



中国铁建

中國鐵建股份有限公司

China Railway Construction Corporation Limited

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

Stock Code: 1186

2018
Annual Report

Important Notice

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

II. Absent Directors

Position of the absent director	Name of the absent director	Reason for the absence of the director	Name of the proxy
Executive Director, President, Deputy Secretary of Party Committee	ZHUANG Shangbiao	Absent from this meeting for other official business	CHEN Fenjian
Executive Director	LIU Ruchen	Absent from this meeting for other official business	GE Fuxing

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

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

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

According to the audited financial report of the Company for the year 2018, the undistributed profit of the parent company at the beginning of 2018 was RMB10,900,866,035.34. After adding the net profit realized by the parent company of RMB3,394,437,790.53 in this year and deducting the cash dividends for the year 2017 of RMB2,444,317,470.00 and the interest of RMB866,982,777.79 in this year in relation to the distribution of renewable corporation bonds and renewable loans due to the trigger of a mandatory interest payment event, at the end of this year, the distributable profit of the parent company was RMB10,984,003,578.08. According to the Company Law and the Articles of Association of the Company, the distributable profit of the parent company for the year 2018 shall be distributed in the order as follows: the withdraw of the statutory surplus reserve fund of RMB339,443,779.05 based on 10% of net profit realised by the parent company for the year 2018, after which the parent company's distributable profit for the shareholders in this year was RMB10,644,559,799.03; a cash dividend of RMB2,851,703,715.00 in total, i.e. RMB0.21 (tax inclusive) per share will be distributed, based on the total issued share capital of 13,579,541,500 shares as at 31 December 2018; Upon such distribution, the undistributed profit of the parent company amounting to RMB7,792,856,084.03 will be carried forward to the next year.

VI. Disclaimer of forward-looking statements

Applicable Not Applicable

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

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

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

IX. Inform of important Risks

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

X. Others

Applicable Not Applicable

The 2018 financial report of the Company was prepared according to the Accounting Standards for Business Enterprises issued by the Ministry of Finance and the relevant regulations (hereinafter referred to as "PRC GAAP Standards"). The reporting currency is RMB, unless otherwise specified.

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

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Section I Definitions

I. DEFINITIONS

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

Definition of frequently used terms

“Company” or “CRCC”	China Railway Construction Corporation Limited
“Group”	China Railway Construction Corporation Limited and its wholly-owned and controlled subsidiaries
“CRCG” or “Controlling Shareholder”	China Railway Construction Group Co., Ltd., which was restructured from China Railway Construction Corporation to China Railway Construction Co., Ltd. on 11 December 2017, and renamed China Railway Construction Group Co., Ltd. in January 2019
“General Meeting”	a general meeting of China Railway Construction Corporation Limited
“Board”	the board of directors of China Railway Construction Corporation Limited
“independent director”	a person who assumes no duties in the Company except the duty of director, and has no relation with the Company and its substantial shareholders which could hinder his independent and objective judgments
“Supervisory Committee”	the supervisory committee of China Railway Construction Corporation Limited
“Articles of Association”	the articles of association of China Railway Construction Corporation Limited
“PRC” or “Mainland China”	the People’s Republic of China, but excluding, for the purposes of this report, Hong Kong, Macau Special Administrative Region and Taiwan region
“the year” or “this year”	year 2018
“previous year” or “prior year”	year 2017
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Section I Definitions (continued)

“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“CSRC”	China Securities Regulatory Commission
“Reporting Period”	from January to December 2018
“end of the Reporting Period”	31 December 2018
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council

Section II Basic Corporate Information and Key Financial Indicators

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

The Company is one of the strongest and largest-scale integrated construction groups in China and in the world. It was included among the "Top 250 Global Contractors" consecutively by Engineering News-Record (ENR), an American magazine and ranked No. 3 in 2018. It was listed among the Fortune "Global 500" consecutively, ranking No. 58 in 2018. It was listed among the "Top 500 Enterprises of China" consecutively, ranking No. 14 in 2018.

