleges and universities; in addition, it conducted in-depth cooperation with CRRC Corporation Limted and other industrial chain-related enterprises to jointly promote China's high-speed rail development. In infrastructure construction filed, the Company carried out strategic cooperation with large-scale corporates such as Hunan Communication & Water Conservancy Group Ltd, Country Garden Holdings, and Zhanjiang Communication Investment Group Co., Ltd to actively take part in domestic infrastructure investment and construction. In financial service field, the Company actively carried out cooperation with Industrial and Commercial Bank of China, China Construction Bank, CITIC Securities and Everbright Securities to innovate investment and financing mode and set up complete business chains. In the cooperation with suppliers, it carried out multi-aspect deep level cooperation with a variety of suppliers in product development, technological innovation, product optimization, resource integration, information sharing and other aspects to achieve a harmonious win-win situation and value sharing. At the same time, we also continuously strengthened our supply chain management and constantly monitor their performance in integrity, product quality, safety and environmental protection by keeping the fairness in the supply chain as the basic requirement.

On 17 June 2017 at the Inaugural Meeting of 2017 Silk Road International Association (SRIA), China Railway and Zhejiang Provincial Government, China Construction Bank, Everbright Securities, International Finance Forum jointly sponsored the establishment of the Silk Road International Association (SRIA), with the Headquarter in Hangzhou.

Under the guidance of SASAC of the State Council in 2017, China Railway and other 13 central state-owned enterprises jointly sponsored the establishment of the Central Enterprise E-Commerce Alliance. China Railway e-commerce platform relies on the alliance platform to strengthen the sharing of information resources with its council member units, promote the extensive interconnection of platform data and fully support the development strategy of national e-commerce.

In 2017, China Railway continued to carry out strategic cooperation with PetroChina to implement strategic procurement, centralized procurement and supply of petrochemical products. It achieved centralized procurement and supply of petrochemical products in 1,214 projects accumulatively, and supplied petrochemical products of 600,000 tons to ensure product quality and maximize the conservation of resources and reduce environmental pollution.

XV. Harmonious Media Relations

Over the years, China Railway maintained good relationship with various social media. Through holding press conferences, inviting media to attend important enterprise meetings, organizing and reporting opening and completion ceremonies of important project, opening up column in media and holding forum and training courses, the Company enhanced the communication with the media, promoted work, released information and received media's supervision.

In 2017, Xinhua News Agency, CCTV, People's Daily, Guangming Daily, Economic Daily, Science and Technology Journal, the China Securities, Shanghai Securities, Securities Daily, Securities Times, Xinhua Net, People's Net, Phoenix TV and other media have issued more than 150,000 pieces of information.

XVI. Characteristic Corporate Media

In 2017, the Company continued to strengthen the daily management and operation of corporate newspapers, websites, weibo, WeChat and other media, on the basis of which, it issued a "Notice on Further Regulating the Management and Operation of New Media across the Company" to further strengthen the construction of new media of the enterprise. In the whole year, it pushed more than 800 pieces of information by means of new media, with more than 9 million of reading quantity.

In 2017, the Company actively participated in the CCTV feature program production, and received overwhelming response after broadcast, including Great Power Diplomacy, Amazing China, Chinese World and Homeland • Dreamland; the Company and CCTV jointly held a large-scale live concert themed as "My Motherland and Me" at the construction site of the Pingtan Cross-sea Bridge Engineering Bureau of China Railway Major Bridge Engineering Group Co., Ltd.; moreover, the television series, Predator, which was invested and shot by the Company, was broadcast, arousing strong repercussions.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

What we have audited

The consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 226, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

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

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from infrastructure construction contracts	
Refer to Note 2.31(a), Note 4.1, and Note 5 to the consolidated financial statements. The Group derives most of its revenue from infrastructure construction contracts which is recognised under the percentage of completion method when the outcome of a construction contract can be estimated reliably. For the year ended 31 December 2017, the revenue from infrastructure construction contracts amounted to RMB596,580 million. Management makes estimates on the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of both contract revenue and contract costs when the management considers there are changes in the assumptions in deriving the estimates throughout the contract period, such as variations in contract work, claims and incentive payments. We identified the recognition of revenue from infrastructure construction contracts as a key audit matter as it involves significant estimations and judgements by management.	We performed the following procedures in relation to management's estimates of contract revenue and contract costs, and accounting for percentage of completion of construction contracts: – We obtained an understanding of, evaluated and tested the relevant controls in place on budget preparation and revenue recognition of the construction contracts; – We obtained the list of construction contracts from management, and compared the list with the construction contracts summary and revenue sub-ledger on a sample basis; – In respect of projects under construction, we performed the following procedures on a sample basis: (i) Reviewed the terms and conditions of the construction contracts, inspected the contract sum, budget information, variation orders, claims and incentive payments, if any, on which the estimated total contract revenue and total contract costs were based, and evaluated the appropriateness of management's estimation; (ii) Checked construction costs incurred during the year by tracing to supporting documents; (iii) Tested the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; (iv) Confirmed key contract terms with construction owners; and (v) Visited the selected sites of construction to observe the progress of the construction work, and discussed with the site project management the extent to completion of the construction work. Based on our work, we found the judgement and estimates adopted by management in determining the revenue from infrastructure construction contracts are supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 2.15, Note 4.2, and Note 30 to the consolidated financial statements. As at 31 December 2017, the carrying amounts of trade receivables amounted to RMB162,587 million, with provision for impairment amounted to RMB4,783 million. The Group assesses whether there is objective evidence the trade receivables is impaired with judgement on its recoverability individually and then collectively for trade receivables with similar credit risk characteristics. Estimates of the recoverable amounts of trade receivables was determined based on management's assessment of current market conditions in which the debtors operate, financial position and creditworthiness of customers, the aging of trade receivable balances, and historical payment records. We identified the recoverability of trade receivables as a key audit matter as it involves significant estimations and judgements by management.	We performed the following procedures in relation to management's assessment on recoverability of trade receivables: – We obtained an understanding of, evaluated and tested the relevant controls in place on management's assessment on the recoverability of trade receivables; – For trade receivables assessed individually, on a sample basis, we reviewed management's assessment of financial position and creditworthiness of customers, historical payment records and other considerations. We also corroborated management's assessment against available evidence, including searching for customers' background, historical transactions with the Group and respective collection pattern; – For trade receivables assessed by reference to the credit risk characteristics, we reviewed the reasonableness of the aging as a basis for collective assessment, tested the accuracy of the aging of the trade receivables on a sample basis, and assessed the mathematical accuracy of calculation of the provision; and – We tested the cash collections subsequent to end of the reporting period on a sample basis. Based on our work, we found the judgement and estimates adopted by management in determining the recoverability of trade receivables are supported by available evidence.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

We communicate with Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2017

		Year ended 31 December	
	Note	**2017 RMB million**	2016 RMB million
Revenue	*5*	**688,773**	632,856
Cost of sales and services	*9*	**(626,044)**	(583,067)
Gross profit		**62,729**	49,789
Other income	*6*	**2,819**	1,855
Other expenses	*6*	**(11,103)**	(10,417)
Other (losses)/gains, net	*7*	**(9,480)**	630
Selling and marketing expenses	*9*	**(2,852)**	(2,560)
Administrative expenses	*9*	**(20,119)**	(17,680)
Operating profit		**21,994**	21,617
Interest income	*8*	**2,075**	2,197
Interest expenses	*8*	**(4,773)**	(5,774)
Share of profit of joint ventures	*23*	**224**	118
Share of profit of associates	*23*	**1,308**	614
Profit before income tax		**20,828**	18,772
Income tax expense	*11*	**(6,624)**	(6,069)
Profit for the year		**14,204**	12,703
Profit attributable to:			
– Owners of the Company	*12*	**16,067**	12,509
– Non-controlling interests		**(1,863)**	194
		14,204	12,703
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*13*	**0.669**	0.517
– Diluted	*13*	**0.669**	0.517

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB million	RMB million
Profit for the year	**14,204**	12,703
Other comprehensive income/(expenses), net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement and other supplemental benefit obligations	**9**	(24)
Income tax relating to remeasurement of retirement and other supplemental benefit obligations that will not be reclassified	**(8)**	8
	1	(16)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(364)**	548
Fair value losses on available-for-sale financial assets	**(493)**	(141)
Reclassification adjustments for the cumulative loss included in profit or losses upon disposal of available-for-sale financial assets	**(3)**	(23)
Share of other comprehensive expenses of associates	**(47)**	–
Fair value (losses)/gains on cash flow hedging instrument	**(5)**	8
Income tax relating to items that may be reclassified subsequently	**125**	31
	(787)	423
Other comprehensive (expenses)/income for the year, net of tax	**(786)**	407
Total comprehensive income for the year	**13,418**	13,110
Total comprehensive income/(expenses) attributable to:		
– Owners of the Company	**15,397**	12,842
– Non-controlling interests	**(1,979)**	268
	13,418	13,110

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

CONSOLIDATED BALANCE SHEET

At 31 December 2017

	Note	As at 31 December 2017 RMB million	2016 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**59,769**	54,778
Deposits for acquisition of property, plant and equipment		**926**	1,429
Lease prepayments	*17*	**11,952**	11,986
Deposits for land use rights		**176**	99
Deposits for investments	*18*	**1,047**	2,012
Investment properties	*19*	**4,787**	4,547
Intangible assets	*20*	**35,995**	36,821
Mining assets	*21*	**4,142**	4,664
Interests in joint ventures	*23*	**11,154**	5,524
Interests in associates	*23*	**9,848**	5,958
Goodwill	*25*	**829**	829
Available-for-sale financial assets	*26*	**13,418**	12,896
Other loans and receivables	*27*	**7,777**	6,976
Deferred tax assets	*43*	**5,731**	5,258
Other prepayments		**294**	212
Trade and other receivables	*30*	**15,755**	5,209
		183,600	159,198
Current assets			
Lease prepayments	*17*	**237**	239
Properties held for sale	*28*	**22,806**	23,315
Properties under development for sale	*28*	**74,253**	60,962
Inventories	*29*	**30,946**	28,737
Available-for-sale financial assets	*26*	**1,272**	1,210
Trade and other receivables	*30*	**264,402**	234,229
Amounts due from customers for contract work	*31*	**114,459**	111,791
Current income tax recoverable		**1,602**	807
Other loans and receivables	*27*	**16,990**	9,650
Held-for-trading financial assets	*32*	**2,963**	123
Restricted cash	*33*	**13,704**	9,254
Cash and cash equivalents	*34*	**116,688**	114,830
		660,322	595,147
Total assets		**843,922**	754,345

At 31 December 2017

	Note	As at 31 December 2017 RMB million	2016 RMB million
EQUITY			
Share capital	*35*	**22,844**	22,844
Share premium and reserves	*36*	**120,335**	105,287
Perpetual notes	*37*	**12,038**	12,038
		155,217	140,169
Non-controlling interests		**14,341**	8,827
Total equity		**169,558**	148,996
LIABILITIES			
Non-current liabilities			
Trade and other payables	*38*	**498**	686
Borrowings	*39*	**85,451**	92,308
Obligations under finance leases	*40*	**54**	42
Retirement and other supplemental benefit obligations	*41*	**3,161**	3,453
Provisions	*42*	**637**	335
Deferred government grant and income		**1,841**	1,140
Deferred tax liabilities	*43*	**1,006**	782
		92,648	98,746
Current liabilities			
Trade and other payables	*38*	**471,896**	407,418
Amounts due to customers for contract work	*31*	**14,964**	12,952
Current income tax liabilities		**5,572**	5,129
Borrowings	*39*	**88,483**	80,017
Obligations under finance leases	*40*	**349**	451
Retirement and other supplemental benefit obligations	*41*	**395**	466
Provisions	*42*	**–**	13
Held-for-trading financial liabilities	*32*	**57**	157
		581,716	506,603
Total liabilities		**674,364**	605,349
Total equity and liabilities		**843,922**	754,345

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

The financial statements on pages 98 to 226 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf.

Director
Li Changjin

Director
Zhang Zongyan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2017

		Attributable to owners of the Company										
	Note	**Share capital** RMB million	**Share premium** RMB million	**Capital reserve** RMB million	**Statutory reserves** RMB million	**Foreign currency translation reserve** RMB million	**Investment revaluation reserve** RMB million	**Retained earnings** RMB million	**Perpetual notes** RMB million	**Total** RMB million	**Non-controlling interests** RMB million	**Total** RMB million
Balance at 1 January 2016		22,844	43,982	(2,457)	5,374	(566)	633	48,490	12,123	130,423	8,815	139,238
Profit for the year		–	–	–	–	–	–	11,808	701	12,509	194	12,703
Other comprehensive income/(expenses) for the year		–	–	(16)	–	492	(143)	–	–	333	74	407
Total comprehensive income/ (expenses) for the year		–	–	(16)	–	492	(143)	11,808	701	12,842	268	13,110
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	290	290
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	46	46
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	7	7
Reclassification of previously recognised non-proportional capital contribution from other shareholders of an associate to profit or loss on disposal		–	–	(345)	–	–	–	–	–	(345)	–	(345)
2015 final dividend	*14*	–	–	–	–	–	–	(1,965)	–	(1,965)	–	(1,965)
Dividends paid and payable to non-controlling interests		–	–	–	–	–	–	–	–	–	(599)	(599)
Dividends paid and payable to perpetual notes holders	*37*	–	–	–	–	–	–	–	(786)	(786)	–	(786)
Transfer to reserves	*36*	–	–	–	1,682	–	–	(1,682)	–	–	–	–
Balance at 31 December 2016		22,844	43,982	(2,818)	7,056	(74)	490	56,651	12,038	140,169	8,827	148,996

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

For the Year Ended 31 December 2017

		Attributable to owners of the Company										
	Note	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Statutory reserves RMB million	Foreign currency translation reserve RMB million	Investment revaluation reserve RMB million	Retained earnings RMB million	Perpetual notes RMB million	Total RMB million	Non-controlling interests RMB million	Total RMB million
Balance at 1 January 2017		22,844	43,982	(2,818)	7,056	(74)	490	56,651	12,038	140,169	8,827	148,996
Profit/(losses) for the year		–	–	–	–	–	–	15,280	787	16,067	(1,863)	14,204
Other comprehensive income/(expenses) for the year		–	–	3	–	(312)	(361)	–	–	(670)	(116)	(786)
Total comprehensive income/ (expenses) for the year		–	–	3	–	(312)	(361)	15,280	787	15,397	(1,979)	13,418
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		–	–	2,553	–	–	–	–	–	2,553	7,133	9,686
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	639	639
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	48	48
Assets restructuring and non-public offering in exchange of assets of subsidiaries	*1*	–	–	208	–	–	–	(199)	–	9	(9)	–
2016 final dividend	*14*	–	–	–	–	–	–	(2,010)	–	(2,010)	–	(2,010)
Dividends paid and payable to non-controlling interests		–	–	–	–	–	–	–	–	–	(318)	(318)
Dividends paid and payable to perpetual notes holders	*37*	–	–	–	–	–	–	–	(787)	(787)	–	(787)
Performance compensation to a non-controlling shareholder		–	–	(114)	–	–	–	–	–	(114)	–	(114)
Transfer to reserves	*36*	–	–	–	2,473	–	–	(2,473)	–	–	–	–
Balance at 31 December 2017		22,844	43,982	(168)	9,529	(386)	129	67,249	12,038	155,217	14,341	169,558

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2017

	Note	Year ended 31 December 2017 RMB million	2016 RMB million
Cash flows from operating activities			
Cash generated from operations	*44*	**39,613**	60,258
Income tax paid		**(6,435)**	(5,763)
Net cash generated from operating activities		**33,178**	54,495
Cash flows from investing activities			
– Additions of property, plant and equipment		**(13,100)**	(9,675)
– Deposits for acquisition of property, plant and equipment		**(1,228)**	(1,249)
– Disposal of property, plant and equipment	*44*	**1,187**	1,218
– Deposits paid for land use rights		**(107)**	(37)
– Additions of land use rights		**(630)**	(1,642)
– Additions of mining assets		**(7)**	(31)
– Additions of investment properties		**(14)**	(6)
– Disposal of land use rights		**146**	629
– Disposal of investment properties		**13**	41
– Disposal of intangible assets		**77**	18
– Additions of intangible assets		**(196)**	(150)
– Acquisition of subsidiaries		**(121)**	(1)
– Disposal of subsidiaries		**263**	2,414
– Investments in associates		**(2,627)**	(843)
– Investments in joint ventures		**(6,452)**	(2,918)
– Purchase of other financial assets at fair value through profit or loss		**(14,131)**	–
– Purchase of available-for-sale financial assets		**(4,837)**	(10,167)
– Disposal of available-for-sale financial assets		**2,665**	7,350
– Net cash flow in respect of other loans and receivables		**(6,726)**	(415)
– Interests received		**312**	1,498
– Decrease of restricted cash		**934**	8,536
– Increase of restricted cash		**(723)**	(10,476)
– Proceeds from disposal of joint ventures		**897**	1
– Proceeds from disposal of associates		**244**	5
– Proceeds from disposal of other financial assets at fair value through profit or loss		**10,900**	–
– Government grants received for acquisition of property, plant and equipment		**46**	98
– Deposits paid for investments		**(47)**	(2,012)
– Dividends received		**885**	336
Net cash used in investing activities		**(32,377)**	(17,478)

For the Year Ended 31 December 2017

	Note	Year ended 31 December 2017 RMB million	2016 RMB million
Cash flows from financing activities			
– Capital contributions from non-controlling shareholders of subsidiaries		**9,686**	290
– Net proceeds from issue of debentures		**3,267**	9,589
– Repayment of debentures		**(1,000)**	(13,531)
– Proceeds from bank borrowings		**79,648**	77,859
– Repayments of bank borrowings		**(76,424)**	(78,204)
– Proceeds from other borrowings		**215**	6,050
– Repayment of other borrowings		**(2,910)**	(4,914)
– Interests paid		**(7,773)**	(8,430)
– Repayments of obligations under finance leases		**(150)**	(1,346)
– Sale and leaseback of property, plant and equipment		**–**	74
– Dividends paid to non-controlling shareholders of subsidiaries		**(299)**	(533)
– Dividends paid to owners of the Company		**(2,010)**	(1,965)
– Dividends paid to holders of perpetual notes		**(709)**	(709)
Net cash generate from/(used in) financing activities		**1,541**	(15,770)
Net increase in cash and cash equivalents		**2,342**	21,247
Cash and cash equivalents at beginning of year		**114,830**	93,304
Effect of foreign exchange rate changes		**(484)**	279
Cash and cash equivalents at end of year		**116,688**	114,830

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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", formerly named as "China Railway Engineering Corporation") 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 2018.

Significant events and transactions

In January 2017, the Company and China Railway Hi-Tech Industry Co., Ltd. ("Hi-Tech Industry", formerly named as China Railway Erju Co., Ltd., an A share listed subsidiary of the Company) completed the asset restructuring and equity interests transfer transaction, pursuant to which the Company sold to Hi-Tech Industry 100% equity interests held by the Company in China Railway Shanhaiguan Bridge Group Co., Ltd., China Railway Baoji Bridge Group Co., Ltd., China Railway Science & Industry Group Co., Ltd. and China Railway Engineering Equipment Group Co., Ltd., and Hi-Tech Industry swapped with the Company its 100% equity interests in China Railway Erju Engineering Co., Ltd., the difference in the price of the swapped assets was paid by Hi-Tech Industry through issuance of new A shares to the Company by means of a non-public offering.

On 5 January 2017, Hi-Tech Industry completed the formalities of transfer of equity interests and change of business registration regarding the acquiring and disposing assets for the material asset restructuring. On 12 January 2017, Hi-Tech Industry completed the issuance of new shares of 383,802,693 to the Company by means of non-public offering in exchange for assets. After the completion of transfer of equity interests, the Company holds 60.42% equity interests in Hi-Tech Industry directly and indirectly, which is added up to 1,113,577,137 A shares.

The transactions resulted in the transfer of retained earnings to capital reserve amounted to RMB208 million.

On 27 March 2017, Hi-Tech Industry completed the non-public issuance of 378,548,895 A shares ("Issuance"), and received the net proceeds of RMB5,910 million. It was treated as transaction with non-controlling shareholders and resulted in an increase in capital reserve of RMB2,233 million. After the Issuance, the Company holds 50.12% equity interests in Hi-Tech Industry directly and indirectly.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amendments to standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 "Statement of cash flows"	1 January 2017
Amendments to IAS 12 "Income taxes"	1 January 2017
Amendment to IFRS 12 "Disclosure of interest in other entities"	1 January 2017

The adoption of the above amended standards did not have any material impact on the Group's results for the year ended 31 December 2017 and the Group's financial position as at 31 December 2017 or result in any significant changes in the Group's accounting policies.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing the consolidated financial statements.

	Effective for accounting periods beginning on or after
Amendment to IAS 28 "Investments in associates and joint ventures"	1 January 2018
Amendments to IAS 40, "Transfers of investment property"	1 January 2018
Amendment to IFRS 1 "First time adoption of IFRS"	1 January 2018
Amendment to IFRS 2 "Classification and measurement of share-based payment transactions"	1 January 2018
Amendments to IFRS 4, "Applying IFRS 9 financial instruments with IFRS 4 insurance contracts"	1 January 2018
IFRS 9 "Financial instruments"	1 January 2018
IFRS 15 "Revenue from contracts with customers"	1 January 2018
IFRIC 22 "Foreign currency transactions and advance consideration"	1 January 2018
IFRS 16 "Leases"	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or join venture"	to be determined

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

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

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

(i) IFRS 9 Financial instruments (Continued)

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

- Financial asset or financial liability are required to be measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for trade receivables that do not have a significant financial component (determined in accordance with IFRS 15) can be measured at their transaction price (as defined in IFRS 15).

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

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

  The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

  – Debt instruments that are currently classified as available-for-sale (AFS) will be reclassified as fair value through profit or loss. Management assessed that the reclassification will not have any significant impact on the consolidated financial statements;

  – Equity instruments currently classified as AFS for which a FVOCI election is available. Some unlisted equity investments, which are currently stated at cost less impairment, will be measured at fair value. The Group is currently evaluating the fair value by using valuation techniques, and will measure the unlisted equity investments at fair value with the changes recognised in other comprehensive income; and

  – Equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under IFRS 9.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

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

(i) IFRS 9 Financial instruments (Continued)

However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the year ended 31 December 2017, RMB4 million of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. It applies to financial assets classified at amortised cost, mainly loans and receivables. Based on the assessments undertaken to date, the Group does not expect the new guidance to have significant impact on the provision for impairment.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will recognise the cumulative impact of the adoption of IFRS 9 in retained earnings or other comprehensive income as of 1 January 2018 and comparatives will not be restated.

(ii) IFRS 15 Revenue from contracts with customers

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

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

(ii) IFRS 15 Revenue from contracts with customers (Continued)

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

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that will be affected:

- Infrastructure construction – the contractual terms and the way in which the Group operates its infrastructure construction contracts are predominantly derived from projects containing one performance obligation. The principle of revenue recognition method and calculation of the percentage of completion are consistent with IAS 11. However, part of contracts' transaction price are subject to probable adjustment due to expected consideration of: (1) variable consideration if it is 'highly probable' that the amount will not result in a significant revenue reversal if estimates change, such as variations in contract work, claims and incentive payments, (2) significant financing component may identified in a contract with long-term arrangement when product or service delivery and cash payments occur throughout the term of the contract over an extended period of time. This means that change of total estimated revenue and margin will be recognised at the start of the project as compared with current practice if determined to be highly probable at inception. Based on the assessments undertaken to date, the Group does not expect the new standard to have significant impact on the revenue recognition.

- Sales of properties – revenue is permitted to be recognised over time when the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Property development revenue recognised over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date with measurement of efforts or budgeted inputs to the satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected of the completed property. Management has assessed that the new standard will not have significant impact on the revenue recognition as most of properties sales contracts do not meet the criteria of revenue to be recognised over time.

- Presentation of contract assets and contract liabilities in the balance sheet – IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to amounts due from customers and amounts due to customers for contract work which are currently included in separate balance sheet line items.

The Group will adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

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

(iii) IFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB874 million as disclosed in Note 47(d). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

(b) Associates

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

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

(c) Joint arrangements

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

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in Note 24.

Joint ventures

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

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

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Equity accounting

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

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

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

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

(e) Changes in ownership interests

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations

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

Merger accounting for common control combinations

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

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

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

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

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

Acquisition method of accounting for non-common control combinations

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

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

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

Acquisition-related costs are expensed as incurred.

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

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

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment (Continued)

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

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

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

2.8 Investment properties

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

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

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

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

2.9 Lease prepayments

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

2. Summary of Significant Accounting Policies (Continued)

2.10 Intangible assets

(a) Service concession arrangements

The Group is engaged in certain service concession arrangements in which the Group carries out construction work (e.g. toll highways and others) in exchange for a right for the Group to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with the IFRIC Interpretation 12 Service Concession Arrangement (IFRIC 12), the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangibles if the operator receives a right (a license) to charge users of the public service or as financial assets if the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group classifies the non-current assets linked to the long-term investment as "service concession arrangements" within intangible assets on the balance sheet if the intangible asset model is adopted. Such concession assets represented the consideration received for its construction service rendered (Note 2.31). Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the expected useful lives or the term of the concession, whichever is shorter, using traffic flow method or straight-line method under the intangible asset model.

(b) Patent and non-patented technologies

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

(c) Computer software

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

2.11 Mining assets

(a) Exploration and evaluation assets

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.11 Mining assets (Continued)

(b) Mining rights

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

2.12 Goodwill

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

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

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

2.13 Impairment of non-financial assets

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

2. Summary of Significant Accounting Policies (Continued)

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held-to-maturity financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Held-for-trading financial assets*

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "other loans and receivables", "restricted bank deposit" and "cash and cash equivalents" in the balance sheet.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

2. Summary of Significant Accounting Policies (Continued)

2.14 Financial assets (Continued)

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Held-for-trading financial assets are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and held-for-trading financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "held-for-trading financial assets" category are presented in the consolidated income statement within "Other (losses)/gains, net" in the period in which they arise. Dividend income from held-for-trading financial assets is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified in the consolidated income statement as gains and losses from investment securities.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, if the range of reasonable fair value estimate is significant and the probabilities of various estimates cannot be reasonably assessed, such financial assets are carried out at cost less accumulated impairment losses.

2.14.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. Summary of Significant Accounting Policies (Continued)

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

2.16 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with the cash flow of a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 3. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within "Other (losses)/gains, net".

Amounts accumulated in equity are reclassified in the consolidated income statement in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging foreign currency denominated expenses or receivables is recognised in the consolidated income statement within "Other (losses)/gains, net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (inventory for example) or a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. The deferred amounts are ultimately recognised in the consolidated income statement as "cost of sales" in the case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement, or upon the initial recognition of a non-financial asset or liability. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(b) Derivatives at fair value through profit or loss

Certain derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within "Other (losses)/gains, net".

2. Summary of Significant Accounting Policies (Continued)

2.17 Inventories

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

2.18 Properties held for sale/properties under development for sale

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

2.19 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.21 Share capital

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

2. Summary of Significant Accounting Policies (Continued)

2.22 Financial instruments classified as equity

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

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

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

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

2.23 Trade payables

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

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

2.24 Borrowings

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

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

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

2.25 Borrowing costs

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.26 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2. Summary of Significant Accounting Policies (Continued)

2.27 Employee benefits

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

(a) Pension obligations

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.27 Employee benefits (Continued)

(b) Other post-employment obligations

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

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognise costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Short-term employee benefits

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

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

(e) Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group’s liability in respect of these funds is limited to the contributions payable in each period.

2.28 Provisions

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.29 Government grants

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

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

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

2.30 Contract work

Contract costs are recognised in the consolidated income statement when incurred. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognised in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses when it is probable that total contract costs will exceed total revenue. The cost includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs.

The balance of the value of contract work-in-progress and progress billings is determined on a project by project basis. On the consolidated balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset the "amounts due from customers for contract work" where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability the "amounts due to customers for contract work" where the opposite is the case.

2. Summary of Significant Accounting Policies (Continued)

2.31 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the construction contracts, sale of properties, and the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from infrastructure construction and other engineering manufacturing contracts

Revenue from individual infrastructure construction and other engineering manufacturing contract is recognised under the percentage of completion method, when the outcome of a contract can be estimated reliably and, depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract; (b) the amount of work certified by site engineers; or (c) completion of physical proportion of the contract work. Expected losses are fully provided on contracts when identified.

(b) Services rendered

Revenue for services rendered including surveying, design, consulting, research and development, feasibility study, compliance certification services with respect to infrastructure projects, and operating service provided under service concession arrangements, is recognised when services are rendered by reference to stage of completion of the specific transactions and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(c) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to purchasers, which in the ordinary course of business is when the respective properties have been completed and delivered to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured.

(d) Sale of goods

Sales of goods are recognised when an entity has delivered the products to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

2.32 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.33 Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of Significant Accounting Policies (Continued)

2.34 Leases

2.34.1 Operating leases

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

(a) *As a lessee*

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

(b) *As a lessor*

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

2.34.2 Finance leases

(a) *As a lessee*

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

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

(b) *As a lessor*

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

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

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2. Summary of Significant Accounting Policies (Continued)

2.35 Research and development

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

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

2.36 Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks by the Group to secure loans. These guarantees in relation to loans are provided for no compensation.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount less cumulative amortisation, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement.

2.37 Dividend distribution

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

3. Financial Risk Management

3.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign currency risk

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

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

Details of the Group's available-for-sale financial assets, other loans and receivables, trade and other receivables, held-for-trading financial assets, restricted cash, cash and cash equivalents, trade and other payables and borrowings as at 31 December 2017, denominated in foreign currencies, mainly United States Dollars ("USD") and Hong Kong Dollars ("HKD"), are disclosed in Notes 26, 27, 30, 32, 33, 34, 38 and 39, respectively.

The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. In 2017, The Group uses forward foreign exchange contracts and foreign exchange swaps contracts to hedge its exposure to foreign currency risk.

As at 31 December 2017, if RMB had strengthened/weakened by 6% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB96 million (2016: 6%, RMB227 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of USD-denominated other loans and receivables, trade and other receivables, held-for-trading financial assets, restricted cash, cash and bank balances, trade and other payables and borrowings.

As at 31 December 2017, if RMB had strengthened/weakened by 7% against HKD with all other variables held constant, post-tax profit for the year would have been approximately RMB7 million (2016: 6%, RMB5 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated trade and other receivables, held-for-trading financial assets and cash and cash equivalents; post-tax impact on equity for the year would have been approximately RMB33 million (31 December 2016: 6%, RMB28 million) decreased/increased, mainly as a result of impact on other comprehensive income on translation of HKD-denominated available-for-sale financial assets.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because listed equity securities and held-for-trading financial assets in the consolidated balance sheet are measured by reference to quoted prices.

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

The Group's sensitivity to equity price risk on the held-for-trading financial assets and available-for-sale financial assets at the end of the reporting period while all other variables were held constant is as follows:

	2017	2016
Increase/decrease in quoted price in open markets	**6%**	6%

	2017 RMB million	2016 RMB million
Increase/(decrease) in post-tax profit for the year		
– as a result of increase in equity price	**131**	5
– as a result of decrease in equity price	**(131)**	(5)
Increase/(decrease) in other comprehensive income		
– as a result of increase in equity price	**120**	80
– as a result of decrease in equity price	**(120)**	(80)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate borrowings and other loans and receivables. The cash flow interest rate risks of the Group relates primarily to floating-rate bank borrowing and available-for-sale financial assets of unlisted debt related entrusted products, measured at fair value. The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term. During 2017 and 2016, the Group's borrowings at variable rate were mainly denominated in RMB, USD and Euro ("EUR").

The Group's sensitivity to interest rate risk is prepared assuming the amount of floating-rate borrowings at the end of the reporting period were outstanding and the amount of available-for-sale financial assets of unlisted debt related entrusted products at the end of the reporting period retained for the whole year. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

	2017	2016
Increase/decrease in interest rate	**25 basis points**	25 basis points

	2017 RMB million	2016 RMB million
Increase/(decrease) in post-tax profit for the year		
– as a result of increase in interest rate	**(158)**	(178)
– as a result of decrease in interest rate	**158**	178
Increase/(decrease) in other comprehensive income		
– as a result of increase in interest rate	**12**	14
– as a result of decrease in interest rate	**(12)**	(14)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of cash and bank balances, trade and other receivables except for prepayments, other loans and receivables, held-for-trading financial assets, and the nominal value of the guarantees provided on liabilities represent the Group's maximum exposure to credit risk in relation to financial assets.

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

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

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

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 27% (2016: 33%) and 30% (2016: 36%) of the total trade receivables respectively.

The Group has concentration of credit risk in respect of other loans and receivables as the Group's largest other loans and receivables and the five largest other loans and receivables represent 8% (2016: 13%) and 27% (2016: 28%) of the total other loans and receivables respectively.

(c) Liquidity risk

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

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

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	On demand or less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2017						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 38) (Note)*	**382,017**	**249**	**156**	**150**	**382,572**	**382,354**
Borrowings *(Note 39)*	**94,401**	**24,484**	**45,116**	**32,096**	**196,097**	**173,934**
Obligations under finance leases *(Note 40)*	**349**	**9**	**52**	**–**	**410**	**403**
Financial guarantee contracts *(Note 46)*	**29,410**	**–**	**–**	**–**	**29,410**	**–**
Net-settled derivative financial instruments outflows *(Note 32)*						
– foreign exchange swaps	**25**	**–**	**–**	**–**	**25**	**25**
– forward currency exchange contracts	**6**	**–**	**–**	**–**	**6**	**6**
– future contracts	**26**	**–**	**–**	**–**	**26**	**26**
	506,234	**24,742**	**45,324**	**32,246**	**608,546**	**556,748**

	On demand or less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total undiscounted cash flows RMB million	Carrying amount RMB million
At 31 December 2016						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 38) (Note)*	343,404	329	216	233	344,182	344,027
Borrowings *(Note 39)*	86,626	31,863	43,135	32,738	194,362	172,325
Obligations under finance leases *(Note 40)*	455	40	5	–	500	493
Financial guarantee contracts *(Note 46)*	29,224	–	–	–	29,224	–
Net-settled derivative financial instruments outflows *(Note 32)*						
– interest rate swaps	90	–	–	–	90	81
– future contracts	76	–	–	–	76	76
	459,875	32,232	43,356	32,971	568,434	517,002

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

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at 31 December 2017, there is no bank borrowing that contains a repayment on demand clause.

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

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

(d) Capital risk management

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

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

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

	2017 RMB million	2016 RMB million
Total liabilities	**674,364**	605,349
Total assets	**843,922**	754,345
Asset-liability ratio	**79.91%**	80.25%

The asset-liability ratio as at 31 December 2017 decreased by 0.34 percentage points compared with that in 2016 primarily attributable to the non-public share offering of Hi-Tech Industry in March 2017.

3. Financial Risk Management (Continued)

3.2 Fair value estimation

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

Financial assets/ financial liabilities	Fair value as at (RMB million) 2017		2016		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Future contracts classified as held-for-trading financial assets/liabilities	Assets/Liabilities	Amount	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward price (from observable future value expectation at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	2	Assets	–				
	Liabilities	26	Liabilities	76				
2) Foreign exchange swaps classified as held-for-trading financial assets/ liabilities	Assets/ Liabilities	Amount	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	–	Assets	–				
	Liabilities	25	Liabilities	–				
3) Forward foreign exchange contracts classified as held-for-trading financial assets/liabilities	Assets/ Liabilities	Amount	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	–	Assets	5				
	Liabilities	6	Liabilities	–				

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million) 2017		2016		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
4) Interest rate swaps classified as held-for-trading financial assets/liabilities	**Assets/ Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**–**	Assets	1				
	Liabilities	**–**	Liabilities	81				
5) Listed equity securities, money – market securities investment funds, and bond instruments classified as held-for-trading financial assets	**Held-for-trading financial assets in Mainland China and Hong Kong:**		Held-for-trading financial assets in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Transportation	**24**	Transportation	19				
	Finance	**2,727**	Finance	30				
	Construction	**8**	Construction	–				
	Manufacturing	**112**	Manufacturing	18				
	Mining	**9**	Mining	–				
	Others	**81**	Others	50				
	Total	**2,961**	Total	117				
6) Listed equity securities classified as available-for-sale financial assets	**Listed equity securities in Mainland China:**		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**1,964**	Finance	668				
	Manufacturing	**66**	Manufacturing	65				
	Total	**2,030**	Total	733				
	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:					
	Industry	**Amount**	Industry	Amount				
	Construction	**630**	Construction	615				
	Mining	**1**	Mining	1				
	Total	**631**	Total	616				

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

Financial assets/ financial liabilities	Fair value as at (RMB million) 2017		2016		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Unlisted open-end equity funds classified as available for-sale financial assets	**Unlisted openend equity funds in Mainland China:**		Unlisted open-end equity funds in Mainland China:					
	Industry	**Amount**	Industry	Amount				
	Finance	**804**	Finance	183	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Finance	**696**	Finance	626	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	**1,500**	Total	809				
8) Unlisted entrusted products classified as available-for-sale financial assets	**Unlisted entrusted products in Mainland China:**		Unlisted entrusted products in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Construction	**3,189**	Construction	3,461				
	Finance	**1,201**	Real estate	1,115				
	Real estate	**863**	Finance	1,131				
	Manufacturing	**87**	Manufacturing	31				
	Mining	**15**	Mining	20				
	Others	**604**	Others	563				
	Total	**5,959**	Total	6,321				

For the Year Ended 31 December 2017

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

There were no transfers between Level 1 and 2 during the year of 2017.

Reconciliation of Level 3 fair value measurements:

	Available-for-sale unlisted entrusted products RMB million	Available-for-sale open-end funds RMB million	Total RMB million
31 December 2017			
Opening balance at 1 January	**6,321**	**626**	**6,947**
Purchases	**2,669**	**333**	**3,002**
Reclassified to listed equity securities	**(90)**	**–**	**(90)**
Transferred to other loans and receivables	**(12)**	**–**	**(12)**
Settlements	**(2,929)**	**(263)**	**(3,192)**
Closing balance at 31 December	**5,959**	**696**	**6,655**

	Available-for-sale unlisted entrusted products RMB million	Available-for-sale open-end funds RMB million	Total RMB million
31 December 2016			
Opening balance at 1 January	6,254	247	6,501
Total gains:			
– in other comprehensive income	90	–	90
– cumulative loss reclassified from equity to profit or loss on disposal and impairment provided for the year	(263)	–	(263)
Purchases	8,186	457	8,643
Settlements	(7,946)	(78)	(8,024)
Closing balance at 31 December	6,321	626	6,947

3. Financial Risk Management (Continued)

3.2 Fair value estimation (Continued)

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

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

	2017		2016	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial assets				
Loans and receivables – fixed rate	**24,768**	**25,131**	16,626	17,689
Financial liabilities				
Bank borrowings – fixed rate	**7,261**	**7,317**	1,502	1,516
Long-term debentures – fixed rate	**36,002**	**36,968**	33,322	34,106
Other long-term borrowings – fixed rate	**6,100**	**6,671**	7,192	7,533

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

4. Critical Accounting Estimates, Assumptions and Judgments

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

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

4.1 Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group estimates the total contract revenue and total contract costs at the beginning for each contract based on the budgets prepared for the contracts. Because of the nature of the activity undertaken in infrastructure construction businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

Management reviews and revises the estimates of both contract revenue and contract costs when the management considers there are changes in the assumptions in deriving the estimates throughout the contract period, such as variations in contract work, claims and incentive payments. The Group also monitors the progress payments from customers against the contract terms, and periodically evaluates the creditworthiness of the customers. If circumstances arise which make it likely that a customer would default on all or part of its payments or otherwise fail to fulfil its performance obligations under the contract terms, management will reassess the outcome of the relevant contract and may revise the relevant estimates. The revision will be reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

4.2 Recoverability of trade receivables

The Group assesses whether there is objective evidence the trade receivables is impaired with judgement on its recoverability individually and then collectively for trade receivables with similar credit risk characteristics. Estimates of the recoverable amounts of trade receivables was determined based on management's assessment of current market conditions in which the debtors operate, financial position and creditworthiness of customers, the aging of trade receivable balances, and historical payment records. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade receivables would be required.

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

4.3 Determination of control over structured entities

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

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in Note 22.

4.4 Fair value of financial instruments

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

The sensitivity analysis in relation to the fluctuation of the fair value of financial instruments has been disclosed in Note 3.1(a).

4.5 Income taxes

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

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

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

4.6 Revenue from sale of properties

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

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

4.7 Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 41.

If the discount rate used to increase/decrease by 0.25 percentage point from management's estimates with all other variables held constant, the carrying amount of pension obligations as at the end of the reporting period would have been RMB60 million (2016: RMB68 million) lower or RMB62 million (2016: RMB70 million) higher.

4.8 Amortisation of service concession arrangements in relation to toll highways

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

5. 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").

The Group derives the revenue from the following businesses:

	2017 **RMB million**	2016 RMB million
Infrastructure construction	**596,580**	545,192
Rendering of other services	**27,198**	24,999
Sale of properties	**30,352**	32,224
Sale of goods and others	**34,643**	30,441
Total revenue	**688,773**	632,856

Revenue between segments is carried out at actual transaction prices.

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

For the Year Ended 31 December 2017

5. Segment Information (Continued)

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

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

	For the year ended 31 December 2016						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
External revenue	551,486	11,615	12,315	32,583	31,760	–	639,759
Inter-segment revenue	5,003	653	4,399	25	10,423	(20,503)	–
Other operating income	2,465	44	349	368	372	–	3,598
Inter-segment other operating income	269	–	–	–	116	(385)	–
Segment revenue	559,223	12,312	17,063	32,976	42,671	(20,888)	643,357
Segment results							
Profit before tax	14,753	1,442	1,349	2,458	184	(2,513)	17,673
Segment results included:							
Share of profit/(loss) of joint ventures	12	1	75	(2)	32	–	118
Share of profit/(loss) of associates	381	18	49	(3)	169	–	614
Interest income	3,268	71	34	287	1,211	(2,870)	2,001
Interest expenses	(3,659)	(173)	(156)	(1,136)	(3,414)	2,764	(5,774)

5. Segment Information (Continued)

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

	2017 RMB million	2016 RMB million
Segment revenue	**693,366**	643,357
Reconciling items:		
Reclassification of sales tax *(Note (a))*	**–**	(6,903)
Reclassification of other operating income *(Note (b))*	**(4,593)**	(3,598)
Total consolidated revenue, as reported	**688,773**	632,856
Segment interest income	**2,045**	2,001
Reconciling items:		
Reclassification of interest income obtained from other loans and receivables	**30**	196
Total consolidated interest income, as reported	**2,075**	2,197
Segment results	**19,544**	17,673
Reconciling item:		
Land appreciation tax *(Note (c))*	**1,284**	1,099
Total consolidated profit before tax, as reported	**20,828**	18,772

(a) Sales tax was included in operating expenses under segment reporting and was classified as a reduction against revenue in the consolidated income statement before 30 April 2016. On 1 May 2016, sales tax was replaced with value-added tax. Thus, no sales tax is included in the consolidated income statement for the year ended 31 December 2017.

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

(c) Land appreciation tax is included in operating expenses under segment reporting and is classified as income tax expense in the consolidated income statement.

5. Segment Information (Continued)

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

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

	As at 31 December 2016						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
Segment assets	563,496	14,765	31,605	149,468	213,287	(224,067)	748,554
Segment assets included:							
Investments in joint ventures	3,475	39	324	36	1,650	–	5,524
Investments in associates	5,018	101	202	106	531	–	5,958
Unallocated assets							5,791
Total assets							754,345
Segment liabilities	472,462	9,842	21,699	130,009	188,807	(222,820)	599,999
Unallocated liabilities							5,350
Total liabilities							605,349

5. Segment Information (Continued)

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

(a) all assets are allocated to operating segments other than deferred tax assets and current income tax recoverable excluding prepaid land appreciation tax which is allocated to operating segments; and

(b) all liabilities are allocated to operating segments other than deferred tax liabilities and current income tax liabilities excluding land appreciation tax payable which is allocated to operating segments.

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

	2017 RMB million	2016 RMB million
Segment assets	**837,240**	748,554
Reconciling items:		
Deferred tax assets	**5,731**	5,258
Non-tradable shares reform of subsidiaries *(Note (a))*	**(163)**	(163)
Current income tax recoverable	**1,602**	807
Prepaid land appreciation tax included in current income tax recoverable	**(488)**	(111)
Total consolidated assets, as reported	**843,922**	754,345
Segment liabilities	**669,418**	599,999
Reconciling items:		
Deferred tax liabilities	**1,006**	782
Current income tax liabilities	**5,572**	5,129
Land appreciation tax payable included in current income tax liabilities	**(1,632)**	(561)
Total consolidated liabilities, as reported	**674,364**	605,349

(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.

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5. Segment Information (Continued)

Other segment information:

	Year ended 31 December 2017					
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Capital expenditure:						
Property, plant and equipment	9,844	184	677	898	3,266	14,869
Lease prepayments	376	2	127	–	157	662
Investment properties	2	–	–	10	2	14
Intangible assets	58	22	11	2	103	196
Mining assets	–	–	–	–	7	7
Total	10,280	208	815	910	3,535	15,748
Depreciation and amortisation:						
Property, plant and equipment	4,848	605	307	219	1,262	7,241
Lease prepayments	151	8	37	97	55	348
Investment properties	35	4	7	82	52	180
Intangible assets	34	13	35	5	864	951
Mining assets	–	–	–	–	238	238
Other prepayments	49	10	11	–	29	99
Total	5,117	640	397	403	2,500	9,057
(Gains)/losses on disposal and/or write-off of property, plant and equipment	(81)	(6)	13	–	–	(74)
(Gains)/losses on disposal of lease prepayments	(40)	–	–	–	1	(39)
Reversal of provision for foreseeable losses on construction contracts	(29)	–	–	–	–	(29)
Impairment loss on trade and other receivables	853	23	97	68	7,380	8,421
Impairment loss on other loans and receivables	26	–	–	–	469	495
Impairment loss on property, plant and equipment	–	9	1	–	11	21
Impairment loss on mining assets	–	–	–	–	282	282
Impairment loss on available-for-sale financial assets	–	–	–	–	4	4

5. Segment Information (Continued)

	Year ended 31 December 2016					
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Capital expenditure:						
Property, plant and equipment	8,538	241	1,015	829	1,036	11,659
Lease prepayments	1,311	1	222	997	300	2,831
Investment properties	5	1	–	–	–	6
Intangible assets	36	12	11	2	89	150
Mining assets	–	–	–	–	31	31
Total	9,890	255	1,248	1,828	1,456	14,677
Depreciation and amortisation:						
Property, plant and equipment	5,457	224	486	213	905	7,285
Lease prepayments	154	10	30	38	35	267
Investment properties	34	12	3	68	52	169
Intangible assets	29	7	52	4	766	858
Mining assets	–	–	–	–	133	133
Other prepayments	25	8	10	–	6	49
Total	5,699	261	581	323	1,897	8,761
(Gains)/losses on disposal and/or write-off of property, plant and equipment	(91)	1	(14)	–	(21)	(125)
Gains on disposal of lease prepayments	(444)	–	–	–	–	(444)
Provision for foreseeable losses on construction contracts	150	–	–	–	–	150
Gains on disposal of investment properties	(38)	–	–	–	–	(38)
Impairment loss on trade and other receivables	430	14	17	16	481	958
Impairment loss on other loans and receivables	–	–	–	–	352	352
Impairment loss on property, plant and equipment	–	–	–	–	142	142
Impairment loss on mining assets	–	–	–	–	565	565
Impairment loss on investment properties	–	–	–	27	–	27
Impairment loss on lease prepayments	–	–	–	8	–	8
Impairment loss on interests in associates	–	–	–	–	345	345
Impairment loss on available-for-sale financial assets	–	–	–	–	263	263

5. Segment Information (Continued)

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

	For the year ended 31 December	
	2017 **RMB million**	2016 RMB million
Mainland China	**647,092**	604,590
Other regions (including Hong Kong and Macau)	**41,681**	28,266
	688,773	632,856

Non-current assets other than financial instruments, investments in joint ventures, investments in associates, deposits for investments and deferred income tax assets located in the Mainland China and other regions are as follows:

	2017 **RMB million**	2016 RMB million
Mainland China	**110,052**	107,182
Other regions (including Hong Kong and Macau)	**8,818**	8,183
	118,870	115,365

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

6. Other Income and Expenses

	2017 **RMB million**	2016 RMB million
Other income from:		
Net income from sundry operations *(Note (a))*	**1,499**	795
Government subsidies *(Note (b))*	**378**	421
Compensation income	**40**	57
Dividend income on available-for-sale financial assets	**362**	127
– Listed equity securities	**26**	12
– Unlisted equity investments	**336**	115
Relocation compensation	**31**	53
Others	**509**	402
	2,819	1,855
Other expenses on:		
Research and development expenditures	**11,103**	10,417

6. Other Income and Expenses (Continued)

Notes:

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

(b) *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.