The business of the Company comprises construction operation, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading, which constitute a seamless industry chain covering scientific research, planning, survey, design, construction, supervision, maintenance, operation, investment and financing, and other businesses. CRCC has established its industry leadership in fields of engineering design and construction for plateau railways, high speed railways, expressways, bridges, tunnels and urban rail transits. Since the 1980s, the Company has received 796 national-level awards in construction operation, survey, design and consultancy and other fields, including 77 National Prizes for Science and Technology, 143 National Prizes in Survey and Design, 92 Zhan Tianyou Civil Engineering Awards, 352 National High-Quality Projects Awards and 132 Luban Prizes for China Construction. The Company holds 11,423 patents and 2,969 engineering methods above provincial level.

At present, the Company's operating businesses cover 32 provinces (including Taiwan), autonomous regions, municipalities and Hong Kong and Macau Special Administrative Regions in China, as well as 121 foreign countries in the world.

The Company boasts a professional team consisting of one member of Chinese Academy of Engineering, 8 National Survey and Design Masters, 11 national candidates of the "Bai Qian Wan Talents Project (百千萬人才工程)", one China Youth Science and Technology Award winner and 254 experts who are recipients of special subsidies granted by the State Council.

I. CORPORATE INFORMATION

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



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

II. CONTACT PERSONS AND CONTACT METHODS

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

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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



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

V. BASIC INFORMATION OF THE COMPANY'S SHARES

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

VI. OTHER RELATED INFORMATION

Auditors appointed by the Company (Domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP ^{Note}
	Office address	8/F, Tower W2, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing
	Names of signing accountants	MA Yanmei, XIE Yanfeng
Legal advisers appointed by the Company (As to Hong Kong law)	Name	Baker & McKenzie
	Office address	14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Legal advisers appointed by the Company (As to PRC law)	Name	Beijing Deheng Law Office
	Office address	12/F, Tower B, Focus Place, No. 19 Finance Street, Beijing
Share registrar of A shares of the Company	Name	China Securities Depository and Clearing Corporation Limited (CSDC) Shanghai Branch
	Office address	36/F, China Insurance Building, No. 166, Lujiazui East Road, Pudong New Area, Shanghai
Share registrar of H shares of the Company	Name	Computershare Hong Kong Investor Services Limited
	Office address	Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

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

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

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

(I) Major accounting data

Unit: '000 Currency: RMB

Major accounting data	2018	2017	Increase or decrease at this year over the previous year (%)	2016
Revenue	730,123,045	680,981,127	7.22	629,327,090
Net profit attributable to shareholders of the Company	17,935,281	16,057,235	11.70	13,999,610
Net profit attributable to shareholders of the Company after deduction of non-recurring profit or loss	16,695,417	14,770,950	13.03	12,928,512
Net cash flows generated from operating activities	5,447,861	25,404,178	-78.56	37,137,579

	At the end of 2018	At the end of 2017	Increase or decrease at the end of the current period compared to that of the same period of last year (%)	At the end of 2016
Net assets attributable to shareholders of the Company	169,889,912	149,411,983	13.71	131,187,072
Total assets	917,670,582	821,887,459	11.65	759,345,034

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

(II) Major financial indicators

Major financial indicators	2018	2017	Increase or decrease at this year over the previous year (%)	2016
Basic earnings per share (<i>yuan per share</i>)	1.26	1.16	8.62	1.03
Diluted earnings per share (<i>yuan per share</i>)	1.23	1.09	12.84	1.01
Basic earnings per share after deduction of non-recurring profit or loss (<i>yuan per share</i>)	1.17	1.07	9.35	0.95
Weighted average return on net asset (%)	12.00	12.16	Decreased by 0.16 percentage points	11.55
Weighted average return on net asset after deduction of non-recurring profit or loss (%)	11.13	11.17	Decreased by 0.04 percentage points	10.66

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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