7. Other (Losses)/Gains, Net

	2017 RMB million	2016 RMB million
Impairment loss recognised on financial assets		
Available-for-sale financial assets *(Note 26)*	**(4)**	(263)
Trade and other receivables *(Note 30)*	**(8,421)**	(958)
Other loans and receivables *(Note 27)*	**(495)**	(352)
	(8,920)	(1,573)
Impairment loss on mining assets *(Note 21)*	**(282)**	(565)
Impairment loss on property, plant and equipment *(Note 16)*	**(21)**	(142)
Impairment loss on lease prepayments *(Note 17)*	**–**	(8)
Impairment loss on investment properties *(Note 19)*	**–**	(27)
Impairment loss on interests in associates *(Note 23)*	**–**	(345)
Gains on disposal of subsidiaries	**112**	427
Gains/(losses) on disposal and/or write-off of:		
– Property, plant and equipment	**74**	125
– Lease prepayments	**39**	444
– Available-for-sale financial assets	**4**	67
– Investment properties	**–**	38
– Interests in associates	**(6)**	(1)
– Interests in joint ventures	**(1)**	(5)
Loss arising on change in fair value of financial assets/liabilities classified as held-for-trading	**(471)**	(80)
Foreign exchange (losses)/gains, net	**(34)**	2,275
Gains on debt restructurings	**26**	–
	(9,480)	630

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8. Interest Income and Expenses

	2017 RMB million	2016 RMB million
Interest income from:		
Cash and cash equivalents and restricted cash	**1,166**	1,122
Imputed interest income on retention receivables	**879**	879
Other loans and receivables	**30**	196
Total interest income	**2,075**	2,197
Interest expenses on:		
Bank borrowings	**4,882**	6,095
Short-term debentures	**–**	41
Long-term debentures	**1,403**	1,588
Other long-term borrowings	**735**	649
Other short-term borrowings	**253**	193
Finance leases	**49**	110
Asset Backed Notes ("ABN") *(Note 30)*	**104**	–
Asset Backed Securities ("ABS") *(Note 30)*	**127**	–
	7,553	8,676
Imputed interest expenses on retention payables	**254**	190
Imputed interest expenses on defined benefit obligations *(Note 41)*	**111**	112
Bank charges	**118**	158
Total borrowing costs	**8,036**	9,136
Less: amount capitalised	**(3,263)**	(3,362)
Total interest expenses	**4,773**	5,774

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB3,263 million (2016: RMB3,362 million) were capitalised in 2017, of which approximately RMB2,600 million was charged to properties under development for sale, approximately RMB574 million was charged to contract work-in-progress, approximately RMB89 million was included in cost of construction-in-progress (2016: RMB2,634 million was charged to properties under development for sale, approximately RMB599 million was charged to contract work-in-progress, approximately RMB129 million was included in cost of construction-in-progress). The weighted average capitalisation rate of 4.46% per annum (2016: 5.15%) was used to determine the amount of borrowing costs to be capitalised, representing the weighted average interest rate applicable to the entity's general borrowings to finance the qualifying assets.

9. Expenses by Nature

The additional information of cost of sales and services, selling and marketing expenses and administrative expenses is as follows:

	2017 RMB million	2016 RMB million
Raw materials and consumables used	**252,024**	231,168
Employee benefit expenses *(Note 10)*	**150,639**	133,574
Equipment usage costs	**30,004**	29,714
Cost of property development	**22,919**	23,946
Depreciation of property, plant and equipment *(Note 16)* and investment properties *(Note 19)*	**7,421**	7,454
Business tax and other transaction taxes	**3,359**	6,903
Transportation costs	**1,747**	2,124
Amortisation of:		
Intangible assets *(Note 20)*	**951**	858
Lease prepayments *(Note 17)*	**348**	267
Mining assets *(Note 21)*	**238**	133
Other prepayments	**99**	49
Advertising and publication costs	**865**	859
Auditors' remuneration	**36**	46

10. Employee Benefit Expenses

	2017 RMB million	2016 RMB million
Salaries, wages and bonuses	**35,041**	30,278
Pension costs – defined contribution plans	**6,171**	5,326
Housing benefits	**2,976**	2,601
Welfare, medical and other expenses	**106,451**	95,369
	150,639	133,574

11. Income Tax Expense

	2017 RMB million	2016 RMB million
Current income tax		
– Enterprise income tax ("EIT")	**5,836**	5,959
– Land appreciation tax ("LAT")	**1,284**	1,099
– Over-provision in prior years	**(241)**	(8)
Deferred income tax	**(255)**	(981)
Income tax expense	**6,624**	6,069

11. Income Tax Expense (Continued)

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2016: 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% (2016: 12.5%, 15%) for the year ended 31 December 2017.

Certain of the Group's entities are located in Democratic Republic of the Congo, South Africa, Mongolia, Hong Kong, Malaysia, Papua New Guinea and Kenya. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 30%, 28%, 10%, 16.5%, 24%, 30% and 37.5% (2016: 30%, 28%, 10%, 16.5%, 24%, 30% and 37.5%) 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:

	2017 **RMB million**	2016 RMB million
Profit before tax	**20,828**	18,772
Tax at PRC EIT rate of 25% (2016: 25%)	**5,206**	4,692
Tax effect of:		
Non-deductible expenses	**200**	177
Non-taxable income	**(99)**	(166)
Tax losses not recognised as deferred tax assets	**766**	1,071
Utilisation of tax losses previously not recognised as deferred tax assets	**(352)**	(168)
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(134)**	(59)
Other deductible temporary differences not recognised as deferred tax assets	**1,851**	812
Preferential tax rates on income of group entities and other income tax credits	**(1,259)**	(950)
Share of profit of joint ventures	**(56)**	(30)
Share of profit of associates	**(327)**	(154)
Deferred tax charges resulting from changes in applicable tax rates	**53**	23
LAT	**1,284**	1,099
Tax effect of LAT	**(321)**	(275)
Overprovision in respect of prior years	**(241)**	(8)
Others	**53**	5
Income tax expense for the year	**6,624**	6,069

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.

11. Income Tax Expense (Continued)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2017			2016		
	Before tax RMB million	Tax credit RMB million	After tax RMB million	Before tax RMB million	Tax charge RMB million	After tax RMB million
Actuarial gain/(losses) on retirement and other supplemental benefit obligations	**9**	**(8)**	**1**	(24)	8	(16)
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)**	(164)	31	(133)
Fair value (losses)/gains on cash flow hedging instrument	**(5)**	**–**	**(5)**	8	–	8
Share of other comprehensive expenses of associates	**(47)**	**–**	**(47)**	–	–	–
Currency translation differences	**(364)**	**–**	**(364)**	548	–	548
Other comprehensive (expenses)/income	**(903)**	**117**	**(786)**	368	39	407
Current income tax						
Deferred income tax *(Note 43)*		**117**			39	
		117			39	

12. Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB19,024 million (2016: RMB11,830 million).

13. 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.

13. Earnings Per Share (Continued)

(a) Basic (Continued)

	2017	2016
Profit attributable to owners of the Company (RMB million)	**16,067**	12,509
Less: distribution relating to the perpetual notes (RMB million)*(Note i)*	**787**	701
Profit used to determine basic earnings per share (RMB million)	**15,280**	11,808
Weighted average number of ordinary shares in issue (millions)	**22,844**	22,844
Basic earnings per share (RMB per share)	**0.669**	0.517

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 2017, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2017.

(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.

14. Dividends

	2017 RMB million	2016 RMB million
Proposed final dividend of RMB0.113 per ordinary share (2016: RMB0.088)	**2,581**	2,010

The dividends paid in 2017 and 2016 were RMB2,010 million (RMB0.088 per ordinary share) and RMB1,964 million (RMB0.086 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2017 of RMB0.113 per ordinary share, amounting to a total dividend of RMB2,581 million, is to be approved at the annual general meeting in 2018. These financial statements do not reflect this dividend payable.

15. Emoluments of Directors, Chief Executive, Supervisors and Employees

(a) Directors', Chief Executives and Supervisors' Emoluments

	2017 RMB'000	2016 RMB'000
Directors, chief executives and supervisors		
– Basis salaries, housing allowances and other allowances	**3,817**	3,201
– Contributions to pension plans	**510**	376
– Discretionary bonuses *(note)*	**4,252**	2,134
	8,579	5,711

15. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2017 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors				
Li Changjin	314	51	804	1,169
Yao Guiqing (i)	315	51	503	869
Zhang Zongyan	312	51	503	866
Zhou Mengbo (ii)	293	51	447	791
Zhang Xian (iii)	293	51	432	776
Independent directors				
Guo Peizhang	119	–	–	119
Wen Baoman	113	–	–	113
Zheng Qingzhi	125	–	–	125
NGAI Wai Fung (iv)	71	–	–	71
Chung Shui Ming Timpson (v)	61	–	–	61
Non-executive director				
Ma Zonglin (vi)	–	–	–	–
Directors' remunerations	2,016	255	2,689	4,960
Supervisors				
Liu Chengjun	276	51	396	723
Liu Jianyuan	277	51	395	723
Wang Hongguang	450	51	262	763
Chen Wenxin	405	51	259	715
Fan Jinghua	393	51	251	695
Total	3,817	510	4,252	8,579

(i) Mr. Yao Guiqing resigned from his position as an executive director of the Company on 28 June 2017.

(ii) Mr. Zhou Mengbo was elected as an executive director of the Company on 28 June 2017

(iii) Mr. Zhang Xian was elected as an executive director of the Company on 28 June 2017.

(iv) Mr. Ngai Wai Fung resigned from his position as an independent director of the Company on 28 June 2017.

(v) Mr. Chung Shui Ming Timpson was elected as an independent director of the Company on 28 June 2017.

(vi) Mr. Ma Zonglin was elected as an non-executive director of the Company on 28 June 2017.

15. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2016 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors				
Li Changjin	307	47	–	354
Yao Guiqing	308	47	474	829
Zhang Zongyan	298	47	237	582
Independent directors				
Zheng Qingzhi	160	–	–	160
Guo Peizhang	150	–	–	150
Wen Baoman	140	–	–	140
NGAI Wai Fung	128	–	–	128
Directors' remunerations	1,491	141	711	2,343
Supervisors				
Liu Chengjun	260	47	371	678
Liu Jianyuan	260	47	371	678
Wang Hongguang	420	47	215	682
Chen Wenxin	391	47	233	671
Fan Jinghua	379	47	233	659
Total	3,201	376	2,134	5,711

The executive directors', chief executive's and supervisors' emolument shown above were mainly for their services in connection with the management affairs of the Company and the Group. The independent directors' emoluments shown above were mainly for their services as directors of the Company.

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(b) Five Highest Paid Individuals

None of the directors and supervisors was amongst the five highest paid individuals during both years. The emoluments of the five highest paid individuals in the Group during the year are as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	3,928	6,251
Contributions to pension plans	177	161
Discretionary bonuses *(note)*	14,549	23,691
	18,654	30,103

The emoluments of the above individuals fall within the following bands:

	2017	2016
– HKD3,500,001 to HKD4,000,000 (equivalent to approximately RMB2,925,685 to RMB3,343,640)	1	–
– HKD4,500,001 to HKD5,000,000 (equivalent to approximately RMB3,761,595 to RMB4,179,550)	4	1
– HKD5,000,001 to HKD5,500,000 (equivalent to approximately RMB4,179,550 to RMB4,597,505)	–	1
– HKD6,000,001 to HKD6,500,000 (equivalent to approximately RMB5,015,460 to RMB5,433,415)	–	1
– HKD7,000,001 to HKD7,500,000 (equivalent to approximately RMB5,851,370 to RMB6,269,325)	–	1
– HKD11,000,001 to HKD11,500,000 (equivalent to approximately RMB9,195,010 to RMB9,612,965)	–	1

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

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16. Property, Plant and Equipment

	Buildings RMB million	Infra-structure construction equipment RMB million	Trans-portation equipment RMB million	Manu-facturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2016								
Cost	24,061	36,862	11,293	6,467	2,700	3,698	6,827	91,908
Accumulated depreciation and impairment	(4,818)	(20,579)	(7,948)	(2,653)	(1,837)	(2,296)	(12)	(40,143)
Net book amount	19,243	16,283	3,345	3,814	863	1,402	6,815	51,765
Year ended 31 December 2016								
Opening net book amount	19,243	16,283	3,345	3,814	863	1,402	6,815	51,765
Additions	652	4,972	944	408	413	683	3,587	11,659
Transfers	2,359	256	11	892	34	90	(3,642)	–
Transferred from investment properties *(Note 19)*	23	–	–	–	–	–	–	23
Transferred from properties held for sale *(Note 28(b))*	228	–	–	–	–	–	–	228
Acquisition of subsidiaries	–	–	2	–	–	1	–	3
Disposal of subsidiaries	–	–	(2)	–	(1)	(2)	(371)	(376)
Disposals	(178)	(308)	(40)	(81)	(10)	(67)	(564)	(1,248)
Transferred to investment properties *(Note 19)*	(78)	–	–	–	–	–	–	(78)
Depreciation charge *(Note 9)*	(883)	(3,783)	(1,140)	(649)	(377)	(453)	–	(7,285)
Impairment losses recognised *(Note 7)*	–	–	–	–	–	–	(142)	(142)
Exchange adjustments	109	5	6	68	2	5	34	229
Closing net book amount	21,475	17,425	3,126	4,452	924	1,659	5,717	54,778
At 31 December 2016								
Cost	27,115	40,583	11,688	7,489	3,019	4,183	5,871	99,948
Accumulated depreciation and impairment	(5,640)	(23,158)	(8,562)	(3,037)	(2,095)	(2,524)	(154)	(45,170)
Net book amount	21,475	17,425	3,126	4,452	924	1,659	5,717	54,778
Year ended 31 December 2017								
Opening net book amount	**21,475**	**17,425**	**3,126**	**4,452**	**924**	**1,659**	**5,717**	**54,778**
Additions	**1,234**	**4,987**	**1,195**	**435**	**364**	**746**	**5,908**	**14,869**
Transfers	**1,972**	**1,010**	**53**	**125**	**4**	**28**	**(3,192)**	**–**
Transferred from investment properties *(Note 19)*	**32**	**–**	**–**	**–**	**–**	**–**	**–**	**32**
Transferred from properties held for sale *(Note 28(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**87**	**87**
Acquisition of subsidiaries	**14**	**–**	**1**	**–**	**–**	**3**	**–**	**18**
Disposal of subsidiaries	**(1)**	**–**	**–**	**(10)**	**–**	**(4)**	**(313)**	**(328)**
Disposals	**(196)**	**(422)**	**(93)**	**(78)**	**(9)**	**(58)**	**(1,236)**	**(2,092)**
Transferred to investment properties *(Note 19)*	**(41)**	**–**	**–**	**–**	**–**	**–**	**(25)**	**(66)**
Depreciation charge *(Note 9)*	**(1,039)**	**(3,726)**	**(1,068)**	**(616)**	**(308)**	**(484)**	**–**	**(7,241)**
Impairment losses recognised *(Note 7)*	**(8)**	**(1)**	**–**	**–**	**–**	**(3)**	**(9)**	**(21)**
Exchange adjustments	**(14)**	**(27)**	**(1)**	**(101)**	**(2)**	**(104)**	**(18)**	**(267)**
Closing net book amount	**23,428**	**19,246**	**3,213**	**4,207**	**973**	**1,783**	**6,919**	**59,769**
At 31 December 2017								
Cost	**29,977**	**44,032**	**12,314**	**7,684**	**3,251**	**4,659**	**7,082**	**108,999**
Accumulated depreciation and impairment	**(6,549)**	**(24,786)**	**(9,101)**	**(3,477)**	**(2,278)**	**(2,876)**	**(163)**	**(49,230)**
Net book amount	**23,428**	**19,246**	**3,213**	**4,207**	**973**	**1,783**	**6,919**	**59,769**

16. Property, Plant and Equipment (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB6,245 million (2016: RMB6,353 million) has been charged to cost of sales, RMB958 million (2016: RMB896 million) to administrative expenses and RMB38 million (2016: RMB36 million) to selling and marketing expenses.

(b) As at 31 December 2017, bank borrowings amounting to RMB9 million (2016: RMB6 million) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB7 million (2016: RMB7 million). No other borrowings (2016: RMB6 million) was secured by property, plant and equipment (2016: RMB6 million) (Note 39).

(c) As at 31 December 2017, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB2,456 million (2016: RMB1,063 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) Infrastructure construction equipment and manufacturing equipment include the following amounts where the Group is a lessee under finance leases:

	2017 RMB million	2016 RMB million
Cost – Capitalised finance leases	**1,140**	1,228
Accumulated depreciation	**(772)**	(711)
Net book amount	**368**	517

The Group leases various infrastructure construction equipment and manufacturing equipment under non-cancellable finance lease agreements and has the option to purchase these assets at minimal prices upon the expiry of the agreements.

(e) The category of infrastructure construction equipment and transportation equipment includes vehicles and equipment leased by the Group to third parties under operating leases with the following carrying amounts:

	2017 RMB million	2016 RMB million
Cost	**1,588**	914
Accumulated depreciation	**(646)**	(247)
Net book amount	**942**	667

17. Lease Prepayments

	2017 RMB million	2016 RMB million
At 1 January		
Cost	**14,061**	11,068
Accumulated amortisation and impairment	**(1,836)**	(1,586)
Net book amount	**12,225**	9,482
For the year ended 31 December		
Opening net book amount	**12,225**	9,482
Additions	**662**	2,831
Transferred from properties held for sale *(Note 28(b))*	**152**	385
Acquisition of subsidiaries	**60**	3
Disposals	**(107)**	(185)
Disposal of subsidiaries	**(1)**	(1)
Transferred to properties held for sale *(Note 28(b))*	**(454)**	(15)
Amortisation charge *(Note 9)*	**(348)**	(267)
Impairment losses recognised *(Note 7)*	**–**	(8)
Closing net book amount	**12,189**	12,225
At 31 December		
Cost	**14,351**	14,061
Accumulated amortisation and impairment	**(2,162)**	(1,836)
Net book amount	**12,189**	12,225
Analysed for reporting purpose as:		
– Non-current	**11,952**	11,986
– Current	**237**	239
	12,189	12,225

(a) Amortisation of the Group's lease prepayments of RMB118 million (2016: RMB42 million) has been charged to cost of sales, RMB187 million (2016: RMB186 million) to administrative expenses and RMB43 million (2016: RMB39 million), relating to leasehold land associated with the investment properties, to other income.

(b) As at 31 December 2017, the Group is in the process of applying for registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB741 million (2016: RMB105 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

(c) As at 31 December 2017, no bank borrowings (2016: RMB300 million) were secured by lease prepayments (2016: RMB793 million) (Note 39).

18. Deposits for Investments

	2017 RMB million	2016 RMB million
Deposits for investments in associates	**1,047**	1,437
Deposits for investment in a joint venture	**–**	575
	1,047	2,012

19. Investment Properties

	2017 RMB million	2016 RMB million
At 1 January		
Cost	**5,466**	4,438
Accumulated depreciation and impairment	**(919)**	(716)
Net book amount	**4,547**	3,722
For the year ended 31 December		
Opening net book amount	**4,547**	3,722
Additions	**14**	6
Transferred from property, plant and equipment *(Note 16)*	**66**	78
Transfer from properties held for sale *(Note 28(b))*	**1,296**	1,009
Transfer to property, plant and equipment *(Note 16)*	**(32)**	(23)
Transfer to properties held for sale *(Note 28(b))*	**(911)**	(46)
Disposals	**(13)**	(3)
Depreciation charge *(Note 9)*	**(180)**	(169)
Impairment losses recognised *(Note 7)*	**–**	(27)
Closing net book amount	**4,787**	4,547
At 31 December		
Cost	**5,873**	5,466
Accumulated depreciation and impairment	**(1,086)**	(919)
Net book amount	**4,787**	4,547
Fair value at end of the year (a)	**4,850**	4,598

(a) As at 31 December 2017, the fair value of the Group's investment properties is based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers, based on the depreciated replacement cost method, which the Directors are of the view that it is the best estimate of the fair value of these investment properties. The key inputs are cost of construction and installation, survey and design expense and cost of superintendence. There has been no change from the valuation technique used in the prior year.

(b) Rental income and depreciation of the Group's investment properties of RMB599 million and RMB180 million (2016: RMB488 million and RMB169 million), respectively, was recognised as "other income" in the consolidated income statement for the year ended 31 December 2017.

(c) As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: nil).

(d) The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB885 million (2016: RMB1,304 million) as at 31 December 2017. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

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20. Intangible Assets

	Service concession arrangements RMB million	**Non-patented technologies** RMB million	**Patents** RMB million	**Computer software** RMB million	**Others** RMB million	**Total** RMB million
At 1 January 2016						
Cost	39,778	93	8	288	965	41,132
Accumulated amortisation and impairment	(3,222)	(74)	(7)	(171)	(111)	(3,585)
Net book amount	36,556	19	1	117	854	37,547
Year ended at 31 December 2016						
Opening net book amount	36,556	19	1	117	854	37,547
Additions	72	–	4	62	12	150
Disposals	–	–	–	(6)	(12)	(18)
Amortisation charge *(Note 9)*	(734)	(3)	(1)	(46)	(74)	(858)
Closing net book amount	35,894	16	4	127	780	36,821
At 31 December 2016						
Cost	39,850	93	12	342	965	41,262
Accumulated amortisation and impairment	(3,956)	(77)	(8)	(215)	(185)	(4,441)
Net book amount	35,894	16	4	127	780	36,821
Year ended at 31 December 2017						
Opening net book amount	**35,894**	**16**	**4**	**127**	**780**	**36,821**
Additions	**69**	**2**	**1**	**104**	**20**	**196**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**6**	**6**
Disposals	**(77)**	**–**	**–**	**–**	**–**	**(77)**
Amortisation charge *(Note 9)*	**(854)**	**(3)**	**(1)**	**(48)**	**(45)**	**(951)**
Closing net book amount	**35,032**	**15**	**4**	**183**	**761**	**35,995**
At 31 December 2017						
Cost	**39,839**	**95**	**13**	**444**	**906**	**41,297**
Accumulated amortisation and impairment	**(4,807)**	**(80)**	**(9)**	**(261)**	**(145)**	**(5,302)**
Net book amount	**35,032**	**15**	**4**	**183**	**761**	**35,995**

20. Intangible Assets (Continued)

(a) The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations, sewage plants and other constructions. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads, sewage plants and other constructions, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads, the sewage plants and other construction upon completion for a specified remaining concession period from 18 to 37 years (2016: from 19 to 38 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads, the sewage plants and other constructions upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

(b) As at 31 December 2017, the cost of service concession arrangements have been put into operations amounted to RMB35,894 million (2016: RMB35,032 million). The cost of service concession arrangements where the related projects were under construction amounted to RMB6,834 million (2016: RMB6,894 million).

(c) Amortisation of the Group's intangible assets of RMB866 million (2016: RMB737 million) has been charged to cost of sales, and RMB85 million (2016: RMB121 million) to administrative expenses.