IX. KEY FINANCIAL INDICATORS OF 2018 BY QUARTER

Unit: '000 Currency: RMB

	Q1 (January to March)	Q2 (April to June)	Q3 (July to September)	Q4 (October to December)
Revenue	131,648,728	177,332,202	180,889,687	240,252,428
Net profit attributable to shareholders of the Company	3,421,661	4,587,039	4,637,422	5,289,159
Net profit attributable to shareholders of the Company after deduction of non- recurring profit or loss	3,297,384	3,846,566	4,906,102	4,645,365
Net cash flows generated from operating activities	-40,663,574	-5,224,570	-1,750,105	53,086,110

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

Applicable Not Applicable

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

X. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable Not Applicable

Unit: '000 Currency: RMB

Non-recurring profit or loss	Amount for 2018	Amount for 2017	Amount for 2016
Gains from disposal of non-current assets	554,156	-150,500	134,456
Government grants recognised through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	375,052	622,176	553,610
Gains arising from the differences between the investment cost and the fair value of shares in subsidiaries, associates and joint ventures	108,331	235,240	-
Net gains from debt restructuring	132,975	2,804	73,606
Gains from change in the fair value of the held-for-trading financial assets and held-for-trading financial liabilities held by the Company and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets other than the valid hedging services related to the normal operating activities of the Company	/	315,711	-214,589
Gains from change in the fair value of the held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities held by the Company and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments other than the valid hedging services related to the normal operating activities of the Company	-135,614	/	/
Reversal of impairment of trade receivables that had impairment test separately	/	766,248	728,718
Reversal of impairment of trade receivables and contract assets that had impairment test separately	1,062,689	/	/
Other non-operating income and expenses other than the above items	-515,093	-180,912	102,789
Impact on non-controlling interests (after tax)	-10,624	4,145	-8,167
Impact on income tax	-332,008	-328,627	-299,325
Total	1,239,864	1,286,285	1,071,098

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

XI. ITEMS MEASURED AT FAIR VALUE

Applicable Not Applicable

Unit: '000 Currency: RMB

Item	Balance at the beginning of the period	Balance at the end of the period	Change during the period	Effect on profit of current period
Held-for-trading financial assets	870,412	3,344,458	2,474,046	-62,470
Other debt investments	–	100,513	100,513	–
Other non-current financial assets	299,715	779,049	479,334	-243
Other equity instrument investments	7,701,886	8,268,378	566,492	65,287
Other non-current liabilities	712,677	850,865	138,188	-138,188
Total	9,584,690	13,343,263	3,758,573	-135,614

Note: The Company has adopted the Accounting Standards for Business Enterprises No. 22–Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No.23–Transfer of Financial Assets, the Accounting Standards for Business Enterprises No.24–Hedging Accounting and the Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments, which are amended by the Ministry of Finance in 2017, since 1 January 2018. It has prepared the financial statements in accordance with Notice of the Ministry of Finance on the Revised Format of Consolidated Financial Statement for Business Enterprises (Cai Kuai [2019] No. 1) and Notice of the Revised Format of Financial Statements for General Business Enterprise (Cai Kuai [2018] No. 15) issued by the Ministry of Finance on 18 January 2019 and 15 June 2018 respectively. The balance at the beginning of the period represents the amount of items at fair value as at 1 January 2018 that is restated in accordance with the aforesaid documents.

XII. OTHERS

Applicable Not Applicable

Section III Chairman's Statement

Dear Shareholders,

I'm hereby presenting the 2018 annual report of CRCC to you on behalf of the Board, and expressing the sincere thanks to the friends in all walks of life who support and care for the reform and development of the Company for a long time!

Facing complicated and tough internal and external environment and arduous reform and development tasks in 2018, CRCC held firmly to the general guideline of maintaining stability while seeking progress and the core direction of realising high-quality development, focused on developing "High-Quality CRCC" and promoted strategy, quality, efficiency and dynamic reform, and achieved success in completing all goals for the year.

The Company has developed steadily, meeting the goal for the value of newly-signed contracts; both revenue and total profit improved steadily; the gearing ratio continued to decline, and total assets hit a record high. The Company ranked No. 3 among "Top 250 Global Contractors", No. 58 among the Fortune Global 500" and No. 14 among "Top 500 Enterprises of China".