(d) As at 31 December 2017, bank borrowings amounting to RMB20,568 million (2016: RMB21,043 million) are secured by concession assets with carrying amount of approximately RMB29,317 million (2016: RMB35,098 million) (Note 39).

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21. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
At 1 January 2016			
Cost	5,770	408	6,178
Accumulated amortisation and impairment	(482)	(242)	(724)
Net book amount	5,288	166	5,454
Year ended at 31 December 2016			
Opening net book amount	5,288	166	5,454
Additions	31	–	31
Disposal of a subsidiary	(134)	–	(134)
Amortisation charge *(Note 9)*	(133)	–	(133)
Exchange adjustments	11	–	11
Impairment losses recognised *(Note 7)*	(565)	–	(565)
Closing net book amount	4,498	166	4,664
At 31 December 2016			
Cost	5,116	166	5,282
Accumulated amortisation and impairment	(618)	–	(618)
Net book amount	4,498	166	4,664
Year ended at 31 December 2017			
Opening net book amount	**4,498**	**166**	**4,664**
Additions	**–**	**7**	**7**
Amortisation charge *(Note 9)*	**(238)**	**–**	**(238)**
Exchange adjustments	**(9)**	**–**	**(9)**
Impairment losses recognised *(Note 7)*	**(282)**	**–**	**(282)**
Closing net book amount	**3,969**	**173**	**4,142**
At 31 December 2017			
Cost	**5,107**	**173**	**5,280**
Accumulated amortisation and impairment	**(1,138)**	**–**	**(1,138)**
Net book amount	**3,969**	**173**	**4,142**

The exploration and evaluation assets represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Fujian, Guizhou, Mongolia, Australia and the Democratic Republic of the Congo.

22. Subsidiaries

(a) Details of the principal subsidiaries as at 31 December 2017 are shown in Note 49.

(b) The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Country/ place of establishment and operation	Proportion of interest and voting power held by non-controlling interests		Total comprehensive income/(expense) allocated to non-controlling interests		Accumulated non-controlling interests		Principal activities
		2017	2016	**2017 RMB million**	2016 RMB million	**2017 RMB million**	2016 RMB million	
中鐵高新工業股份有限公司 China Railway Hi-Tech Industry Co., Ltd ("Hi-Tech Industry") *(Note)*	PRC	**49.88%**	49.99%	**581**	(48)	**7,291**	3,344	Engineering Equipment and Component Manufacturing
雲南富硯高速公路有限公司 Yunnan Fuyan Expressway Co., Ltd.	PRC	**10.00%**	10.00%	**(14)**	(8)	**1,305**	1,319	Build-operate-transfer service concession arrangement
廣西岑興高速公路發展有限公司 Guangxi Cenxing Expressway Development Co., Ltd.	PRC	**34.00%**	34.00%	**114**	116	**903**	789	Build-operate-transfer service concession arrangement
中國中鐵香港投資有限公司 China Railway Hong Kong Investment Co., Ltd.	Hong Kong	**30.00%**	30.00%	**(3)**	70	**622**	624	Capital management
中鐵信託有限責任公司 China Railway Trust Co., Ltd.	PRC	**7.00%**	7.00%	**80**	109	**573**	493	Financial trust management

22. Subsidiaries (Continued)

(b) Financial information on subsidiaries with material non-controlling interests

Set out below is summarised financial information for Hi-Tech Industry in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	**2017 RMB million**	2016 RMB million (Restated)
Current		
Assets	**24,084**	68,314
Liabilities	**16,367**	59,217
Total current net assets	**7,717**	9,097
Non-current		
Assets	**7,552**	11,726
Liabilities	**479**	5,966
Total non-current net assets	**7,073**	5,760
Net assets	**14,790**	14,857

Summarised income statement	**2017 RMB million**	2016 RMB million (Restated)
Revenue	**15,886**	64,863
Profit for the year attributable to owners of company	**1,339**	1,174
Other comprehensive expenses attributable to owners of company	**(125)**	(197)
Total comprehensive income attributable to owners of company	**1,214**	977
Total comprehensive income attributable to non-controlling interests	**581**	(48)
Dividends paid to non-controlling interests	**25**	44

Summarised cash flows	**2017 RMB million**	2016 RMB million (Restated)
Net cash generated from operating activities	**610**	2,604
Net cash used in investing activities	**(696)**	(673)
Net cash used in financing activities	**(479)**	(1,669)
Effect of foreign exchange rate changes	**(5)**	4
Net (decrease)/increase in cash and cash equivalents	**(570)**	266

Note: Refer to Note 1 to the consolidated financial statements, on 5 January 2017, Hi-Tech Industry completed the formalities of transfer of equity interests and change of business registration regarding the acquiring and disposing assets for the material asset restructuring. The comparative financial information for the year ended 31 December 2016 has been restated.

22. Subsidiaries (Continued)

(b) Financial information on subsidiaries with material non-controlling interests (Continued)

Set out below is summarised financial information for Yunnan Fuyan Expressway Co., Ltd. in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2017 RMB million	2016 RMB million
Current		
Assets	71	71
Liabilities	2,429	2,048
Total current net liabilities	(2,358)	(1,977)
Non-current		
Assets	7,007	7,150
Liabilities	3,694	4,074
Total non-current net assets	3,313	3,076
Net assets	955	1,099

Summarised income statement	2017 RMB million	2016 RMB million
Revenue	386	422
Loss for the year attributable to owners of company	(144)	(77)
Total comprehensive expenses attributable to owners of company	(144)	(77)
Total comprehensive expenses attributable to non-controlling interests	(14)	(8)
Dividends paid to non-controlling interests	–	–

Summarised cash flows	2017 RMB million	2016 RMB million
Net cash generated from operating activities	339	370
Net cash used in investing activities	–	(2)
Net cash used in financing activities	(336)	(354)
Net increase in cash and cash equivalents	3	14

22. Subsidiaries (Continued)

(b) Financial information on subsidiaries with material non-controlling interests (Continued)

Set out below is summarised financial information for Guangxi Cenxing Expressway Development Co., Ltd. in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2017 RMB million	2016 RMB million
Current		
Assets	**1,328**	983
Liabilities	**294**	278
Total current net assets	**1,034**	705
Non-current		
Assets	**4,097**	4,251
Liabilities	**2,474**	2,634
Total non-current net assets	**1,623**	1,617
Net assets	**2,657**	2,322

Summarised income statement	2017 RMB million	2016 RMB million
Revenue	**728**	696
Profit for the year attributable to owners of company	**335**	342
Total comprehensive income attributable to owners of company	**335**	342
Total comprehensive income attributable to non-controlling interests	**114**	116
Dividends paid to non-controlling interests	**–**	132

Summarised cash flows	2017 RMB million	2016 RMB million
Net cash generated from operating activities	**578**	606
Net cash used in investing activities	**(2)**	(1)
Net cash used in financing activities	**(279)**	(617)
Net increase/(decrease) in cash and cash equivalents	**297**	(12)

22. Subsidiaries (Continued)

(b) Financial information on subsidiaries with material non-controlling interests (Continued)

Set out below is summarised financial information for China Railway Hong Kong Investment Co., Ltd. in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2017 RMB million	2016 RMB million
Current		
Assets	**1,219**	1,243
Liabilities	**–**	–
Total current net assets	**1,219**	1,243
Non-current		
Assets	**855**	840
Liabilities	**–**	–
Total non-current net assets	**855**	840
Net assets	**2,074**	2,083

Summarised income statement	2017 RMB million	2016 RMB million
Revenue	**–**	–
Profit for the year attributable to owners of company	**50**	72
Other comprehensive (expenses)/income attributable to owners of company	**(59)**	163
Total comprehensive (expenses)/income attributable to owners of company	**(9)**	235
Total comprehensive (expenses)/income attributable to non-controlling interests	**(3)**	70
Dividends paid to non-controlling interests	**–**	–

Summarised cash flows	2017 RMB million	2016 RMB million
Net cash used in operating activities	**(2)**	–
Net cash generated from investing activities	**404**	73
Net increase in cash and cash equivalents	**402**	73

22. Subsidiaries (Continued)

(b) Financial information on subsidiaries with material non-controlling interests (Continued)

Set out below is summarised financial information for China Railway Trust Co., Ltd in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	**2017 RMB million**	2016 RMB million
Current		
Assets	**6,925**	9,968
Liabilities	**6,702**	9,938
Total current net assets	**223**	30
Non-current		
Assets	**10,239**	8,997
Liabilities	**2,073**	1,057
Total non-current net assets	**8,166**	7,940
Net assets	**8,389**	7,970

Summarised income statement	**2017 RMB million**	2016 RMB million
Revenue	**3,143**	3,547
Profit for the year attributable to owners of company	**1,465**	1,503
Other comprehensive (expenses)/income attributable to owners of company	**(325)**	58
Total comprehensive income attributable to owners of company	**1,140**	1,561
Total comprehensive income attributable to non-controlling interests	**80**	109
Dividends paid to non-controlling interests	**–**	–

Summarised cash flows	**2017 RMB million**	2016 RMB million
Net cash generated from/(used in) operating activities	**354**	(2,226)
Net cash (used in)/generated from investing activities	**(859)**	502
Net cash generated from financing activities	**193**	1,833
Net (decrease)/increase in cash and cash equivalents	**(312)**	109

22. Subsidiaries (Continued)

(c) Consolidation of the structured entities

To determine whether to consolidate the structured entities (mainly the unlisted entrust products) or not, the main factor considered by the Group is the ability to control these structured entities. For those structured entities managed and invested by China Railway Trust Co., Ltd. ("China Railway Trust"), the directly owned subsidiary of the Company, the Group consolidated those structured entities when the Group is exposed to significant variable returns and has the ability to affect the variable returns, including the returns of its interests in these structured entities as investor and trust commission fee earned from these structured entities as manager.

As at 31 December 2017, the total assets of the consolidated structured entities amounted to RMB8,984 million (2016: RMB6,630 million), and the interests of other investors in these structured entities amounted to RMB3,146 million (2016: RMB3,967 million).

As at 31 December 2017 and 2016, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the consolidated structured entities.

(d) Interests in unconsolidated structured entities

(i) China Railway Trust serves as manager of unconsolidated structured entities (mainly the unlisted entrust products) and earns trust commission fee. In the opinion of the Directors, the Group did not consolidate these structured entities that it has no control over these structured entities.

As at 31 December 2017, the scale of the unconsolidated structured entities established with interest held by the Group amounted to RMB33,395 million. As at 31 December 2017, the maximum loss the Group exposed to and the net amount recognised as available-for-sale financial assets in the consolidated financial statements over these unconsolidated structured entities which the Group has interests in amounted to RMB2,236 million (2016: RMB2,797 million).

As at 31 December 2017, the scale of unconsolidated structured entities with no interest held by the Group amounted to 375,093 million.

As at 31 December 2017 and 2016, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities.

(ii) The Group and several unlisted entrust products ("Investee Entrust Products"), which the Group has interests in, invested in certain limited liability partnership funds (the "Funds"). The Funds are mainly engaged in infrastructure investment activities. Some asset managers (related parties of the Group), or together with the Group, acted as general partners of the Fund, and applied various investment strategies to accomplish the respective investment objectives of the Funds. A number of Investee Entrust Products acted as limited partners of the Funds and finance the operation activities of the Funds.

The Directors of the Company are of the opinion that the Group did not have control over Investee Entrust Products and the Funds and therefore, these Entrust Products and the Funds were deemed as structured entities and were not consolidated by the Group.

As at 31 December 2017, the scale of these unconsolidated structured entities amounted to RMB39,743 million. (2016: RMB36,863 million).

22. Subsidiaries (Continued)

(d) Interests in unconsolidated structured entities (Continued)

The exposure to the Group's investments in the unconsolidated structured entities as at 31 December 2017 is disclosed in the following table.

	2017 RMB million	2016 RMB million
Available-for-sale financial assets	3,347	3,339
Investments in joint ventures	120	–

23. Investments Accounted for Using the Equity Method

The amounts recognised in the consolidated balance sheet are as follows:

	2017 RMB million	2016 RMB million
Associates	9,848	5,958
Joint ventures	11,154	5,524
	21,002	11,482

The amounts recognised in the consolidated income statement are as follows:

	2017 RMB million	2016 RMB million
Associates	1,308	614
Joint ventures	224	118
	1,532	732

(a) Investments in associates

	2017 RMB million	2016 RMB million
At 1 January	5,958	5,249
Additions	3,292	923
Disposals	(250)	(434)
Share of profit or loss, net	1,308	614
Dividend distribution	(387)	(46)
Impairment losses recognised *(Note 7)*	–	(345)
Share of other comprehensive expenses of associates	(47)	–
Share of other reserves of associates	(26)	(3)
At 31 December	9,848	5,958

23. Investments Accounted for Using the Equity Method (Continued)

(a) Investments in associates (Continued)

(i) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2017, the Group acts as the guarantors for various external borrowings made by certain associates amounted to RMB2,044 million (2016: RMB1,647 million) (Note 48).

(iii) Details of Group's material associates as at 31 December 2017 and 2016 are as follows:

Name of associate	Place/ country of establishment/ operations	Proportion of ownership interest held by the Group		Principal activities
		2017	2016	
華剛礦業股份有限公司 LA Sino-Congolaise Des Mines S.A. ("SICOMINGS S.A.")	Democratic Republic of the Congo	**41.72%**	41.72%	Mining
中國鐵路設計集團有限公司 China Railway Design Corporation ("CRDC")	PRC	**30.00%**	30.00%	Engineering survey and design
武漢楊泗港大橋有限公司 Wuhan Yangsigang Bridge Co., Ltd. ("Yangsigang")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement

23. Investments Accounted for Using the Equity Method (Continued)

(a) Investments in associates (Continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in the consolidated financial statements.

	2017			2016		
	SICOMINGS S.A. RMB million (Unaudited)	CRDC RMB million (Unaudited)	Yangsigang RMB million (Unaudited)	SICOMINGS S.A. RMB million (Unaudited)	CRDC RMB million (Unaudited)	Yangsigang RMB million (Unaudited)
Current assets	3,582	7,277	4,511	2,124	6,012	3,225
Non-current assets	15,808	1,068	–	16,420	707	–
Current liabilities	1,226	4,678	197	1,212	3,695	68
Non-current liabilities	15,300	36	2,684	16,277	37	2,007
Revenue	4,938	8,043	–	2,816	6,749	–
Profit for the year	2,128	709	–	452	638	–
Other comprehensive income for the year	(120)	–	–	54	2	–
Total comprehensive income for the year	2,008	709	–	506	640	–
Dividends received	83	107	–	–	–	–

23. Investments Accounted for Using the Equity Method (Continued)

(a) Investments in associates (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements.

	2017			2016		
	SICOMINGS S.A. RMB million (Unaudited)	**CRDC RMB million (Unaudited)**	**Yangsigang RMB million (Unaudited)**	SICOMINGS S.A. RMB million (Unaudited)	CRDC RMB million (Unaudited)	Yangsigang RMB million (Unaudited)
Net assets of associates	**2,864**	**3,631**	**1,630**	1,056	2,984	1,150
Proportion of the Group's ownership in associates	**41.72%**	**30%**	**50%**	41.72%	30%	50%
Other adjustments	**(78)**	**(90)**	**(1)**	(47)	(2)	–
Carrying amount of the Group's interests in associates	**1,117**	**999**	**814**	394	893	575

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2017 RMB million	2016 RMB million
Aggregate carrying amount of the Group's interests in these associates	**6,918**	4,096
The Group's share of profits	**208**	229
The Group's share of other comprehensive income	**3**	–
The Group's share of total comprehensive income	**211**	229

23. Investments Accounted for Using the Equity Method (Continued)

(b) Investments in joint ventures

	2017 RMB million	2016 RMB million
At 1 January	**5,524**	2,640
Additions	**6,452**	2,943
Disposals	**(898)**	(53)
Share of profit or loss, net	**224**	118
Dividend distribution	**(148)**	(123)
Share of other reserves of a joint venture	**–**	(1)
At 31 December	**11,154**	5,524

(i) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2017, the Group acts as the guarantors for various external borrowings made by a joint venture amounted to RMB200 million (2016: RMB400 million) (Note 48).

(iii) Details of Group's material joint ventures as at 31 December 2017 and 2016 are as follows:

Name of joint venture	Place/ country of establishment/ operations	Proportion of ownership interest held by the Group 2017	Proportion of ownership interest held by the Group 2016	Principal activities
四川天府機場高速公路有限公司 Sichuan Tianfu Airport Expressway Co., Ltd. ("Sichuan Tianfu")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement
重慶墊忠高速公路有限公司 Chongqing Dianzhong Expressway Co., Ltd.("Chongqing Dianzhong")	PRC	**80.00%**	80.00%	Build-operate-transfer service concession arrangement
昆明軌道交通四號線土建項目建設管理有限公司 Kunming Rail Transit Line 4 Construction Management Co., Ltd. ("Kunming Line 4")	PRC	**75.73%**	75.73%	Subway construction management

23. Investments Accounted for Using the Equity Method (Continued)

(b) Investments in joint ventures (Continued)

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in the consolidated financial statements.

	2017			2016		
	Sichuan Tianfu RMB million (Unaudited)	Chongqing Dianzhong RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Chongqing Dianzhong RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)
Current assets	766	16	547	1,426	11	525
Including: cash and cash equivalents	457	12	266	1,425	8	59
Non-current assets	8,432	3,815	5,789	1,752	3,845	2,235
Current liabilities	134	555	2,033	342	393	1,760
Non-current liabilities	7,064	2,055	2,210	836	2,175	–
Revenue	–	192	–	–	202	–
Interest expenses	–	120	–	–	126	–
Losses and total comprehensive expenses for the year	–	(66)	–	–	(52)	–
Dividends received	–	–	–	–	–	–

23. Investments Accounted for Using the Equity Method (Continued)

(b) Investments in joint ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	2017			2016		
	Sichuan Tianfu RMB million (Unaudited)	**Chongqing Dianzhong RMB million (Unaudited)**	**Kunming Line 4 RMB million (Unaudited)**	Sichuan Tianfu RMB million (Unaudited)	Chongqing Dianzhong RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)
Net assets of joint ventures	**2,000**	**1,221**	**2,093**	2,000	1,288	1,000
Proportion of the Group's ownership in joint ventures	**50.00%**	**80.00%**	**75.73%**	50.00%	80.00%	75.73%
Other adjustments	**–**	**4**	**(665)**	–	16	(681)
Carrying amount of the Group's interests in joint ventures	**1,000**	**981**	**920**	1,000	1,046	76

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2017 RMB million	2016 RMB million
Aggregate carrying amount of the Group's interests in these joint ventures	**8,253**	3,402
The Group's share of profits	**289**	173
The Group's share of total comprehensive income	**289**	173

24. Joint Operations

In 2017, the Group has one joint operation in Hong Kong (2016: one) and has 30% share (2016: 30%) in the ownership of this construction project. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation's expenses.

25. Goodwill

	2017 RMB million	2016 RMB million
Cost		
At beginning and end of year	**880**	880
Impairment		
At beginning and end of year	**(51)**	(51)
Net book amount		
At end of year	**829**	829

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 49) and sub-groups headed by these subsidiaries:

	2017 RMB million	2016 RMB million
China Railway No.1 Engineering Group Co., Ltd.	**66**	66
China Railway No.3 Engineering Group Co., Ltd.	**51**	51
China Railway No.4 Engineering Group Co., Ltd.	**95**	95
China Railway No.5 Engineering Group Co., Ltd.	**82**	82
China Railway No.8 Engineering Group Co., Ltd.	**26**	26
China Railway No.9 Engineering Group Co., Ltd.	**53**	53
China Railway No.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**26**	26
China Railway Construction Group Co., Ltd.	**88**	88
China Railway Tunnel Group Co., Ltd.	**19**	19
China Railway Trust	**206**	206
China Railway No.6 Survey and Design Institute Group. Co., Ltd.	**24**	24
Other Subsidiaries	**39**	39
	829	829

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust, which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 15% (2016: 15%). A decreasing growth rate has been applied over the most recent financial budgets period and a nil growth rate for the extrapolation period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this subsidiary to exceed its recoverable amount.

25. Goodwill (Continued)

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 11% (2016: 11%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the remaining subsidiaries to exceed its recoverable amount.

26. Available-For-Sale Financial Assets

	2017 **RMB million**	2016 RMB million
At 1 January	**14,106**	12,237
Fair value losses	**(493)**	(141)
Release of investment revaluation upon disposal of available-for-sale financial assets	**(3)**	(23)
Additions	**4,121**	9,602
Transferred to other loans and receivables	**(12)**	–
Disposals	**(3,025)**	(7,306)
Impairment losses recognised *(Note 7)*	**(4)**	(263)
At 31 December	**14,690**	14,106

	2017 **RMB million**	2016 RMB million
Non-current assets		
Unlisted entrusted products, at fair value *(Note a)*	**4,687**	5,111
Unlisted equity investments, at cost less impairment *(Note b)*	**4,570**	5,627
Listed equity securities, at fair value *(Note c)*		
– Mainland China	**2,030**	733
– Hong Kong	**631**	616
Unlisted open-end equity funds, at fair value	**1,500**	809
	13,418	12,896
Current assets		
Unlisted entrusted products, at fair value *(Note a)*	**1,272**	1,210
Total	**14,690**	14,106

26. Available-For-Sale Financial Assets (Continued)

(a) The above unlisted entrusted products are investment products mainly relating to property development projects, construction projects and energy projects in Mainland China and are debt instruments. The fair value of the entrusted products is determined based on discounted cash flow analysis.

(b) The above unlisted equity investments are equity securities issued by private entities established in Mainland China. Management is of the opinion that the range of reasonable fair value estimate for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried at cost less accumulated impairment losses, if any.

(c) These securities primarily represent promoters' shares listed and traded in stock markets, of which no securities are subject to trading restrictions at the end of the reporting period. The fair value of these securities was based on the quoted market prices at the balance sheet date.

(d) In 2017, the Group redeemed certain unlisted entrusted products upon maturity, disposed of certain listed equity investments and unlisted equity investments with an aggregate carrying amount of RMB3,025 million (2016: RMB7,306 million). A gain on disposal of RMB4 million (2016: RMB67 million) has been recognised in profit or loss for the current year.

(e) Available-for-sale financial assets are denominated in the following currencies:

	2017 RMB million	2016 RMB million
RMB	**14,059**	13,490
HKD	**631**	616
	14,690	14,106

27. Other Loans and Receivables

	2017 RMB million	2016 RMB million
Short-term loans and receivables	**18,598**	10,561
Long-term loans and receivables	**7,854**	7,026
	26,452	17,587
Less: Impairment on loans and receivables	**(1,685)**	(961)
Total other loans and receivables	**24,767**	16,626
Less: Amount due within one year included in current assets	**(16,990)**	(9,650)
Amount due after one year	**7,777**	6,976

27. Other Loans and Receivables (Continued)

As at 31 December 2017, other loans and receivables amounting to RMB2,599million (2016: RMB1,554 million) do not carry interest. The remaining other loans and receivables carry fixed-rate interests within a range of 3.73% to 36.00% (2016: 3.73% to 43.20%) per annum.

As at 31 December 2017, other loans and receivables amounting to RMB7,433 million (2016: RMB8,653 million) are secured by equity investments, property, plant and equipment, land use rights, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party. The remaining balances are unsecured and unguaranteed. For those amounts without secured assets, management takes into consideration of the credit history and solvency of the debtors and believes these amounts are recoverable.

The Group's loans and receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 RMB million	2016 RMB million
USD	**2,471**	1,102

Movements in impairment on receivables are as follows:

	2017 RMB million	2016 RMB million
At 1 January	**961**	609
Impairment losses recognised during the year *(Note 7)*	**495**	352
Transferred from available-for-sale financial assets	**229**	–
At 31 December	**1,685**	961

28. Properties Held for Sale/Properties Under Development for Sale

(a) Properties under development for sale

	2017 RMB million	2016 RMB million
As at 1 January	**61,167**	66,939
Additions	**34,617**	20,315
Acquisition of a subsidiary *(Note 45)*	**1,687**	–
Properties completed during the year	**(22,020)**	(21,429)
Disposal of subsidiaries	**(1,041)**	(4,658)
	74,410	61,167
Less: provision for impairment	**(157)**	(205)
As at 31 December	**74,253**	60,962

28. Properties Held for Sale/Properties Under Development for Sale (Continued)

(a) Properties under development for sale (Continued)

	2017 RMB million	2016 RMB million
Properties under development for sale comprise:		
Land use rights	**45,161**	32,203
Construction cost	**20,676**	20,550
Borrowing costs capitalised	**8,573**	8,414
	74,410	61,167

(b) Properties held for sale

	2017 RMB million	2016 RMB million
As at 1 January	**24,259**	28,337
Additions	**22,020**	21,429
Transferred from investment properties *(Note 19)*	**911**	46
Transferred from lease prepayments *(Note 17)*	**454**	15
Properties sold during the year	**(22,919)**	(23,946)
Transferred to investment properties *(Note 19)*	**(1,296)**	(1,009)
Transferred to lease prepayments *(Note 17)*	**(152)**	(385)
Transferred to property, plant and equipment *(Note 16)*	**(87)**	(228)
Disposal of subsidiaries	**(170)**	–
	23,020	24,259
Less: provision for impairment	**(214)**	(944)
As at 31 December	**22,806**	23,315

Properties under development for sale amounting to RMB18,315 million (2016: RMB18,526 million) have been pledged to secure bank borrowings amounting to RMB8,600 million (2016: RMB8,463 million) granted to the Group (Note 39). No properties under development for sale (2016: RMB902 million) has been pledged to secure other borrowings (2016: RMB425 million) granted to the Group (Note 39).

The amount of properties under development and held for sale expected to be recovered beyond one year is RMB11,121 million (2016: RMB13,474 million). The remaining amount is expected to be recovered within one year.

All of the properties under development are expected to be completed within the Group's normal operating cycle and are include under current assets.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at the lower of cost and net realisable value.

29. Inventories

	2017 RMB million	2016 RMB million
Raw materials and consumables	**22,085**	21,725
Work in progress	**4,800**	2,781
Finished goods	**4,061**	4,231
	30,946	28,737

30. Trade and Other Receivables

	2017 RMB million	2016 RMB million
Trade and bills receivables	**206,832**	166,058
Less: provision for impairment	**(4,783)**	(3,679)
Trade and bills receivables – net	**202,049**	162,379
Other receivables (net of impairment)	**48,925**	33,528
Advance to suppliers (net of impairment)	**29,183**	43,531
	280,157	239,438
Less: Amount due after one year included in non-current assets	**(15,755)**	(5,209)
Amount due within one year included in current assets	**264,402**	234,229

Included in trade and bills receivables are retention receivables of RMB47,979 million (31 December 2016: RMB47,961 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contracts. The Group's normal operating cycle with respect to construction contracts is usually more than one year.

(a) Ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	2017 RMB million	2016 RMB million
Within 6 months	**120,130**	92,790
6 months to 1 year	**29,630**	28,783
1 year to 2 years	**36,706**	23,567
2 years to 3 years	**9,210**	10,031
Over 3 years	**11,156**	10,887
	206,832	166,058

Majority of the Group's revenues are generated through infrastructure construction, survey, design, consulting, engineering equipment and component manufacturing contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. Please refer to Note 30(d), (e) and (f) for detailed impairment analysis.

30. Trade and Other Receivables (Continued)

(b) As at 31 December 2017, trade receivables of RMB7,185 million (2016: nil) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB2,192 million (2016: nil) 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.

(c) As at 31 December 2017, bills receivables – bank acceptance and commercial acceptance notes of RMB480 million (2016: nil) were endorsed to suppliers, and RMB207 million were discounted with a third party with rights of recourse. In the opinion of the Directors, such transactions did not qualify for derecognition. In addition, as at December 2017, bills receivables – bank acceptance of RMB5,317 million (2016: RMB1,786 million) were endorsed to suppliers, and RMB965 million (2016: RMB496 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.

(d) As of 31 December 2017, trade and bills receivables of the Group amounting to RMB92,225 million (2016: RMB69,281 million) were neither past due nor impaired.

(e) As of 31 December 2017, trade and bills receivables of RMB114,607 million (2016: RMB96,777 million) were impaired and provided for. The provision amounted to RMB4,783 million as of 31 December 2017 (2016: RMB3,679 million). The amount of individually impaired receivables was RMB78,955 million (2016: RMB74,046 million) with the provision of RMB2,131 million (2016: RMB1,439 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments. The Directors are of the opinion that only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables (net of impairment provision) is as follows:

	2017 **RMB million**	2016 RMB million
Within 6 months	**63,703**	54,070
6 months to 1 year	**29,519**	20,297
1 year to 2 years	**12,063**	9,775
2 years to 3 years	**2,229**	5,988
Over 3 years	**2,310**	2,968
	109,824	93,098

(f) Movements on provision for impairment of trade and other receivables are as follows:

	2017 **RMB million**	2016 RMB million
At 1 January	**8,446**	7,524
Provision for the year *(Note 7)*	**8,421**	958
Receivables written off during the year as non-collectible	**(109)**	(30)
Disposal of subsidiaries	**–**	(6)
At 31 December	**16,758**	8,446

The provision and release of provision for impaired receivables have been included in other gains and 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.

30. Trade and Other Receivables (Continued)

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

	2017 RMB million	2016 RMB million
RMB	**273,383**	234,736
USD	**4,266**	3,242
HKD	**26**	15
JPY	**34**	7
EUR	**30**	237
Other currencies	**2,418**	1,201
	280,157	239,438

As at 31 December 2017, other currencies mainly comprised of Sri Lanka Rupee, Malaysia Ringgit and Congolese Franc.

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

(i) As at 31 December 2017, bank borrowings amounting to RMB1,108 million (2016: RMB654 million) are secured by trade receivables with carrying amount of approximately RMB3,389 million (2016: RMB944 million) (Note 39).

31. Amounts Due from (To) Customers for Contract Work

	2017 RMB million	2016 RMB million
Contract costs incurred and recognised profit (less recognised losses)	**3,983,773**	3,505,568
Less: progress billings	**(3,884,278)**	(3,406,729)
	99,495	98,839
Representing:		
Amounts due from customers for contract work	**114,459**	111,791
Amounts due to customers for contract work	**(14,964)**	(12,952)
	99,495	98,839

For the Year Ended 31 December 2017

32. Held-For-Trading Financial Assets (Liabilities)

Held-for-trading financial assets

	2017 RMB million	2016 RMB million
Money-market securities investment funds	**2,656**	30
Equity securities listed in Mainland China, at quoted prices	**199**	68
Bond instruments	**82**	–
Equity securities listed in Hong Kong, at quoted prices	**24**	19
Derivative financial instruments		
– future contracts	**2**	–
– forward foreign exchange contracts	**–**	5
– interest rate swaps	**–**	1
	2,963	123

Held-for-trading financial liabilities

	2017 RMB million	2016 RMB million
Derivative financial instruments		
– future contracts	**26**	76
– foreign exchange swaps	**25**	–
– forward foreign exchange contracts	**6**	–
– interest rate swaps	**–**	81
	57	157

As at 31 December 2017, the Group has entered into forward foreign exchange contracts and foreign exchange swaps contracts in order to protect against exchange rate movements. Under those forward foreign exchange contracts, the Group will purchase RMB by EUR at fixed rates up to appointed dates in 2018 and 2019. Under those foreign exchange swaps contracts, the Group will purchase RMB by USD at fixed rates up to appointed dates in 2018.

As at 31 December 2017, the Group has one EUR interest rate swap contract with maturity in 2021. The Group will receive interest at fixed rates and pay interest at floating rates under this contract.

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33. Restricted Cash

	2017 RMB million	2016 RMB million
Restricted bank deposits	**12,439**	7,778
Term deposits with initial term of over three months	**1,265**	1,476
	13,704	9,254

As at 31 December 2017, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with People's Bank of China.

Term deposits with initial term of over three months are excluded from cash and cash equivalents, as management are of the opinion that these term deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

The carrying amount of restricted cash are denominated in the following currencies:

	2017 RMB million	2016 RMB million
RMB	**13,566**	9,085
USD	**38**	26
Other currencies	**100**	143
	13,704	9,254

34. Cash and Cash Equivalents

	2017 RMB million	2016 RMB million
Cash on hand	**298**	251
Bank deposits	**116,390**	114,579
Cash and cash equivalents	**116,688**	114,830

The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the end of the reporting period.

The weighted average effective interest rate on bank deposits was 0.90% per annum as at 31 December 2017 (2016: 0.91% per annum).

34. Cash and Cash Equivalents (Continued)

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2017 RMB million	2016 RMB million
– RMB	**104,718**	106,167
– USD	**9,196**	6,116
– Others	**2,774**	2,547
	116,688	114,830

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2017, less than 0.71% (2016: less than 0.31%) of the cash and bank balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

35. Share Capital and Premium

	Number of shares		**Nominal value**	
	2017 (thousands)	2016 (thousands)	**2017 RMB million**	2016 RMB million
Registered, issued and fully paid				
A shares of RMB1.00 each				
At beginning and end of year	**18,636,912**	18,636,912	**18,637**	18,637
H shares of RMB1.00 each				
At beginning and end of year	**4,207,390**	4,207,390	**4,207**	4,207
	22,844,302	22,844,302	**22,844**	22,844

As at 31 December 2017, the A Shares (18,636,912,000 shares) and H Shares (4,207,390,000 shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

36. Reserves

(a) Capital Reserve

The balance of capital reserve mainly comprises the difference between the nominal value of the 12.8 billion ordinary shares issued and the carrying value of the principal operations and businesses transferred to the Company as part of the Reorganisation in September 2007, capital contribution by CREC as an equity participant, certain items dealt with directly in the capital reserve of the Group in the Company's statutory financial statements prepared in accordance with the relevant PRC accounting standards, reserve generated from the acquisition of subsidiaries under common control and the actuarial gains or losses arising from the remeasurement of defined benefit obligations.

(b) Statutory Reserves

The statutory reserves comprise the statutory surplus reserve, trust compensation reserve and general risk reserve.

According to the PRC Company Law and the Company's article of association, the Company is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the relevant PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of the Company. The statutory surplus reserve can only make up losses or use to increase the registered capital of the Company and is not distributable.

According to the relevant laws and regulations for financial institutions and trust management entities in the PRC, certain subsidiaries of the Company are required to set aside certain amounts to trust compensation reserve and general risk reserve to address unidentified potential impairment risks.

37. Perpetual Notes

The Company issued three tranches of public perpetual notes on 1 July 2014, 21 January 2015 and 11 June 2015 with a total principal amount of RMB3 billion, RMB4 billion and RMB3 billion, respectively. In addition, the Company issued the first tranche of private perpetual notes on 3 April 2015 with a total principal amount of RMB2 billion.

The notes have no fixed maturity and are redeemable at the Company's option on or after the fifth interest payment date, at their principal amounts together with any accrued, unpaid or deferred coupon payments.

As long as the compulsory interest payment events have not occurred, the Company has the right to choose to defer interests payment at each coupon date without times limit of deferral, which does not cause the Company for breach of contract.

The Company could not defer current interests and all deferred interests when below compulsory interest payment events occur before 12 months of the interest payment date:

- to declare and pay dividend to ordinary shareholders;
- to decrease share capital.

The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the perpetual notes, and the perpetual notes should be classified as equity.

38. Trade and Other Payables

	2017 RMB million	2016 RMB million
Trade and bills payables (a)	**336,388**	298,715
Advance from customers	**69,608**	54,542
Accrued payroll and welfare	**3,017**	2,688
Other taxes	**2,989**	2,556
Deposit received in advance	**989**	952
Dividend payables	**607**	510
Deposits from CREC and fellow subsidiaries (b)	**98**	56
Other payables	**58,698**	48,085
	472,394	408,104
Analysed for reporting purposes:		
Non-current	**498**	686
Current	**471,896**	407,418
	472,394	408,104

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB6,084 million (31 December 2016: RMB6,548 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract is usually more than one year.

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

(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:

	2017 RMB million	2016 RMB million
Less than 1 year	**306,155**	269,171
1 year to 2 years	**18,544**	18,217
2 years to 3 years	**5,504**	5,549
More than 3 years	**6,185**	5,778
	336,388	298,715

(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%.

38. Trade and Other Payables (Continued)

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

	2017 RMB million	2016 RMB million
RMB	**468,961**	402,189
USD	**2,531**	3,674
Other currencies	**902**	2,241
	472,394	408,104

At 31 December 2017, other currencies mainly consist of Congolese Franc, Bolivar and Ethiopian Birr.

39. Borrowings

	2017 RMB million	2016 RMB million
Bank borrowings:		
– Secured	**30,303**	30,466
– Unsecured	**94,013**	91,760
	124,316	122,226
Long-term debentures, unsecured (a)	**36,002**	33,322
Other borrowings:		
– Secured	**–**	431
– Unsecured	**13,616**	16,346
	49,618	50,099
	173,934	172,325
Analysed for reporting purposes:		
Non-current	**85,451**	92,308
Current	**88,483**	80,017
	173,934	172,325

(a) On 25 July 2017, China Railway Xunjie Co. Limited, a BVI business company incorporated in the British Virgin Islands and an indirectly wholly-owned subsidiary of the Company, issued the second tranche of the notes guaranteed by the Company, in an aggregate principal amount of USD500 million. The notes will mature on 25 July 2022, unless earlier redeemed or purchased. The notes bear interest at a coupon rate of 2.88% per annum, payable semi-annually in arrears on 25 January and 25 July each year.

On 24 September 2012, the Company issued the first tranche of the private placement bond, in an aggregate principal amount of RMB1,000 million with a maturity date of 24 September 2017. The bond bears fixed interest at 5.53% per annum. Interest is payable annually in arrears. As at 31 December 2017, these debentures have been fully paid off.

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39. Borrowings (Continued)

(b) Bank borrowings carry interest at rates ranging from 0.75% to 8.00% (31 December 2016: 1.12% to 9.00%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.88% to 6.40% (31 December 2016: 3.07% to 6.40%) per annum.

Other borrowings carry interest at fixed rates ranging from 4.35% to 6.15% (31 December 2016: 1.00% to 7.98%) per annum.

(c) The details of secured borrowings are set out below:

	2017		2016	
	Secured borrowings RMB million	**Carrying amount of pledged assets and contract value of certain rights RMB million**	Secured borrowings RMB million	Carrying amount of pledged assets and contract value of certain rights RMB million
Property, plant and equipment *(Note 16)*	**9**	**7**	12	13
Lease Prepayments *(Note 17)*	**–**	**–**	300	793
Intangible assets *(Note 20)*	**20,586**	**29,317**	21,043	35,098
Properties under development for sale *(Note 28)*	**8,600**	**18,315**	8,888	19,428
Trade receivables *(Note 30)*	**1,108**	**3,389**	654	944
	30,303	**51,028**	30,897	56,276

(d) The exposure of the Group's variable rate borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2017 RMB million	2016 RMB million
6 months or less	**14,473**	16,492
6 –12 months	**61,228**	67,070
1-5 years	**10,766**	10,528
	86,467	94,090

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39. Borrowings (Continued)

(e) The Group's borrowings were repayable as follows:

	2017 RMB million	2016 RMB million
– Within 1 year	**88,483**	80,017
– Between 1 and 2 years	**19,958**	28,117
– Between 2 and 5 years	**38,387**	36,931
– Over 5 years	**27,106**	27,260
	173,934	172,325

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2017 RMB million	2016 RMB million
RMB	**161,069**	163,184
USD	**12,652**	8,841
EUR	**64**	136
Others	**149**	164
	173,934	172,325

(g) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	2017 RMB million	2016 RMB million
Carrying amount		
– Bank borrowings	**46,957**	51,970
– Long-term debentures	**30,533**	32,322
– Other borrowings	**7,961**	8,016
	85,451	92,308
Fair value		
Level 3		
– Bank borrowings	**48,298**	53,308
– Long-term debentures	**31,498**	33,161
– Other borrowings	**8,532**	8,587
	88,328	95,056

39. Borrowings (Continued)

(h) The Group has the following undrawn borrowing facilities:

	2017 RMB million	2016 RMB million
– Expiring within one year	**127,904**	67,307
– Expiring beyond one year	**467,218**	450,935
	595,122	518,242

40. Obligations Under Finance Leases

The Group leased certain of its equipment under finance leases. The average lease term is 2 years (2016: 2 years). Interest rates underlying all obligations under finance lease are set as the interest rate quoted by the People's Bank of China. At the end of the lease period, the Group is entitled to acquire the leased assets at a nominal consideration.

	Minimum lease payments		**Present value of minimum lease payments**	
	2017 RMB million	2016 RMB million	**2017 RMB million**	2016 RMB million
Amounts payable under finance leases				
– Within 1 year	**349**	455	**349**	451
– Between 1 and 5 years	**60**	45	**54**	42
	409	500	**403**	493
Less: future finance charges	**(6)**	(7)	**–**	–
Present value of lease obligations	**403**	493	**403**	493
Less: Amount due for settlement within 1 year (shown under current liabilities)			**(349)**	(451)
Amount due for settlement after 1 year			**54**	42

41. Retirement Benefit Obligations

State-managed retirement plans and supplementary defined contribution retirement schemes

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute a certain percentage of payroll costs, depending on the applicable local regulations to the state-managed retirement plans. The Group also participates in supplementary defined contribution retirement schemes. The only obligation of these PRC companies with respect to the state-managed retirement plans and supplementary defined contribution retirement schemes is to make the specified contributions.

The total costs charged to profit or loss during the year were RMB5,284 million and RMB887 million respectively (2016: RMB4,716 million and RMB610 million respectively).

As at 31 December 2017, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and supplementary defined contribution retirement schemes, and included in trade and other payables were RMB253 million and RMB40 million respectively (2016: RMB258 million and RMB38 million respectively).

Retirement and other supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment medical benefits to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2017 were carried out by an independent firm of actuaries, Willis Towers Watson. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016
Discount rate	**4.00%**	3.00%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost growth rate	**8.00%**	8.00%

41. Retirement Benefit Obligations (Continued)

Retirement and other supplemental benefit obligations (Continued)

Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	2017 RMB million	2016 RMB million
Service cost		
Past service cost and losses from settlements	**–**	2
Net interest expense *(Note 8)*	**111**	112
Components of defined benefit costs recognised in profit or loss	**111**	114
Remeasurement on the net defined benefit obligations:		
Actuarial (gains)/losses arising from experience adjustments	**(9)**	24
Components of defined benefit costs recognised in other comprehensive income	**(9)**	24
Total	**102**	138

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2017 RMB million	2016 RMB million
Present value of unfunded defined benefit obligations	**3,556**	3,919
Net liability arising from defined benefit obligations	**3,556**	3,919
Less: Amount due within one year	**(395)**	(466)
Amount due after one year	**3,161**	3,453

41. Retirement Benefit Obligations (Continued)

Retirement and other supplemental benefit obligations (Continued)

Movements in the present value of the retirement and other supplemental benefit obligations in the current year were as follows:

	2017 RMB million	2016 RMB million
Opening defined benefit obligations	3,919	4,273
Interest expenses	111	112
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from experience adjustments	(9)	24
Past service cost and losses from settlements	–	2
Benefits paid	(465)	(492)
Closing defined benefit obligations	3,556	3,919

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, benefit inflation rate and the average medical expense rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases (decreases) by 0.25%, the defined benefit obligation would decrease by RMB60 million (increase by RMB62 million) (2016: decrease by RMB68 million (increase by RMB70 million)).

- If the benefit inflation rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB130 million (decrease by RMB114 million) (2016: increase by RMB142 million (decrease by RMB125 million)).

- If the average medical expenses rate increases (decreases) by 1%, the defined benefit obligation would increase by RMB13 million (decrease by RMB12 million) (2016: increase by RMB15 million (decrease by RMB15 million)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the defined benefit obligation as at 31 December 2017 is 11.8 years (2016: 11.4 years). This number can be analysed as follows:

- civil retirees: 4.5 years (2016: 4.6 years);

- retired members: 11.9 years (2016: 11.6 years); and

- beneficiaries: 13.2 years (2016: 11.8 years).

42. Provisions

	2017 RMB million	2016 RMB million
At 1 January	**348**	294
Charged/(credited) to the consolidated income statement:		
– Additional provisions	**330**	71
– Utilised/reversed during the year	**(41)**	(17)
At 31 December	**637**	348
Analysed for reporting purpose as:		
Non-current	**637**	335
Current	**–**	13
	637	348

The balance represents the provision recognised for the toll highways' repair and maintenance obligation, doubtful trust arising from structured entities and the probable losses to the Group on lawsuits when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

43. Deferred Taxation

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2017		2016	
	Deferred tax assets RMB million	Deferred tax liabilities RMB million	Deferred tax assets RMB million	Deferred tax liabilities RMB million
The balances before offsetting	**5,915**	**(1,190)**	5,470	(994)
Offsetting	**(184)**	**184**	(212)	212
	5,731	**(1,006)**	5,258	(782)

(b) The gross movement on the deferred income tax account is as follows:

	2017 RMB million	2016 RMB million
At 1 January	**4,476**	3,447
Recognised in the income statement *(Note 11)*	**308**	1,004
Recognised in other comprehensive income *(Note 11)*	**117**	39
Effect of change in tax rate charged to profit or loss *(Note 11)*	**(53)**	(23)
Acquisition of a subsidiary *(Note 45)*	**(132)**	1
Currency translation difference	**9**	8
At 31 December	**4,725**	4,476

43. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Available-for-sale financial assets RMB million	Unrealised loss from intercompany transactions RMB million	Depreciation and amortisation RMB million	Acquisition of subsidiaries RMB million	Others RMB million	Total RMB million
At 1 January 2016	(153)	(47)	(260)	(393)	(115)	(968)
Charged to the consolidated income statement	–	2	(66)	22	–	(42)
Charged to other comprehensive income	25	–	–	–	–	25
Acquisition of subsidiaries	–	–	–	1	–	1
Currency translation difference	–	–	(9)	2	(3)	(10)
At 31 December 2016	(128)	(45)	(335)	(368)	(118)	(994)
At 1 January 2017	**(128)**	**(45)**	**(335)**	**(368)**	**(118)**	**(994)**
Charged to the consolidated income statement	**–**	**2**	**(144)**	**25**	**17**	**(100)**
Credited to other comprehensive income	**17**	**–**	**–**	**–**	**–**	**17**
Acquisition of a subsidiary *(Note 45)*	**–**	**–**	**–**	**(132)**	**–**	**(132)**
Currency translation difference	**–**	**–**	**19**	**–**	**–**	**19**
At 31 December 2017	**(111)**	**(43)**	**(460)**	**(475)**	**(101)**	**(1,190)**

43. Deferred Taxation (Continued)

(c) (Continued)

Deferred Tax Assets:

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Available-for-sale financial assets RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Unrealised profit from intercompany transactions RMB million	Other RMB million	Total RMB million
At 1 January 2016	1,002	5	–	805	461	1,255	887	4,415
Credited/(charged) to the consolidated income statement	236	(2)	–	(71)	296	353	234	1,046
Credited/(charged) to other comprehensive income	–	–	6	8	–	–	–	14
Effect of change in tax rate credited to profit or loss	(14)	–	–	(2)	–	(5)	(2)	(23)
Currency translation difference	–	–	–	–	17	–	1	18
At 31 December 2016	1,224	3	6	740	774	1,603	1,120	5,470
At 1 January 2017	**1,224**	**3**	**6**	**740**	**774**	**1,603**	**1,120**	**5,470**
Credited/(charged) to the consolidated income statement	**514**	**7**	**–**	**(58)**	**204**	**177**	**(436)**	**408**
Credited to other comprehensive income	**–**	**–**	**108**	**(8)**	**–**	**–**	**–**	**100**
Effect of change in tax rate credited to profit or loss	**(27)**	**–**	**–**	**(23)**	**–**	**–**	**(3)**	**(53)**
Currency translation difference	**–**	**–**	**–**	**–**	**(8)**	**–**	**(2)**	**(10)**
At 31 December 2017	**1,711**	**10**	**114**	**651**	**970**	**1,780**	**679**	**5,915**

43. Deferred Taxation (Continued)

(d) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2017, the Group did not recognise deferred tax assets of RMB2,324 million (2016: RMB2,614 million) in respect of tax losses amounting to RMB10,118 million (2016: RMB11,018 million) as the Directors believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2017, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2017 RMB million	2016 RMB million
Year of expiry of tax losses		
2017	**N/A**	1,141
2018	**638**	1,211
2019	**1,375**	1,888
2020	**1,420**	2,495
2021	**3,621**	4,283
2022	**3,064**	N/A
	10,118	11,018

(e) As at 31 December 2017, the Group did not recognise deferred tax assets of RMB3,460 million (2016: RMB1,979 million) in respect of deductible temporary differences amounting to RMB15,396 million (2016: RMB8,606 million) as the Directors believe it is not probable that such deductible temporary differences would be utilised.