The Company has gradually improved its management. The operation and management system was further improved; project management capability was steadily strengthened; standard management was further advanced; capabilities of financial, capital, information management, equipment and material procurement management were gradually enhanced, and greater efforts were made to manage production safety.

The Company has made breakthroughs in reform and development. Guided by the working concept of "Transformation of Responsibility, Method and Style", the Company accelerated industry structure adjustment and promoted transformation and upgrading. The "Five Major RMB100 billion Markets" of railway, highway, housing construction, municipal engineering, urban rail transit realised a more balanced and stable development. New businesses, namely port, water conservancy and hydropower, electric power, airport and wharf, realised rapid development. Emerging industries including military-civilian integration, ecology and environment protection, prefabricated building and sand aggregate experienced expeditious development. The non-engineering contracting business saw its revenue and profit contribution continuously improve.

The Company has achieved stable progress in reform. Realising development driven by reform, three entities within the Group were included in "Double Hundred Enterprises" by the SASAC. Progress was made in mixed-ownership reform, work streamlining was promoted steadily, historical burdens were gradually alleviated, achievements were made in de-capacity, de-stocking, de-leveraging, cost reduction and weak link improvement.



Section III Chairman's Statement (continued)

In 2019, it is anticipated that the environment will remain tough and complicated, stability will be maintained with changes and fluctuations, and that opportunities will be created under crisis. The world economy will obviously show a weaker growth momentum. The increase in international trade will slow down; Sino-US trade negotiation will encounter obstacles. The international politics and economy will be in a tough and complex situation. China will regard stability as its key task, and deepening reform and opening up will be crucial for stimulating new economic development cycle. China's economy will shift from quantitative growth to quality development through supply-side structural reform, progressive state-owned enterprise reform, deepening reform and opening up, focusing on innovation and cultivation of new growth drivers. Environment of corporate operation will take positive changes, and companies will embrace a greater development room created by proactive financial policies, prudent monetary policies, significant expansion of local government special debts and the three tough fights. Infrastructure investment will remain as the engine of economic growth. Construction of railway, highway, water transport and air freight infrastructure will be accelerated; progress of urbanisation will bring tremendous business opportunities; regional development is poised to thrive, and people further pursue better life; all of these will provide infrastructure construction business with a broad development market. In a word, China's economy remains at a strategic opportunity period.

Strong ones will not be defeated amid fierce competition, and aggressive ones will not lose the game in the rising tide. In 2019, CRCC will stick to the general guideline of maintaining stability while seeking progress and the overall requirement of high-quality development, focus on the task of building "High-Quality CRCC", stabilise growth, push forward reform, adjust structure, improve capabilities, promote corporate culture, control risks, deepen regional operation, implement the guideline of "prioritising overseas businesses" and consolidate development foundation. Key tasks will include the following seven aspects: first is to promote high-quality development of CRCC to maintain the industry-leading position and become a global first-class company. Second is to develop the domestic market, improve capabilities, enhance advantages and cultivate new growth engine to build a large and strong domestic market. Third is to be open minded, build a united front and refine CRCC spirit for new era to revitalise and promote the clean and upright CRCC culture. Fourth is to realise coordinated development, adopt a series of measures, offer targeted assistance, provide comprehensive solutions to help backward companies to catch up with CRCC and achieve joint development. Fifth is to follow the progress of reform of state-owned enterprise, achieve optimization of organisation structure, rebuild process and initiate internal reform to revitalise the momentum of internal growth. Sixth is to vigorously promote the implementation of guideline of "prioritising overseas businesses" and consolidate development foundation to boost rapid development of CRCC's overseas businesses. Seventh is to prudently implement "people-oriented" approach to improve staffs' production and living conditions.

We will forge ahead with firm determination no matter what difficulties and obstacles stand in the way. Facing arduous reform and development tasks, we will carry forward the spirit that "no way is impossible for railway corps and there is no difficulty for railway corps", maintain stability while seeking progress, realise high-quality development while promoting reform, unite as one to strive for the best, thereby turning a new page of reform and development of CRCC.