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44. Cash Generated from Operations

(a) Cash Generated from Operations

	2017 RMB million	2016 RMB million
Profit for the year	**14,204**	12,703
Adjustments for:		
– Income tax expense	**6,624**	6,069
– Interest income	**(1,408)**	(2,197)
– Dividend income from unlisted investments	**(362)**	(127)
– (Gains) losses on disposal and/or write-off of:		
Property, plant and equipment	**(74)**	(75)
Land use rights	**(39)**	(444)
Available-for-sale financial assets	**(4)**	(67)
Investment properties	**–**	(38)
Interests in associates	**6**	1
Interests in a joint venture	**1**	5
Subsidiaries	**(112)**	(427)
Other financial assets at fair value through profit and loss	**520**	–
– Foreign exchange losses, net	**34**	305
– Fair value decrease (increase) on held-for-trading financial assets/liabilities	**(49)**	80
– Waiver of trade and other payables	**(126)**	(71)
– Gain on debt restructuring	**(26)**	(50)
– Impairment losses recognised on:		
Trade and other receivables	**8,421**	958
Other loans and receivables	**495**	352
Interests in associates	**–**	345
Available-for-sale financial assets	**4**	263
Recognition of expected losses on construction contracts	**(29)**	150
Inventories	**49**	6
Mining assets	**282**	565
Properties held for sale	**–**	872
Properties under development for sale	**–**	192
Land use rights	**–**	8
Investment properties	**–**	27
Property, plant and equipment	**21**	142
– Unrealised profit from internal sales to associates	**(1)**	3
– Interest expenses	**4,662**	5,774
– Share of profits of joint ventures	**(224)**	(118)
– Share of profits of associates	**(1,308)**	(614)
– Charge to retirement benefit obligations	**111**	114
– Government grants credited to income	**(378)**	(421)
– Depreciation and amortisation	**9,057**	8,761
Operating cash flows before movements in working capital	**40,351**	33,046

44. Cash Generated from Operations (Continued)

(a) Cash Generated from Operations (Continued)

	2017 RMB million	2016 RMB million
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Increase in other prepayments	(185)	(111)
– Decrease in properties held for sale	170	2,457
– (Increase) decrease in properties under development for sale	(9,472)	4,032
– (Increase) decrease in inventories	(1,991)	1,358
– Increase in trade and other receivables	(48,852)	(26,749)
– (Increase) decrease in amounts due from customers for contract work	(2,668)	10,438
– Decrease in retirement and other supplemental benefit obligations	(465)	(492)
– Increase in trade and other payables	66,887	40,704
– Increase in other loans and receivables arising from consolidated structured entities	(1,419)	(1,025)
– (Decrease) increase in payables arising from consolidated structured entities	(820)	631
– Increase (decrease) in amounts due to customers for contract work	2,011	(1,905)
– Increase in provisions	289	54
– Increase in government grants for operating expenses	1,037	383
– (Increase) decrease in held-for-trading financial assets	(185)	17
– Decrease in held-for-trading financial liabilities	–	(96)
– Decrease in amounts due from central bank	520	100
– Decrease (increase) in loans to customers	5	(1,100)
– Decrease in amount due to customers of CREC Finance	(419)	(1,484)
– Restricted cash	(5,181)	–
Cash generated from operations	39,613	60,258

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2017 RMB million	2016 RMB million
Net book amount *(Note 16)*	1,113	1,093
Gains on disposal of property, plant and equipment *(Note 7)*	74	125
Proceeds from disposal of property, plant and equipment	1,187	1,218

45. Business Combinations

Acquisition of Hubei Hua Bin Real Estate Co., Ltd.

The Group acquired 51% equity interests in Hubei Hua Bin Real Estate Co., Ltd. ("Hubei Hua Bin") from Beijing Hua Bin Investment Co., Ltd. ("Beijing Hua Bin"), a third party of the Group, with a consideration of RMB661 million in cash. The acquisition was completed on 29 December 2017.

Hubei Hua Bin was incorporated in Hubei province, PRC, and is primarily engaged in property development in China.

The following table summarises the consideration paid for Hubei Hua Bin and the amounts of the assets acquired, liabilities assumed and the non-controlling interests recognised at the acquisition dates.

	At 29 December 2017 RMB million
Purchase consideration	
– cash paid	661
Amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	576
Properties under development for sale	1,687
Trade and other receivables	1
Property, plant and equipment	1
Trade and other payables	(837)
Deffered tax liabilities	(132)
Total identifiable net assets	1,296
Less: non-controlling interests	(635)
Net assets acquired by the Group	661
Goodwill	–
Net cash outflow in respect of the acquisition of the Hubei Hua Bin is analysed as follows:	
Purchase consideration	
– cash paid	661
Less: cash and cash equivalents in acquired subsidiaries	(576)
Net cash outflow on acquisition	85

The acquired businesses contributed no revenue and profit to the Group for the period from acquisition date to 31 December 2017. Hubei Hua Bin has not generated any revenue for the year ended 31 December 2017. If the acquisition had occurred on 1 January 2017, unaudited net loss for the year 2017 would have been RMB2 million.

46. Contingencies Liabilities

	2017 RMB million	2016 RMB million
Pending lawsuits *(Note (a))*		
– arising in the ordinary course of business	**1,468**	987
– overseas lawsuits *(Note (b)&(c))*	**–**	381
Outstanding guarantees *(Note (d))*	**25,863**	24,301

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

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

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

On 30 November 2016 and 10 April 2017, MKM, CRRGH and CRRG jointly submitted their Statement of Defense and counterclaims to the arbitration tribunal, respectively. EXACO accordingly submitted the responses to the Statement of Defense and counterclaims, which amended the amount of losses caused by 43.5% share transfer from USD54.77 million (equivalent to approximately RMB356 million) to USD53.40 million (equivalent to approximately RMB370 million).

On 22 May 2017, the hearing was held at the International Court of Arbitration in Paris, and the verdict was pronounced on 2 August 2017. International Court of Arbitration rejected the arbitration applications filed by EXACO and the counterclaims made by MKM, CRRGH and CRRG. In addition, EXACO should bear 80% of the arbitration fees amounted to EUR463,470.40 (equivalent to approximately RMB4 million in total), and compensate 80% of the legal counsel costs and other expenses to MKM, CRRGH and CRRG, amounting to approximately RMB4 million. An interest at 8% per annum will be charged to the outstanding expenses payable by EXACO from the date of arbitration pronouncement till the full amount is paid off. As at 31 December 2017, the Group has no pending litigations relating to the "EXACO" case.

(c) On 19 May 2017, the case, involving two subsidiaries of the Company, China Overseas Engineering Group Co., Ltd., China Railway Tunnel Group Co., Ltd. and two independent parties, and Polish General Directorate for National Roads and Motorways in Poland (the "Poland Case"), was settled. All parties agreed to withdraw the claims and waive the rights for compensation. As at 31 December 2017, the Group has no pending litigations relating to the Poland Case.

46. Contingencies Liabilities (Continued)

(d) The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The maximum exposure of these financial guarantees to the Group is as follows:

	2017		2016	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,077**	**2018-2023**	5,467	2017-2023
Joint ventures	**400**	**2018-2019**	400	2017-2019
A government-related entity	**58**	**2019**	61	2017
Property purchasers	**23,121**	**2018-2038**	21,005	2017-2025
Former associates	**754**	**2020-2027**	1,363	2020-2024
A former subsidiary	**–**	**–**	928	2022
	29,410		29,224	

47. Commitments

(a) Capital expenditure

Capital expenditure contracted for but not yet incurred at the balance sheet date is as follows:

	2017 RMB million	2016 RMB million
Property, plant and equipment	**1,129**	1,242

(b) Investment commitment

According to relevant agreements, the Group has the following commitments:

	2017 RMB million	2016 RMB million
Investment commitment to an associate *(Note (i))*	**15,316**	18,383
Investment commitment to a joint venture	**1,661**	3,617
	16,977	22,000

(i) The amount represents the Group's commitment in respect of the Group's investment in certain mining projects (including development and construction expenditures) in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of the consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change based on the projects and the negotiation progress in the future.

47. Commitments (Continued)

(c) Operating Lease Commitments – as lessor

Rental income earned in respect of investment properties was set out in Note 6. The investment properties held for rental purposes are expected to generate rental yields of 12.00% to 16.67% (2016: 7.57% to 16.67%) on an ongoing basis. The tenancy periods are for a term of one to ten years. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 RMB million	2016 RMB million
No later than 1 year	**299**	261
Later than 1 year and no later than 5 years	**728**	694
Later than 5 years	**688**	605
	1,715	1,560

(d) Operating Lease Commitments – as leasee

The Group leases various offices, warehouses, residential properties, machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 RMB million	2016 RMB million
No later than 1 year	**672**	593
Later than 1 year and no later than 5 years	**152**	119
Later than 5 years	**50**	35
	874	747

48. Related-Party Transactions

The Company is controlled by CREC, the parent company and a state-owned enterprise established in the PRC. CREC is controlled by the PRC government (CREC and its subsidiaries other than the Group are referred to as the "CREC Group"). The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities").

During the year, the Group had transactions with government-related entities including, but not limited to, the provision of infrastructure construction services, survey, design and consulting services and sales of goods. The Directors consider that the transactions with these government-related entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions between the Group and its related parties during the year and balances arising from related party transactions at the end of the reporting period.

48. Related-Party Transactions (Continued)

(a) Significant related party transactions

The following transactions were carried out with related parties other than government-related entities:

	2017 RMB million	2016 RMB million
Transactions with the CREC Group		
– Revenue from infrastructure construction	5	132
– Service expenses paid	42	30
– Rental expense	28	33
– Interest income	41	1
– Interest expense	5	19
– Disposal of a subsidiary	–	2,456
– Proceeds of borrowings	700	1,600
– Repayment of borrowings	1,600	–
Transactions with joint ventures		
– Revenue from infrastructure construction	16,746	7,155
– Revenue from sale of goods	26	28
– Rental income	1	1
– Service expenses paid	1	–
– Interest income	138	34
– Interest expense	5	1
– Purchases	1,460	2,330
Transactions with associates		
– Revenue from infrastructure construction	15,832	8,298
– Revenue from sale of goods	1,466	1,104
– Interest income	102	35
– Rental income	5	6
– Purchases	3,541	1,416
– Service expenses paid	10	1

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

48. Related-Party Transactions (Continued)

(b) Balances with related parties

	2017 RMB million	2016 RMB million
Balances with the CREC Group		
Trade and bills receivables	13	57
Advance to suppliers	128	128
Loan receivables	693	1,584
Trade payables	15	9
Other payables	118	96
Advance from customers	1	–
Borrowings	98	56
Balances with joint ventures		
Trade and bills receivables	6,907	2,179
Other receivables	2,107	712
Advance to suppliers	5	3
Loans receivables	1,274	574
Trade payables	521	312
Other payables	58	311
Advance from customers	75	45
Borrowings	5	551
Balances with associates		
Trade and bills receivables	6,628	2,654
Other receivables	677	862
Loans receivables	1,824	1,937
Dividend receivables	28	16
Advance to suppliers	58	116
Trade payables	164	29
Other payables	592	161
Advance from customers	754	237
Borrowings	10	8

48. Related-Party Transactions (Continued)

(c) Guarantees

	2017 RMB million	2016 RMB million
Outstanding loan guarantees provided by the Group to		
– A joint venture *(Note 23(b))*	**200**	400
– Associates *(Note 23(a))*	**2,044**	1,647
– A government-related entity	**17**	61
Outstanding debentures guarantees provided by CREC to the Group	**11,000**	11,000

(d) Key management compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances and other allowances	**2,984**	3,194
Contributions to pension plans	**455**	463
Others	**4,660**	3,430
	8,099	7,087

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of the respective individuals and the market trends.

49. Particulars of Principal Subsidiaries

(a) General information of principal subsidiaries

As at 31 December 2017 and 2016, the Company had the following principal subsidiaries:

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB'000	2017	2016	2017	2016	
Listed							
中鐵高新工業股份有限公司 China Railway Hi-Tech Industry Co., Ltd. (i)	PRC	RMB2,221,552	50.12%	50.01%	49.88%	49.99%	Engineering Equipment and Component Manufacturing
Unlisted							
中鐵一局集團有限公司 China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB4,500,000	100%	100%	–	–	Infrastructure construction
中鐵二局集團有限公司 China Railway No.2 Engineering Group Co., Ltd.	PRC	RMB1,663,820	100%	100%	–	–	Infrastructure construction
中鐵三局集團有限公司 China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB3,500,000	100%	100%	–	–	Infrastructure construction
中鐵四局集團有限公司 China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB5,378,439	100%	100%	–	–	Infrastructure construction
中鐵五局集團有限公司 China Railway No.5 Engineering Group Co., Ltd.	PRC	RMB4,100,000	100%	100%	–	–	Infrastructure construction
中鐵六局集團有限公司 China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB2,200,000	100%	100%	–	–	Infrastructure construction
中鐵七局集團有限公司 China Railway No.7 Engineering Group Co., Ltd.	PRC	RMB2,600,000	100%	100%	–	–	Infrastructure construction
中鐵八局集團有限公司 China Railway No.8 Engineering Group Co., Ltd.	PRC	RMB4,500,000	100%	100%	–	–	Infrastructure construction

49. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital RMB'000	Proportion of interest and voting power held by the Group 2017	2016	Proportional of ordinary shares held by non-controlling interests 2017	2016	Principal activities
中鐵九局集團有限公司 China Railway No.9 Engineering Group Co., Ltd.	PRC	RMB2,500,000	100%	100%	–	–	Infrastructure construction
中鐵十局集團有限公司 China Railway No.10 Engineering Group Co., Ltd.	PRC	RMB3,800,000	100%	100%	–	–	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB3,340,433	100%	100%	–	–	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB2,832,276	100%	100%	–	–	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB6,400,000	100%	100%	–	–	Infrastructure construction
中鐵隧道局集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB2,963,048	100%	100%	–	–	Infrastructure construction
中鐵國際集團有限公司 China Railway International Group Co., Ltd.	PRC	RMB1,034,714	100%	100%	–	–	Infrastructure construction
中鐵二局工程有限公司 China Railway Erju Engineering Co., Ltd	PRC	RMB4,700,000	100%	100%	–	–	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,215,088	100%	100%	–	–	Survey and design
中鐵北京工程局集團有限公司 China Railway Beijing Engineering Group Co. Ltd	PRC	RMB3,485,746	100%	100%	–	–	Infrastructure construction

For the Year Ended 31 December 2017

49. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital RMB'000	Proportion of interest and voting power held by the Group 2017	2016	Proportional of ordinary shares held by non-controlling interests 2017	2016	Principal activities
中鐵上海工程局集團有限公司 China Railway Shanghai Engineering Group Co. Ltd	PRC	RMB2,273,078	100%	100%	–	–	Infrastructure construction
中鐵廣州工程局集團有限公司 China Railway Guangzhou Engineering Group Co. Ltd	PRC	RMB2,300,000	100%	100%	–	–	Infrastructure construction
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB6,500,000	100%	100%	–	–	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB5,427,127	100%	100%	–	–	Mining
中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd.	PRC	RMB6,000,000	100%	100%	–	–	Build-operate-transfer service concession arrangement
中鐵建設投資集團有限公司 China Construction Investment Group Co..Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵投資集團有限公司 China Railway Investment Group Co., Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵開發投資有限公司 China Railway Development & Investment Co., Ltd	PRC	RMB1,457,442	100%	100%	–	–	Infrastructure construction and asset management
中鐵城市發展投資集團有限公司 China Railway City Development and Investment Group Co. Ltd	PRC	RMB1,398,755	100%	100%	–	–	Infrastructure construction and asset management

49. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/place of establishment and operation	Issued and paid in capital RMB'000	Proportion of interest and voting power held by the Group 2017	Proportion of interest and voting power held by the Group 2016	Proportional of ordinary shares held by non-controlling interests 2017	Proportional of ordinary shares held by non-controlling interests 2016	Principal activities
中鐵(上海)投資有限公司 China Railway (Shanghai) Investment Co., Ltd	PRC	RMB1,000,000	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵信託有限責任公司 China Railway Trust Co., Ltd. (ii)	PRC	RMB5,000,000	**93%**	93%	**7%**	7%	Financial trust management
中鐵財務有限責任公司 China Railway Finance Co., Ltd.	PRC	RMB4,000,000	**95%**	95%	**5%**	5%	Comprehensive financial service
中鐵資本有限公司 China Railway Capital Co., Ltd	PRC	RMB1,050,000	**100%**	100%	**–**	–	Asset Management
中鐵物貿集團有限公司 China Railway Material Trade Co., Ltd	PRC	RMB1,200,000	**100%**	100%	**–**	–	Trade

All the above subsidiaries were established as limited liability companies in the PRC, which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Unless otherwise stated, above subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group.

(i) At 31 December 2017, 31.58% (2016: 48.08%) of ordinary shares of China Railway Hi-Tech Industry Co., Ltd. is indirectly held by the Group.

(ii) At 31 December 2017, 14% (2016: 14%) of ordinary shares of China Railway Trust Co., Ltd. is indirectly held by the Group.

49. Particulars of Principal Subsidiaries (Continued)

(b) Information of debt securities

As at 31 December 2017, the Group had outstanding issued debt securities as follows:

Name	**Face value of debt securities RMB Million**	**Maturity date**
China Railway Group Limited	**1,660**	**17/10/2018**
	5,000	**27/01/2020**
	2,500	**19/10/2020**
	2,050	**28/01/2021**
	4,659	**23/03/2021**
	3,500	**19/10/2025**
	2,120	**28/01/2026**
China Railway Real Estate Group Co., Ltd.	**1,000**	**24/07/2019**
China Railway Resources Group Co., Ltd	**1,000**	**14/05/2018**
	2,000	**19/06/2018**
China Railway Xunjie Co. Limited	**3,267**	**25/07/2022**
	3,267	**05/02/2023**
	3,267	**28/07/2026**

As at 31 December 2016, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	1,000	17/10/2017
	1,660	17/10/2018
	5,000	27/01/2020
	2,500	19/10/2020
	2,050	28/01/2021
	4,659	23/03/2021
	3,500	19/10/2025
	2,120	28/01/2026
China Railway Real Estate Group Co., Ltd.	1,000	24/07/2019
China Railway Resources Group Co., Ltd	1,000	14/05/2018
	2,000	19/06/2018
China Railway Xunjie Co. Limited	3,469	05/02/2023
	3,469	28/07/2026

50. Holding Company

The Company's directors regard CREC, a company established in the PRC, as the immediate and ultimate holding company of the Company.

For the Year Ended 31 December 2017

51. Balance Sheet and Reserve Movement of the Company

	2017 RMB million	2016 RMB million
ASSETS		
Non-current assets		
Amounts due from subsidiaries	**4,995**	5,528
Other non-current assets	**9,297**	8,006
Unlisted investments in subsidiaries	**127,488**	95,499
	141,780	109,033
Current assets		
Amounts due from subsidiaries	**55,831**	53,470
Other current assets	**20,059**	17,182
Bank balances and cash	**50,713**	47,036
	126,603	117,688
Total assets	**268,383**	226,721
EQUITY		
Share capital	**22,844**	22,844
Perpetual notes	**12,038**	12,038
Share premium and reserves (note a)	**100,297**	84,291
Total equity	**135,179**	119,173
LIABILITIES		
Non-current liabilities		
Borrowings	**20,274**	23,205
Other non-current liabilities	**25**	18
	20,299	23,223
Current liabilities		
Amounts due to subsidiaries	**98,011**	75,842
Other current liabilities	**14,894**	8,483
	112,905	84,325
Total liabilities	**133,204**	107,548

The balance sheet of the Company was approved by the Board of Directors on 29 March 2018 and were signed on its behalf.

Director	Director
Li Changjin	**Zhang Zongyan**

For the Year Ended 31 December 2017

51. Balance Sheet and Reserve Movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Share premium RMB million	Capital reserve RMB million	Statutory reserve RMB million	Retained profits RMB million	Total RMB million
At 1 January 2016	43,982	7,739	3,501	20,670	75,892
Profit and total comprehensive income for the year	–	–	–	11,150	11,150
Transfer to reserves	–	–	1,183	(1,183)	–
Dividend recognised as distribution	–	–	–	(1,965)	(1,965)
Dividend declared to perpetual notes holders	–	–	–	(786)	(786)
At 31 December 2016	43,982	7,739	4,684	27,886	84,291
Profit and total comprehensive income for the year	–	–	–	18,803	18,803
Transfer to reserves	–	–	1,902	(1,902)	–
Dividend recognised as distribution	–	–	–	(2,010)	(2,010)
Dividend declared to perpetual notes holders	–	–	–	(787)	(787)
At 31 December 2017	43,982	7,739	6,586	41,990	100,297

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

1. Formulation, implementation or adjustment of the cash dividend policy

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

Profits are distributed in cash under the profit distribution plan of the Company in 2016. Pursuant to the profit distribution plan considered and passed at the 2016 annual general meeting convened on 28 June 2017, a cash dividend of RMB0.88 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2016 was declared by the Company, totaling RMB2,010,298,535.78 and representing around 16% of net profit attributable to the listed company's shareholders under the consolidated income statement for the year 2016 of the Company. The announcement on the profit distribution of A shares was published on 14 July 2017 on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the website of Shanghai Stock Exchange. As at 10 August 2017, the implementation of the profit distribution plan of the Company for 2016 has been completed.

(2) Profit distribution plan for 2017

Pursuant to the relevant requirements of the Company Law and the Articles of Association, and in accordance with the "Resolution on the Profit Distribution Plan for 2017 of the Company" which was passed at the 9th meeting of the fourth session of the Board, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, the details of which are set out below: the retained profits of the parent company at the beginning of 2017 was RMB28,798,842,750.89 based on the audited financial report of the Company for 2017. After adding the net profit realised by the parent company of RMB19,023,574,657.77 during the year and deducting the cash dividends for 2016 and interest payments on perpetual notes amounting to RMB2,797,104,091.33, and with 10% of the net profit of the parent company, i.e. RMB1,902,357,465.78, being appropriated to its statutory surplus reserve, the distributable profit of the parent company to shareholders amounted to RMB43,122,955,851.55 for the year. A cash dividend of RMB1.13 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 2017, the total amount of such dividend is RMB2,581,406,074.36, representing 16% of net profit attributable to the listed company's shareholders under the consolidated income statement for the current year of the Company. Upon the distribution, the remaining retained profit of the parent company amounting to RMB40,541,549,777.19 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 2017 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2017 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, implementation or adjustment of the cash dividend policy (Continued)

(3) Information on the profit distribution for 2017

(i) The Company intends to distribute less than 30% of the net profits attributable to shareholders for the year as cash dividends due to the following reasons: ① considering the international infrastructure construction market, the in-depth development of the Belt and Road Initiative received positive response from the world, with more than 100 participating countries and international organisations. China has entered into the Belt and Road Initiative cooperation agreements with more than 30 Belt and Road countries. The continuing deepening of the financial cooperation, represented by the Asia Infrastructure Investment Bank and Silk Road Fund, will provide great opportunities for our expansion of overseas market. Domestically, the construction market is in the face of large production capacity and unprecedented reforms. Despite the general slowdown in the construction of railways and urban rail transits in the coming year, the construction market will maintain a rapid growth for some time in the future, given the acceleration in the implementation of national strategies, such as regional coordinative development, construction of city clusters, development of Xiong'an New Area and Bay Area and establishment of a strong transportation country, and an increase in construction investments in water engineering, environmental protection, affordable housing projects and urban enhancement and renovation. Together with the ascendance of new business types, new models and new markets, and the promotion of the construction along the Belt and Road and international capacity cooperation, we are faced up with the historic development opportunities both at home and abroad. ② The construction industry where the Company is in is extremely competitive, where comparatively low profit margins, comparatively high debt gearing ratios, comparatively large amounts of receivables and inventory are not uncommon. Moreover, due to the extensive locations and scope of construction projects and the large scale of each single project, the working capital requirements of the Company to maintain its ordinary course of operations are relatively high.

(ii) All the independent directors of the Company have issued the following independent opinions on the reasonableness of the above 2017 profit distribution plan: ① the formulation of the Company's profit distribution plan for 2017 has considered the characteristics of the construction industry where the Company is in, the stage of development of the Company, its own business model, its need for proceeds and many other factors, and thus was in line with the actual situation of the Company. ② The amount of the Company's 2017 cash dividend accounted for 16% of the net profit attributable to owners of the Company in the consolidated income statement of the current year. Although it remained at the same level as the previous year's distribution proportion, the base for distribution continued to increase since the net profit kept increasing every year. On the one hand, the continuity and sustainable development of the Company's profit distribution policy were maintained, which is in line with the cash dividend policy as provided in the articles of association of the Company and the requirements for medium and long-term plans on shareholders' return. On the other hand, such plan can not only enable investors to obtain a reasonable return on investment, but also take into account the Company's normal operations. Therefore, the Company's 2017 profit distribution plan is reasonable, and the independent directors agreed with such profit distribution plan.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

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

Unit: Hundred million Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend amount per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net Profit attributable to the listed company's ordinary shareholders during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to the listed company's ordinary shareholders under the consolidated financial statements *(%)*
2017	0	1.13	0	25.81	160.67	16
2016	0	0.88	0	20.10	125.09	16
2015	0	0.86	0	19.65	122.58	16

3. The inclusion of shares repurchased through cash offer in cash dividend

Not applicable

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

Not applicable

II. Performance Status of Undertakings

1. Undertakings made by relevant undertaking parties, including the ultimate controller, shareholders, related parties, acquirers of the Company and the Company given or subsisting in the reporting period or continuing during the reporting period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	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.

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

Not applicable

III. Fund Occupancy and Progress of Collection During the Reporting Period

Not applicable

IV. Explanation of the Company on the "Modified Audit Report" from Auditors

Not applicable

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

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

On 28 April 2017, the Ministry of Finance issued the "Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations" (Cai Kuai [2017] No. 13) and stipulated that the standard shall be effective since 28 May 2017. Pursuant to such standard, the non-current assets and disposal groups held for sale and discontinued operations which already existed as of the effective date of such standard shall be taken prospective approach.

On 10 May 2017, the Ministry of Finance issued the "Notice on Publication of the Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15) and stipulated that the standard shall be effective since 12 June 2017. Pursuant to such standard, government grants which already existed as of 1 January 2017 shall be taken prospective approach, while the new government grants obtained between 1 January 2017 and the effective date of the standard shall be adjusted according to such standard.

The 2017 financial statements of the Company, prepared in accordance with the relevant PRC accounting standards (2017 PRC Financial Statements), have been disclosed and presented pursuant to the above new requirements, which do not have any material impact on the 2017 PRC Financial Statements.

Description of and reasons for the changes in accounting policies	Standard	Name of accounting item and amount affected
In the form of a standalone standard, the "Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations" (Cai Kuai [2017] No. 13) unifies the regulation of non-current assets, disposal groups held for sale and discontinued operations. The financial statements for 2017 have been presented pursuant to such requirements.	"Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations" (Cai Kuai [2017] No. 13)	Such change in accounting policy did not have any material impact on the financial conditions, operating results and cash flows of the Company.
The "Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15) specifies the application scope of the standard for government grants and the classification principle of government grants and revenue; allows an enterprise to determine the presentation item of government grants in the income statement based on the substance of business activities and present it separately as "other gains" under "operating profits" in the income statement; allows an enterprise to present the government grants through newly-added net amount approach and government grants related to the daily activities can be accounted as other gains (on a gross basis) or to be set off with relevant costs (on a net basis); government grants related to assets can offset the book value of the relevant assets (on a net basis) or be recognized as deferred revenue (on a gross basis), and be recorded to profits and losses in installments in a reasonable and systematic manner during the useful life of the relevant assets; and provides more detailed requirements on the accounting treatment of financial discount. The financial statements for 2017 have been presented pursuant to such requirements.	"Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15)	The government grants related to the daily activities with an amount of RMB117,096,000 incurred during the period from 1 January 2017 to 31 December 2017 have been transferred from "non-operating income" to "other gains" in the income statement.

V. Analysis and Explanation of the Company on the Reasons for and Impacts of the Changes in Accounting Policies or Accounting Estimates or Correction of Material Accounting Errors (Continued)

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

Not applicable

3. Communications with former auditors

Not applicable

4. Others

Not applicable

VI. Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

	Current appointment
Name of domestic auditors	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic auditors	1,630
Term of domestic auditors	1 year
Name of international auditors	PricewaterhouseCoopers
Remuneration of international auditors	1,500
Term of international auditors	1 year

	Name	Remuneration
Auditors for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	180

VI. Appointment and Removal of Auditors (Continued)

1. Explanation on the appointment and removal of auditors

Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu had been providing annual audit services for the Company for ten years. To ensure the objectivity and independence of the auditors, the Company has changed both the auditors for annual audit and the internal control auditors for 2017 simultaneously. On 30 March 2017, the "Resolution on the appointment of auditors for 2017" and "Resolution on the appointment of internal control auditors for 2017" were considered and passed at the 31st meeting of the third session of the Board. These resolutions were then considered and passed at the 2016 annual general meeting of the Company on 28 June 2017. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2017 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2017. For details of such changes, please refer to the Announcement of China Railway on the Change of Auditors for Annual Audit published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 31 March 2017.

2. Explanation on the change of auditors during the audit period

Not applicable

VII. Risk of Suspension of Listing

1. Reason for suspension of listing

Not applicable

2. Response measures to be adopted by the Company

Not applicable

VIII. Delisting and the Reasons Thereof

Not applicable

IX. Matters Relating to Insolvency or Restructuring

Not applicable

X. Material Litigation and Arbitration

1. Litigation and arbitration which were disclosed in an announcement without subsequent progress

Outline and nature	Information link
Poland A2 Highway construction disputes: The consortium comprising China Overseas Engineering Group Co., Ltd. and China Railway Tunnel Group Co., Ltd. (subsidiaries of the Company) and two third-party companies (the "**Consortium**") had litigation disputes over the contract termination with the project owner, Polish General Directorate for National Roads and Motorways in Poland, in respect of the bid won for sections A and C of Poland A2 Highway.	2011 Interim Report and subsequent periodic reports of the Company.

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

Based on the intention of the Consortium and the project owner to reach a settlement, both parties applied again to the Poland Warsaw Court for suspension of the trial procedures. On 19 May 2017, after several rounds of negotiation, the Consortium and the project owner formally entered into the Settlement Agreement. On the date of signing the agreement, the project owner and the Consortium submitted an application to the Poland Warsaw Court to withdraw all the litigations of both parties respectively. On 22 and 31 May, the Warsaw Court formally approved each of the withdrawal request of the project owner and the Consortium, respectively, marking an end of such litigation.

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

Not applicable

3. Others

Not applicable

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

Not applicable

XII. Integrity of the Company and its Controlling Shareholders and Ultimate Controllers

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

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

1. Incentives which were disclosed in announcement without subsequent progress or changes

Not applicable

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

Not applicable

XIV. Significant Related Party Transactions

1. Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	27,961	27,961	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	28,295	28,295	Less than 1%
Total					56,256	56,256	
Description of related party transactions				The above two transactions resulted from the implementation during the reporting period of the Comprehensive Services Agreement and Premises Leasing Agreement renewed by the Company and China Railway Engineering Group Co., Ltd. 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.			

Note: On 29 December 2017, China Railway Hongda Asset Management Center was renamed as China Railway State Assets Management Co., Ltd.

XIV. Significant Related Party Transactions (Continued)

1. Related party transactions in ordinary course of business (Continued)

(3) Matters undisclosed in announcement

Not applicable

2. Related party transactions in relation to acquisition and disposal of assets or equity interests

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

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

Not applicable

3. Significant related party transactions in relation to joint external investment

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

Not applicable

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

Not applicable

(3) Matters undisclosed in an announcement

Not applicable

4. Amounts due from/to related parties

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

XIV. Significant Related Party Transactions (Continued)

5. Others

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
The Company *(Note 1)*	Linha Railway Co., Ltd. *(Note 3)*	554,240	June 2008	June 2027	No
CREC *(Note 2)*	China Railway Group Limited	5,000,000	January 2010	January 2020	No
CREC *(Note 2)*	China Railway Group Limited	3,500,000	October 2010	October 2025	No
CREC *(Note 2)*	China Railway Group Limited	2,500,000	October 2010	October 2020	No

Note 1: At the 2007 annual general meeting of the Company held on 25 June 2008, the Proposal of Provision of a Guarantee with Respect to the Loans for Lince Railway Co., Ltd. and China Railway Engineering Sunite Railway Co., Ltd. was considered and approved, in which it was agreed that a guarantee would be provided with respect to the bank loan for Lince Railway Co., Ltd. in the amount of RMB820.7 million for a guarantee period of 17 years. In June 2008, the Company and Huhhot Xincheng Dongjie Sub-branch of the Industrial and Commercial Bank of China Limited entered into a guarantee contract agreeing that a guarantee in the total amount of RMB783 million (product of the total loan amount of RMB2.7 billion multiplied by the shareholding percentage of 29%) with a joint and several liability and a guarantee period commencing on 30 June 2008 and ending on 20 June 2027 should be provided to Lince Railway Co., Ltd. In 2016, in order to follow the national policy of "cutting excessive industrial capacity, lowering corporate costs, destocking, deleveraging, and improving weak links" and to actively implement the national guidance principle on eliminating overcapacity in coal industry, the Company transferred all its equity interests in Lince Railway and 12 coal-related assets and the relevant equity interests held by CRRG to Beijing Yinuojie Investment Management Co., Ltd. On 29 December 2016, CRRG and China Railway Engineering Group Company Limited, the controlling shareholder of the Company, entered into the Agreement on the Transfer of Equity Interests in Beijing Yinuojie Investment Management Co., Ltd., pursuant to which CRRG transferred its 100% equity interests in Beijing Yinuojie Investment Management Co., Ltd. to China Railway Engineering Group Company Limited at a consideration of RMB2,456.336 million. As at 31 December 2017, Chen Wenxin, a supervisor of the Company, remained as a director of Lince Railway Co., Ltd. Lince Railway Co., Ltd., which remained as a related party of the Company according to the Guidelines on Related Party Transactions of Listed Companies of the Shanghai Stock Exchange. Therefore, these guarantees remained as related party guarantees of the Company.

Note 2: These are unconditional and irrevocable joint and several liability guarantees provided by China Railway Engineering Group Co., Ltd. for the entire amount of the 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010. As at 31 December 2017, the remaining payable amount of above-mentioned bonds was RMB10,975,563,000 (31 December 2016: RMB10,969,480,000). For details, please refer to the notes to the financial statements.

Note 3: Lince Railway Co., Ltd. was renamed as Linha Railway Co., Ltd. in February 2018, and Chen Wenxin, a supervisor of the Company, has ceased to be a director of Linha Railway Co., Ltd.

XIV. Significant Related Party Transactions (Continued)

5. Others (Continued)

(2) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2017	31 December 2016
Loans	CREC	**700,000**	1,600,000

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2017	31 December 2016
Deposit-taking *(Note)*	CREC	**97,101**	55,311

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 China Railway Engineering Group Co., Ltd., the controlling shareholder of the Company, and provide deposits, loans and other financial services to China Railway Engineering Group Co., Ltd. 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 2017, the balance of the loan provided by China Railway Finance Co., Ltd. to China Railway Engineering Group Co., Ltd. in order to supplement the liquid capital of China Railway Engineering Group Co., Ltd. amounted to RMB0.7 billion. The daily loan balance (including interest accrued) obtained by China Railway Engineering Group Co., Ltd. from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

During the reporting period, the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to China Railway Engineering Group Co., Ltd. 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	**40,765**	492
Interest expense	CREC	**4,625**	18,651

Note: *The interest income represents the interest receivable by China Railway Finance Co., Ltd., a subsidiary of the Company, from China Railway Engineering Group Co., Ltd. for the loans to China Railway Engineering Group Co., Ltd.*

The interest expenses represent the interest payable by China Railway Finance Co., Ltd., a subsidiary of the Company, to China Railway Engineering Group Co., Ltd. for deposit-taking.

XV. Material Contracts and Their Performance

1. Trusteeship, contracting and leasing

(1) Trusteeship

Not applicable

(2) Contracting

Not applicable

(3) Leasing

Not applicable

2. Guarantees

Unit: Thousand Currency: RMB

Guarantee provided by the Company (excluding those provided to subsidiaries)

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party relationship
The Company	The same entity	Linha Railway Co., Ltd.	554,240.00	2008-06-30	2008-06-30	2027-06-20	Suretyship of joint and several liability	No	No	–	No	Yes	Others
The Company	The same entity	Inner Mongolia Guobai Railway Co., Ltd	100,000.00	2008-11-24	2008-11-24	2020-11-30	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	173,355.00	2014-09-23	2014-09-23	2018-09-22	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	529,000.00	2013-04-23	2013-04-23	2019-06-12	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	1,341,995.00	2015-12-24	2015-12-24	2023-11-24	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	200,000.00	2014-03-26	2014-03-26	2018-10-20	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	16,792.22	2012-12-29	2012-12-29	2019-04-04	Suretyship of joint and several liability	No	No	–	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	–380,618.38
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	2,915,382.22
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	3,376,343.85
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	39,727,306.80
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	42,642,689.02
Percentage of aggregate guarantee to net assets of the Company (%)	27.44
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)	36,239,041.30
Excess amount of aggregate guarantee over 50% of net assets (E)	–
Aggregate amount of the above three categories (C+D+E)	36,239,041.30
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	As at 31 December 2017, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB22,947,643,250.

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties

(1) Entrusted wealth management

(i) General conditions of entrusted wealth management

Unit: Ten Thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Private fund product	Self-owned funds	4,500.00	4,500.00	–
Trust financial product	Self-owned funds	524,700.00	523,700.00	1,000.00
Securities firm financial product	Self-owned funds	5,000.00	5,000.00	–

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 of entrusted wealth management	Termination date of entrusted wealth management	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
CCB Trust Co., Ltd.	Trust financial product	1,000	2015-12-18	2021-6-18	Self-owned funds	BT project of roadwork in Zhaoqing Municipality	By agreement	10.00	100.00	106.46	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	4,390	2016-6-21	2018-6-21	Self-owned funds	PPP project of Hancheng National Highway 327	By agreement	6.80	280.96	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	12,135	2016-11-2	2019-11-2	Self-owned funds	Phase two of PPP project of roadwork in Zhaoqing Municipality	By agreement	6.40	776.64	116.93	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000	2015-12-25	2020-12-25	Self-owned funds	BT project of roadwork in Zhaoqing Municipality	By agreement	6.90	345.00	292.74	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	15,000	2016-2-2	2021-2-2	Self-owned funds	BT project of roadwork in Zhaoqing Municipality	By agreement	6.40	480.00	482.64	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000	2017-4-12	2045-4-12	Self-owned funds	PPP project of Pingtan Tunnel	By agreement	6.40	320.00	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	11,000	2017-9-15	2037-9-15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing Municipality	By agreement	6.10	671.00	0.00	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	92,300	2015-12-9	2021-12-9	Self-owned funds	Beijing-Shanghai Expressway – Jinan Link project	By agreement	4.90	19,096.80	3,490.95	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	60,000	2016-8-3	2023-8-3	Self-owned funds	Shandong Tai'an-Dong'e Expressway project	By agreement	4.90	17,640	2,129.12	–	Yes	No	–

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(1) Entrusted wealth management (Continued)

(ii) Breakdown of entrusted wealth management (Continued)

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date of entrusted wealth management	Termination date of entrusted wealth management	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
China Railway Trust Co., Ltd.	Trust financial product	77,000	2016-11-23	2022-11-23	Self-owned funds	Shandong Weifang-Rizhao Expressway project	By agreement	4.90	18,235	2,868.23	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	40,000	2017-3-6	2024-3-6	Self-owned funds	Xi'an North-Airport Inter-city Rail project	By agreement	0.00	0.00	0.00	–	Yes	No	–
Tianjin Trust Co., Ltd.	Trust financial product	27,900	2016-3-19	2019-3-18	Self-owned funds	Investment in Tianjin Metro Line 6 project	By agreement	5.24	1,460.80	1,460.80	–	Yes	No	–
CITIC Trust Co., Ltd.	Trust financial product	100	2014-11-1	2018-11-1	Self-owned funds	BT project of Jiangxi Nanchang Jiulong Lake Tunnel	By agreement	2.00	8.00	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	8,750	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	213.43	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	6,400	2016-12-28	2031-12-27	Self-owned funds	PPP project of Liuzhou Guantang Bridge	By agreement	5.50	3,520	216.62	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	50,000	2017-12-29	2018-6-29	Self-owned funds	Real estates	By agreement	6.00	1,500	0.00	–	Yes	Yes	–
Zhonghai Trust Co., Ltd.	Trust financial product	300	2011-4-6	2016-4-7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	0.00	0.00	–	Yes	No	–
Zhonghai Trust Co., Ltd.	Trust financial product	700	2011-4-6	2016-4-7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	0.00	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	12,500	2017-8-18	2023-8-17	Self-owned funds	Guiyang Shuanglong project	By agreement	4.89	3,660.47	228.78	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	200	2017-8-18	2028-8-17	Self-owned funds	Guiyang Shuanglong project	By agreement	4.89	58.57	3.66	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	7,000	2017-4-14	2028-10-28	Self-owned funds	PPP project of Changsha Airport Link	By agreement	7.00	122.50	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,500	2014-9-1	2019-9-1	Self-owned funds	Hengyang Binjiang New District project	By agreement	12.17	912.95	182.50	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000	2016-1-12	2018-1-12	Self-owned funds	Hengyang Binjiang New District project	By agreement	4.72	471.81	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	16,000	2016-10-20	2023-10-20	Self-owned funds	Linfen Guihua Third Street project	By agreement	2.78	3,105.06	443.58	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	2,000	2016-10-28	2028-10-28	Self-owned funds	PPP project of Changsha Airport Link	By agreement	10.00	200.00	200.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	32,925	2016-9-3	2021-9-3	Self-owned funds	Chengdu Metro Project	By agreement	6.85	30,000	2,229.40	30,000	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	19,000	2014-3-11	2021-3-11	Self-owned funds	Chengdu Metro Line No 5 Project	By agreement	5.60	32,500	1,565.91	32,500	Yes		–
CCB Trust Co., Ltd.	Trust financial product	11,500	2014-9-5	2021-9-5	Self-owned funds	Chengdu Metro Line No 10 Project	By agreement	6.85	10,000	797.00	10,000	Yes	No	–
Bairui Trust Co. Ltd.	Trust financial product	100	2016-9-18	2018-9-18	Self-owned funds	Theoretical research project on trust	By agreement	/	1.50	1.50	–	Yes	No	–
Caitong Securities Co., Ltd.	Securities firm financial product	5,000	2017-12-27	2018-1-4	Self-owned funds	Debt product	By agreement	/	7.19	–	–	Yes	No	–
China Railway CCB Trust (Beijing) Investment Fund Management Co., Ltd.	Private Equity Product	4,500	2017-10-16	2025-10-16	Self-owned funds	Shenzhen-Shantou Cooperation Zone Infrastructure PPP Project	By agreement	6.5	292.50	0.00	–	Yes	No	0

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(1) Entrusted wealth management (Continued)

(ii) Breakdown of entrusted wealth management (Continued)

Others
Not applicable

(iii) Provision for impairment of entrusted wealth management

Not applicable

(2) Entrusted loans

(i) General conditions of entrusted loans

Unit: Ten thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Entrusted loan	Self-owned funds	75,266.40	67,966.40	–

Others
Not applicable

(ii) Breakdown of entrusted loans

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted loan	Entrusted loan amount	Commencement date of entrusted loan	Termination date of entrusted loan	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted loan plan available	Amount of impairment provision
PingAn Bank, Xian Branch	Entrusted loan	9,606.40	2014-06-09	2018-12-31	Self-owned funds	Gansu Lanzhou Soho Project	By agreement	12.00	3,400.00	1,171.03	4,700.00	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loan	11,000	2017-04-11	2018-04-10	Self-owned funds	Chongqing Dianzhong Expressway Project	By agreement	4.35	483.82	337.61	–	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loan	4,160	2017-09-15	2018-09-14	Self-owned funds	Chongqing Dianzhong Expressway Project	By agreement	4.35	182.97	48.76	–	Yes	No	–
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loan	20,000	2017-09-08	2024-12-20	Self-owned funds	Changsa Metro Line No 5 Project	By agreement	5.39	7,546.00	–	–	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loan	13,200	2017-11-17	2018-11-16	Self-owned funds	Chongqing Dianzhong Expressway Project	By agreement	4.35	580.58	54.23	–	Yes	No	–
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loan	10,000	2016-09-29	2024-12-20	Self-owned funds	Changsa Metro Line No 5 Project	By agreement	5.39	4,312.00	–	–	Yes	No	–

Others
Not applicable

XV. Material Contracts and Their Performance (Continued)

3. Management of cash assets entrusted to third parties (Continued)

(2) Entrusted loans (Continued)

(iii) Provision of impairment of entrusted loans

Not applicable

(3) Others

Not applicable

4. Other material contracts

(1) New material construction contracts

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

(A) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway 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-14Section, 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	Bangladesh Ministry of Railways	Bangladesh Padma Bridge Rail Link Project	2016-08	2,080,897	54 months
3	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway Tunnel, China Railway Electrification, China Railway Beijing, China Railway Shanghai	Jingfu Passenger Railway Line Anhui Co., Ltd.	Before-station construction project of SHZQ-3 Section, SHZQ-5 Section, SHZQ-8 Section, SHZQ-10 Section, SHZQ-11 Section, SHZQ-13 Section, SHZQ-15 Section, SHZQ-16 Section	2015-11	2,041,162	59.4 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

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

(A) Infrastructure construction business (Continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-Purpose Bridge Project	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) of LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway Tunnel	Shantou Su'ai Passage Construction Investment and Development Co., Ltd.	EPC contract of design and construction project of Su'ai Passage, Shantou	2016-02	388,377	/
Municipal Works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases 2 and 3 of Chengdu Metro Line 3	2015-10	787,310	39 months
2	China Railway	Nanning Rail Transit Group Co., Ltd.	EPC Contract of construction of Section 02 of Phase one of Line 3 of Nanning Rail Transport (Keyuan Road and Pingle Road)	2015-06	456,913	1,340 calendar days
3	China Railway No. 7 Engineering	Xiangtan Urban and Rural Construction and Development Group Co., Ltd.	Construction contract of the Xiangjiang River Scenery Zone Project in Xiangtan (Shaoyao Port-Xiang Gangtieniu Wharf Wide and Thick Plate Pier-Shuangyong Road)	2016-12	428,000	730 days

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

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

(B) Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Chengdu-Guiyang Railway Co., Ltd.	New Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2013-11	101,000	72 months
2	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	China Railway Eryuan Engineering	Chengdu-Lanzhou Railway Co., Ltd.	Survey and design contract of the new Chengdu-Lanzhou Railway	2011-01	84,100	72 months