CHEN Fenjian
Chairman of the Board
Beijing, the PRC
29 March 2019

Section IV Summary of the Company's Businesses

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

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

(I) Construction operations

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

In light of the active construction of "Belt and Road Initiative", Coordinated Development for the Beijing-Tianjin-Hebei Region, the Yangtze Economic Belt, Xiong'an New Area and Guangdong-Hong Kong-Macau Greater Bay Area, and the continuing in-depth advancement of new-type urbanization, revitalization strategy of rural areas and shantytowns transformation, as well as the strengthening of the improvement of transporting facility in mid-west China, the domestic markets where the Group operates in, including domestic railway, highway, housing construction, urban rail, municipal engineering and water conservancy and hydropower, airport, will maintain steady growth. Emerging markets, including military-civilian integration, countryside construction, utility tunnel, sponge city, environmental protection and pollution control, are expected to grow rapidly, and the infrastructure market is in the stable and healthy development overall.

(II) Survey, design and consultancy operations

Survey, design and consultancy operations of the Company mainly comprise 4 large survey design enterprises with comprehensive Grade A qualifications for engineering design, and cover civil engineering and infrastructure construction related to railway, urban rail transits, highways, municipal administration, industrial and civil buildings, water transport, water conservancy and hydropower and civil aviation whilst keeping expanding into the emerging industries and areas, such as magnetic suspension transport, travel rail transits, intelligent transport, modern tramcar, urban utility tunnel, urban underground space, ecological environment and energy conservation and environmental protection and military-civilian integration. Survey, design and consultancy operations take railway and urban rail transit as the main market, with highway, municipal engineering, industrial and civil construction and water transport engineering serving as the important markets for diversified development. The basic business model is to complete the survey, design and consultation and related services of engineering projects as contracted through market competition, and to operate general design contracting projects and general engineering contracting projects by fully leveraging on the business advantages of the Company.

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

Survey and design companies meet golden opportunities to realise “go-out” strategy and build the “Designed in China” brand, as the country makes greater efforts to improve weak links of infrastructure and advance “Belt and Road Initiative”. Putting the concept that “development should be innovation-driven, coordinated, green, oriented toward global progress and beneficial to all” into practice, the Group deepens management innovation and technology innovation, develops the layout of all-around and in-depth integration with relevant industries, and promotes traditional survey, design and consultancy operations to upgrade to integrated consultancy services that cover multiple industries, whole process and whole lifecycle.

(III) Manufacturing operations

The Group is a manufacturer of materials and professional equipment providing integrated services of R&D, manufacturing, sales and services with a leading position in domestic market and advanced position worldwide. After years of development, manufacturing operations cultivate three core businesses: equipment manufacturing, material production and precast concrete production. The business scope covers large railway track maintenance machinery, underground construction equipment, rail construction equipment, concrete equipment, lifting equipment, bridge construction equipment, compacting equipment, concrete products, bridge steel structures, turnout and spring bar fastener, and electric contact wire and parts. Major products of large rail track maintenance machinery take up 80% of domestic market; the excavating machinery records an annual output of 200 excavating machine, accounting for half of the domestic market. In particular, the TBM takes up more than 85% of domestic market and provides domestic underground construction projects with intelligent and integrated solutions and high-end equipment; many achievements in this field are unprecedented and fill in the blank in the nation. High speed rail turnout products have been widely applied in national high speed rail, trunk railway and urban rail transit and taken up one third of the market. Electric products and parts are registered with independent intellectual property rights, and they boast advanced technologies and plentiful categories.

The industrial manufacturing industry is shifting its business mode from fighting alone to coordinated business unit and industry chain development. Leveraging its whole chain advantage, the Group actively promotes operating synergy and industry synergy and builds an integrated operation mode that incorporates multiple industries, so as to improve the competitiveness of the Company and the brand influence, and enhance overall profitability. The Group strives to improve businesses of less advantage, makes greater achievements in bridge steel structure manufacturing and installation, and fosters new growth engines.