(C) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Baoji Bridge	Hunan Dayue Highway Dongtinghu Bridge Construction Development Co., Ltd.	Construction project of main bridge steel truss girder of Hang Rui National Highway Hunan Linxiang (Hunan-Hubei Border) – Yueyang Highway Dongtinghu Bridge	2015-08	51,105	22 months
2	China Railway Baoji Bridge	Hutong Yangtze River Bridge Project Manager Department of CCCC Second Harbour Engineering Company Ltd.	GL01 Package production and installation for steel truss girder (arch) of New Hutong Railway Hutong Yangtze River Bridge HTQ-1 Section	2014-11	49,048	41 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu-Guiyang High Speed Railway Co., Ltd.	New Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2016-11	31,712	24 months
2	China Railway Baoji Bridge	Huning Intercity Railway Co., Ltd.	Engineering Corporation management and materials procurement contract of the new Shanghai-Nantong Railway (Nantong-Anting Segment)	2016-03	21,694	/
Construction Machinery						
1	China Railway Baoji Bridge	Yan'an Travel Group Huangling Investment Co., Ltd.	Construction contract of the sightseeing light rail lines and equipment purchase contract of the sightseeing light rail train in Yellow Emperor Mausoleum, Huangling County	2016-05	20,794	27 months
2	China Railway Engineering Equipment	CCCC Fourth Harbor Engineering	Shield Sales & Purchase Contract	2016-10	14,479	7 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

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

(D) Property development business

No.	Project name	Project location	Project type	Planning area ('0,000 m^2)
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.60
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.54
3	Nuode Mingcheng	Jinan, Shandong	Residential	89.34
4	Qingdao West Coast Project	Qingdao, Shandong	Comprehensive	78.86

(E) BOT operation projects

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

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

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

(F) Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway, China Railway Construction	People's Government of Chengdu	50%	BOT project of Pujiang-Dujiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	2016-04	355.59	36 months	29.5 years
2	China Railway and Urumqi Urban Group Co., Ltd.	Urumqi Urban Metro Group Co., Ltd.	51%	PPP project of Phase One of the Urumqi Metro Line 3	2016-11	173.88	58 months	30 years
3	China Railway and other parties	Office of Construction of Airport and Railway of Hohhot	49%	PPP project of Hohhot Metro Line 1 Phase One	2016-08	146.80	57 months	30 years
4	China Railway and other parties	Management and Construction Office of Urban Rail Transit of Wuhu	14%	Phase One of Wuhu Metro Line 1 and Line 2 project	2016-12	146.00	3 years	27 years

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

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

(G) Particulars of material properties

Property held for development

Unit: square meter

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

Property held for investment

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

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

(ii) Material contracts signed during the reporting period

(A) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 4 Engineering, China Railway No. 3 Engineering, China Railway No. 6 Engineering	Shenzhen Engineering Construction Headquarters of Guangzhou Railway (Group) Company and Changjiu Intercity Railway Co., Ltd.	Sections GSSG-2, GSSG-3 and GSSG-5 of the Boundary between Jiangxi and Guangdong-Tangxia Segment of the new Ganzhou-Shenzhen Railway (excluding previous-commenced sections); Sections GSJXZQ-1, 2 and 4 and before-station construction of Section GSJXZQ-4 of Jiangxi Segment of the new Ganzhou-Shenzhen Passenger Dedicated Railway	2017-10 2017-11	1,015,212	47-60 months
2	China Railway No. 2 Engineering, China Railway Guangzhou Engineering, China Railway Beijing Engineering, China Railway No. 1 Engineering	Yunnan-Guangxi Railway Guangxi Co., Ltd.	EPC contract of before-station construction of Sections GNZQ-5, GNZQ-7, GNZQ-9, GNZQ-10 and GNZQ-11 of Guangxi Segment of the new Guiyang-Nanning Railway	2017-12	992,492	6 years
3	China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 7 Engineering, China Railway Major Bridge Engineering	Henan Intercity Railway Co., Ltd.	EPC contract of before-station (including part of post-station) construction of Sections ZPZQ-VI, ZPZQ-I, ZPZQ-VIII, ZPZQ-VI (additional contract sum), (Puyang Segment) relocation and alteration of cables and lines – all sections, (second tender) – section ZPZQ-VII of Zhengzhou-Puyang Segment of the new Zhengzhou-Jinan Railway	2017-06 2017-07	926,664	46-48 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

(A) Infrastructure construction business (Continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Highway						
1	China Railway No. 5 Engineering	Toll Road Management Department of Qinghai Province	Construction project of Wukuang Section 2 of Xihai – Chahannuo Highway Project	2017-04	360,000	36 months
2	China Railway Tunnel	Shenzhen-Zhongshan Corridor Management Center	Construction project of the eastern artificial islands and tunnel (S03 section) on the cofferdam section along the main line of the Shenzhen-Zhongshan Cross-River Corridor	2017-11	322,351	60 months
3	China Railway Major Bridge Engineering	Zhejiang Zhoushan Northward Passage Co., Ltd.	Construction project of Section DSSG05 of the main channel for Zhoushan Port, Ningbo (port highway for Yushan petrochemical base)	2017-09	176,689	42 months
Municipal Works						
1	China Railway	Nanchang Urban Rail Transport Group Co. Ltd.	Civil construction project of Contract Section 02 of Nanchang Rail Transit Line 4 (Phase 1)	2017-12	437,410	1,122 calendar days
2	China Railway	Fuzhou Subway Group Co. Ltd.	EPC contract of Section 1 (Construction) of Fuzhou Rail Transit Line 5 (Phase 1)	2017-12	400,856	1,553 calendar days
3	China Railway No. 4 Engineering	Xiamen Rail Transport Group Co. Ltd.	Construction project of Caicuo car depot of Xiamen Rail Transit Line 3	2017-08	246,214	1,132 calendar days

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

(B) Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Ministry of Railways of Pakistan	Survey and design contract of the upgrading and renovation project of the existing Pakistan ML1 line and the new Havelian Dry Port	2017-05	65,194	36 months
2	China Railway Liuyuan Engineering	Bengbu Zhongxin Investment Development Co. Ltd.	EPC contract of the construction of a resettlement housing project on B and D land plots in Xiaoxinzhuang	2017-10	26,000	Until December 2019
3	China Railway Eryuan Engineering	Chengdu Tianfu New Area Investment Group Co., Ltd.	Survey and design contract of the construction project of Zhiguan District for 2017 (Outer Ring Expressway of Tianfu New Area)	2017-03	22,774	12 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

(C) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel Structure						
1	China Railway Baoji Bridge	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 Shanhaiguan Bridge	Guizhou Highway Development Co. Ltd.	Manufacturing of the steel structure of Pingtang Grand Bridge of Yuqing-Anlong Expressway(Pingtang-Luodian segment) in Guizhou	2017-12	27,881	18 months
Turnout						
1	China Railway Shanhaiguan Bridge	Changjiu Intercity Railway Co. Ltd.	New Nanchang-Ganzhou Railway Passenger Dedicated Line (High Speed)	2017-10	31,581	12 months
2	China Railway Shanhaiguan Bridge	Subei Railway Co. Ltd.	New Xuzhou-Hua'an-Yancheng Railway project	2017-07	22,887	12 months
Construction Machinery						
1	China Railway Engineering Equipment	HONGRUN Construction Group Co., Ltd.	Shield Sales & Purchase Contract	2017-07	20,200	11 months
2	China Railway Engineering Equipment	Porr Bau GmbH & Bel Six Constuct LCC JV	Shield Sales & Purchase Contract	2017-11	12,626	11 months

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

(D) Property development business

No.	Project name	Project location	Project type	Planning area *(0,000 m^2)*
1	General development of "R2 type residential land on land plots No. HD00-0404-6005 and 6005 in Liangjiadian Village, Xibeiwang Town" in the northern area of Haidian	Haidian, Beijing	Residential	32.59
2	Beijing Shunyi Houshayu SY00-0019-6001/6003/6004	Shunyi, Beijing	Residential	48.35
3	KCC2016-A1~A4	Kunming, Yunnan	Complex	23.87
4	"Jiangcheng Gate" property development project of Huadian Wuchang	Wuhan, Hubei	Complex	35.48
5	Urban renewal project of Shangdong Power Plant in Xichong, Shenzhen	Shenzhen, Guangdong	Residential	12.7

XV. Material Contracts and Their Performance (Continued)

4. Other material contracts (Continued)

(1) New material construction contracts (Continued)

(ii) Material contracts signed during the reporting period (Continued)

(E) Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway and other parties	Qingdao Metro Construction Headquarters Office	11.6%	PPP project of Qingdao Metro Line 8	2017-02	387.3	5.5 years	19.5 years
2	China Railway and other parties	Taiyuan Transportation Bureau	50%	BOT project of the re-routing of Taiyuan Ring Northwest Segment (Taiyuan Northwest Second Ring) of Beijing-Kunming Expressway	2017-7	239.98	3 years	30 years
3	China Railway and other parties	Shaanxi Provincial Department of Transportation	20%	PPP project of Xunyi-Fengxiang and Hancheng-Huanglong Expressways in Shaanxi Province	2017-12	223.67	4 years	28 years
4	China Railway and other parties	Chengdu Urban and Rural Construction Commission	42%	PPP project of Chengdu Rail Transit Line 9 (Phase 1)	2017-7	193.99	4 years	22 years
5	China Railway and other parties	Bazhou Transportation Bureau	36%	"Public-Private-Partnership" (PPP) project of road projects in G0612 Ruoqiang-Minfeng Expressway, G216 Luntai-Minfeng Highway and State Agricultural Farm in Bayingolin Mongol Autonomous Prefecture	2017-7	168.93	3 years	30 years

XVI. Explanation for Other Significant Events

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

At the 15th meeting of the third session of the Board and the 20th meeting of the third session of the Board, the relevant proposals, including Proposal on Approval of the Material Asset Swap and Share Issuance for Purchase of Assets Between the Company and China Railway Erju and the Plan for Raising Supporting Fund of China Railway Erju, were considered and approved. The relevant documents were disclosed on the website of the Shanghai Stock Exchange and the designated newspapers for information disclosure of the Company. The Transaction was approved by the SASAC of the State Council on 5 May 2016 and was considered and unconditionally approved by the 2016 56th work meeting of the Review Board for Mergers, Acquisitions, and Restructuring of Listed Companies of the CSRC held on 29 July 2016. An approval was received from the CSRC on 20 September 2016. The formalities of the transfer of equity interests and change of relevant business registration regarding the acquired assets and disposed assets under the transaction were completed on 5 January 2017. On 12 January 2017, China Railway Erju completed registering the 383,802,693 A shares issued to China Railway as consideration for the purchase of assets. The change of business registration regarding the change of name to China Railway Hi-Tech Industry Corporation Limited was completed on 24 January 2017, and the stock short name was changed from "China Railway Erju" to "China Railway Industry" on 2 March 2017. As approved by the CSRC, China Railway Industry conducted the supporting fundraising through non-public share offering to not more than 10 designated investors in March 2017 and eventually issued 378,548,895 shares at RMB15.85 per share for total proceeds of RMB5,999,999,985.75. Registration was completed for above new shares on 27 March 2017. For the full progress of the transaction, please refer to the relevant announcements published by the Company and China Railway Industry on the website of Shanghai Stock Exchange and the designated newspapers.

XVII. Proactive Fulfilment of Social Responsibilities

1. Poverty relief efforts of the Company

(1) Precision poverty relief plans

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and SASAC, in response to the call of the Party and 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 relief programmes since 2002. For more than a decade, CREC and the Company have been devoting to targeted poverty relief by taking into account the real needs of the local people. They have been making due contributions to the timely poverty elimination in the targeted counties by fully taking advantages of their corporate strengths and enhancing intelligence support, technical services and information and policy guidance. To implement the "Outline for Development-oriented Poverty Reduction for China's Rural Areas (2011-2020)", "Opinions on Innovating the System Promoting Steadily the Poverty Relief and Development Work in Rural Areas" and the overall requirements and deployment of the Leading Group Office of Poverty Alleviation and Development of the State Council and SASAC of the State Council, the Company published the "Implementation Plans of China Railway on Targeted Poverty Relief Work for 2016-2020" to fully implement the poverty relief directions of "Four 'Practical'" and "Five 'A Batch'" given by Xi Jinping, General Secretary. By focusing on poverty alleviation through cadre's poverty alleviation, the Company insists in adopting a government-led approach with enterprise participation and following a practical, precise and focused direction with tiered guidance and cooperation between different levels to achieve poverty alleviation. The Company strives to lift all registered poor households out of worrying clothing and food and help eliminate poverty in three targeted counties in a timely manner by 2020.

(2) Annual summary of precision poverty relief efforts

In 2017, faced up with the new trends in poverty relief work, the whole Company continued to place high importance to poverty relief and development and focus on "precision poverty relief and precision poverty elimination" by taking into account the actual situation of the enterprise. All secondary units followed the arrangements of their local governments and a total of 15 enterprises participated in the poverty relief and development work. Through capital investment, industrial support and employment of poor labour, the Company actively assisted the poverty areas to reduce poverty. During the year, the Company planned to invest nearly RMB65 million in promoting poverty relief and development work development-oriented poverty reduction and helped to lift close to 6,000 registered poor households out of poverty. In particular, the Company invested RMB30 million in support of the conversion of the central-southern highway project in Baode County, which will effectively solve people's problems of traveling, utilization of mineral resources and external transport of agricultural products in the area. The Company invested RMB22.5 million to support the construction of the Datang Industrial Park Phase 1 project in Guidong County to address the employment problem of 320 relocated households of 1,100 persons in total. The Company also invested RMB1,434,000 to support the construction of a skill education and training base in Rucheng County. With the support of the educational resources of China Railway, about 300 students from registered poor households can be admitted each year, creating significant results in poverty alleviation. Meanwhile, adopting a site-specific approach, the Company actively supported the development of local industries by building a ten-thousand boar ecological farm in Shanlian Village, Nandong Township, Rucheng County, and a red cluster pepper farm in Xiyuan Village, Xinfang Township and a Chinese medicine demonstration base in Shangdong Village, Oujiang Township in Guidong County. A total of 1,500 poor people were employed, translating into an income increment of approximately RMB1,500 to RMB3,000 per household.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Effectiveness of precision poverty relief efforts

Unit: Ten thousand Currency: RMB

Indicators	Quantity and Progress
I. General conditions	6,498.31
Representing: 1. Funds	5,457.49
2. Value of resources donated	981.52
3. Number of registered poor people lifted out of poverty (person)	8,584
II. Investment breakdown	
1. Industrial development for poverty alleviation	
Representing: 1.1 Type of industrial poverty alleviation projects	✔ Forestry poverty alleviation ☐ Tourism poverty alleviation ☐ E-commerce poverty alleviation ✔ Asset income poverty alleviation ✔ Technological poverty alleviation ✔ Others
1.2 Number of industrial poverty alleviation projects	26
1.3 Investment amount in industrial poverty alleviation projects	2,607.13
1.4 Number of registered poor people lifted out of poverty (person)	3,551
2. Job changing poverty alleviation	
Representing: 2.1 Investment amount in vocational training	165.57
2.2 Number of people received vocational training (person/number)	1,708
2.3 Number of registered poor people helped for employment (person)	1,801
3. Relocation poverty alleviation	
Representing: 3.1 Number of relocated people helped for employment (person)	83
4. Education poverty alleviation	
Representing: 4.1 Investment amount for subsidizing poor students	151.09
4.2 Number of poor students subsidized (person)	2,466
4.3 Investment amount for improving education investment in poverty areas	1,859.5
5. Health poverty alleviation	
Representing: 5.1 Investment amount in medical and hygienic resources in poverty areas	168.4

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(3) Effectiveness of precision poverty relief efforts (Continued)

Indicators	Quantity and Progress
6. Ecological protection poverty alleviation	
Representing: 6.1 Project name	✔ Commencing ecological protection and construction ☐ Devising ways of ecological protection compensation ☐ Setting up ecological charity job positions ☐ Others
6.2 Investment amount	9.05
7. Basic protection	
Representing: 7.1 Investment amount for helping the "three types of left-behind people"	40
7.2 Number of the "three types of left-behind people" helped (person)	283
7.3 Investment amount for helping poor disabled people	5.71
7.4 Number of poor disabled people helped (person)	40
8. Social poverty alleviation	
Representing: 8.1 Investment amount in poverty relief collaboration in eastern and western areas	35.76
8.2 Investment amount in targeted poverty relief measures	4,810.5
8.3 Charity funds for poverty relief	404
9. Other projects	
Representing: 9.1. Number of projects	16
9.2. Investment amount	2,227.85
9.3. Number of registered poor people lifted out of poverty (person)	3,446
9.4. Description of other projects	
III. Awards received (Description and grade)	
Zhang Zhongwen, a poverty alleviation cadre of the Company, was named as a "poverty alleviation model in Xinzhou City".	

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty relief efforts of the Company (Continued)

(4) Subsequent precision poverty relief plans

The poverty alleviation and development work will enter a critical stage to conquer the issue in 2018. Through innovation of thinking methods and active actions, China Railway will implement the "Implementation Plans of China Railway on Targeted Poverty Relief Work for 2016-2020" and strive to enhance its work in order to continually and effectively facilitate poverty reduction.

2. Social responsibility commitments

As a leading enterprise in the construction industry, the Company has always taken being a practitioner, promoter and leader as its corporate social responsibilities. Since 2008, China Railway has started setting up a scientific, regulated, systematic and effective mechanism for corporate social responsibility management system. Based on the ten aspects of social responsibility planning, namely legal corporate governance, quality services, efficiency creation, employee development, safety supervision, technological advancement, environmental protection, charity, win-win cooperation and overseas responsibilities, a series of corporate social responsibility activities was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous outstanding contribution to the society. During the reporting period, the Company donated a total of RMB52,961,000 (2016: RMB5,219,000) 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 2017 as published on the website of Shanghai Stock Exchange at http://www.sse.com.cn.

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) Companies other than highly polluting companies

In 2017, adhering to the green development concept that "natural resources are indeed valuable treasures", the Company attached equal weight to resources saving and environmental protection and strove to construct "environmentally-friendly and resource-saving" projects. At the preliminary stage of construction, professional institutions were arranged as required to conduct assessment on the environment and ecological system and draw up practical and effective plans for their protection. Special efforts were made to protect the water and soil, bio-diversity and vegetation in and of construction areas which were ecologically vulnerable through the simultaneous planning and implementation of environmental protection measures and construction works. In the course of the works, investment was made for ecological protection, environmentally-friendly equipment was used, work processes were improved and construction plans were optimised in order to reduce the impact on water, air, vegetation and organisms.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental protection information (Continued)

(2) Companies other than highly polluting companies (Continued)

The Company fulfilled its enterprise environmental protection work according to the laws and regulations. First of all, pursuant to the laws and regulations, rules and technical standards on environmental protection, including the "Environmental Protection Law of the People's Republic of China" and "Regulations on the Administration of Construction Project Environmental Protection", the Company detailed and introduced the key points and requirements on environmental protection, and set up a corporate environmental protection administration working system. Secondly, the Company had a clearly defined corporate environmental protection administration working model. Based on the principles of "territoriality", "prevention-focused complemented by remediation" and "the polluter taking the responsibility" and under the supervision and administration of the national and local environmental protection authorities, the Company exercised unified leadership and adopted a tiered management model in its subsidiaries and branches in order to achieve clean production and sustainable development. The Company also proactively introduced the ISO14001:2004 environmental management system standard to ensure that the environmental protection work was orderly and controllable. Thirdly, the Company commenced environmental assessment and fulfilled its preliminary environmental protection examination duty as required by the laws. For construction projects invested by the Company, it insisted in conducting environmental impact appraisal and following the environmental review and approval procedures according to the laws. The Company required that its environmental protection projects must be incorporated in the overall construction organization and design of the projects to ensure that the relevant pollution prevention and remediation facilities of the relevant infrastructure and technical innovation projects were designed, constructed and put into operation at the same time with the main construction works. Fourthly, production was carried out at the construction sites according to the laws to control its environmental protection efforts. To guarantee the normal operation of the pollutant discharge and treatment facilities for the various sources of pollution from its production and living areas, the Company continued to strengthen its control and management 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 by setting up targets, formulating measures, assigning responsibilities and ensuring standardized emissions. For lands temporarily used in the construction process, the Company would devise a stringent land use and rehabilitation plan and pay special attention to the environmental protection of areas with a high density of population, water supply protection areas, scenic and sightseeing areas, conservation areas and scenic spots of historic interest. Upon completion of the construction projects, the Company would rehabilitate the land as required and restore the ecological environment as far as possible. For dust-prone materials in the workshops, the Company would adopt dust prevention measures, such as fences and covers. Construction sewage and mud would only be discharged after being treated in a triple-deck sedimentation tank, which was regularly cleaned by dedicated cleaning staff, in order to actively create a green construction site. The reutilization rate of industrial waters was increased to reduce the water consumption per product unit and save water resources.

In 2017, the Company took an active role in participating in the assessment and promotion of the national key environmental protection useful techniques and demonstration projects. The rural railway project from Zhengzhou 4th Ring Road South to Zhengzhou Southern Station undertaken by China Railway No.7 Engineering and the main sections of the Hong Kong-Zhuhai-Macau Bridge and Yichang Miaozui Yangtze River Bridge undertaken by China Railway Major Bridge Engineering were named as the "Green Construction Demonstration Projects in China's Construction Industry for 2017".

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental protection information (Continued)

(3) Others

Not applicable

4. Others

Not applicable

XVIII. Convertible Corporate Bonds

Not applicable

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CREC	China Railway Engineering Group Company Limited, formerly known as China Railway Engineering Corporation
4	China Railway Industry	China Railway Hi-Tech Industry Corporation Limited, formerly known as China Railway Erju Co., Ltd., Stock Code: 600528.SH
5	SASAC	State-owned Assets Supervision and Administration Commission of the State Council
6	BT	"Build-Transfer" mode
7	BOT	"Build-Operate-Transfer" mode
8	PPP	"Public-Private-Partnership" mode
9	TBM	Tunnel Boring Machine
10	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
11	BIM	Building Information Technology, a new tool in architecture, engineering and civil engineering
12	Engineering method	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology
13	Three Tough Battles	three tough battles in relation to prevention and elimination of material risks, precision poverty elimination and pollution prevention
14	Belt and Road Initiative	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"

COMPANY INFORMATION

Directors

Executive Directors

LI Changjin *(Chairman)*
ZHANG Zongyan
ZHOU Mengbo
ZHANG Xian

Independent Non-Executive Directors

GUO Peizhang
WEN Baoman
ZHENG Qingzhi
CHUNG Shui Ming Timpson

Non-Executive Director

MA Zong Lin

Supervisors

LIU Chengjun *(Chairman)*
LIU Jiangyuan
WANG Hongguang
CHEN Wenxin
FAN Jinghua

Joint Company Secretaries

YU Tengqun
TAM Chun Chung *CPA, FCCA*

Authorized Representatives

ZHOU Mengbo
TAM Chun Chung *CPA, FCCA*

Audit and Risk Management Committee

ZHENG Qingzhi *(Chairman)*
WEN Baoman
CHUNG Shui Ming Timpson

Remuneration Committee

GUO Peizhang *(Chairman)*
WEN Baoman
MA Zonglin

Strategy Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
ZHOU Mengbo
GUO Peizhang
MA Zonglin

Nomination Committee

LI Changjin *(Chairman)*
ZHANG Zongyan
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, Health and Environmental Protection Committee

ZHANG Zongyan *(Chairman)*
ZHANG Xian
ZHENG Qingzhi
CHUNG Shui Ming Timpson
MA Zonglin

Registered Office

918, Block 1
No. 128 South 4th Ring Road West
Fengtai District
Beijing 100070
PRC

Principal Place of Business in Hong Kong

Unit 1201-1203
12/F, APEC Plaza
49 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Auditors

Domestic
PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road
Huangpu District
Shanghai, PRC

International
PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Legal Advisors

For PRC Law
Jia Yuan Law Firm
F407, Ocean Plaza
158, Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law
Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares Registrars

A Shares
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No.166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

A Shares
Place of listing : Shanghai Stock Exchange
Stock name : China Railway
Stock code : 601390

H Shares
Place of listing : The Stock Exchange of Hong Kong Limited
Stock name : China Railway
Stock code : 00390

Principal Bankers

The Export-Import Bank Of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

Company Website

http://www.crec.cn

中國中鐵
CHINA RAILWAY

Block A, China Railway Square, No.69, Fuxing Road,
Haidian District, Beijing, China
Postal Code: 100039

http://www.crec.cn