During the 13th Five-Year Plan period, the country will continue to invest in transport infrastructure construction, and traditional general engineering machinery will still be affected by overcapacity and fiercer market competition. However, the high-end equipment manufacturing will embrace golden growth opportunities, and intelligent manufacturing development will be promoted in an all-round manner. The continuously improved core equipment supply capacity and the accelerated major technology and equipment localisation will offer great opportunity and platform to high-end equipment manufacturing. The Company will closely follow policy and market trends, enhance top-level planning, advance transformation and upgrade, therefore promote manufacturing operations to shift from factor-driven stage to innovation-driven development. The Company actively participates in application of key national projects, focuses on equipment of which core technologies must be imported and equipment for which the country is at a disadvantage in technology development and the industry is in urgent need, and strives to secure an advantage position

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

in development of cutting-edge equipment. While ensuring that manufacturing operations are in progress, the Company continues to invest in technology research and development, and promote the integration of advanced technology and new approach and process to improve independent innovation capability.

(IV) Real estate development operations

As one of the 16 enterprises directly under the central government taking real estate development as principal business, the Group adopts the business model of “giving priority to residential development supplemented by supporting commercial facilities” for the current real estate business. The Group focuses on three core city clusters including Yangtze River Delta, Pearl River Delta and Bohai Coastal Region, and steps up efforts to expand business in new city clusters and national new areas, such as Shandong Peninsula, Liaodong Peninsula, Western Coast of the Straits, Changsha-Zhuzhou-Xiangtan, Wuhan, Chengdu and Chongqing. The region layout sticks to the development roadmap that first- and second-tier cities are the focus and third- and fourth-tier cities with great potential serve as the supplement.

The property market was further contained in 2018. The property market was dominated by the country's determination to “resolutely curb housing price hike and ramp up efforts to building a long-term mechanism to boost steady and healthy development of property market”. The property market saw an overall stability and returned to a reasonable range, and housing prices of major cities were prevented from overheating. In 2018, the Group's real estate development operations focused on marketing and sale and invested more to further develop urban markets. Taking a market-oriented approach, real estate development operations combined project marketing and sale with de-stocking, reasonably aligned project development with marketing and sale progress by referring to characteristics of property markets in different cities, performed stricter control over inventory and trade receivables, thereby realising balanced project and ensuring sustainable and healthy development.

In 2018, the sales of the real estate business of the Group achieved significant year-on-year increase. The sales amount derived from the real estate business in the whole year was RMB93.455 billion, almost hitting the RMB100 billion threshold and representing a year-on-year increase of 36.61%. The sale area was 6.641 million sq. m, representing a year-on-year increase of 28.38%. During the Reporting Period, the Group improved the regional layout of real estate projects and intensified the business expansion in the first- and second-tier cities with great development prospects, including Beijing, Shanghai, Guangzhou, Tianjin and Chongqing. Meanwhile, the Group leveraged its regional operation advantage, integrated system-wide resources, proactively expanded the land acquisition channels, and made broad cooperation with the excellent enterprises in the industry to make full use of all parties and decrease the operating risks. During the Reporting Period, the Group gained 45 land parcels in 30 cities including Beijing, Shanghai, Guangzhou, Chongqing, Tianjin and Wuhan, with the planned total floor area of about 9.8693 million sq. m. As at the end of the Reporting Period, the Group has developed 235 projects in 65 domestic cities, with the total area of construction land of about 21.39 million sq. m and the planned GFA of about 69.88 million sq. m. The Group has achieved the echelon arrangement which focuses on the first- and second-tier cities and replenishes by some third- and fourth-tier cities with great potential.

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

In 2019, the country's property policies will focus on stability and set stable land price, housing price and expectation as the goal to promote the steady and healthy development of property market. Greater efforts will be made to establish and improve a long-term mechanism to boost steady and healthy development of property market. In the meantime, the land market is expected to follow the trend of cooling down, and the transaction price will return to a reasonable range. The Group will closely monitor policy and market trends and actively seek market development opportunities to ensure sustained and healthy development of real estate business. It will continue to focus on marketing and sale and improve the performance management system in which sale and capital are the core, so as to maintain the stable growth of operating results. In addition, the Group will stick to the prudent land reserve strategy and the development mode of rapid turnover, actively collaborate with other leading companies in the industry, make use of the whole industry chain and the advantages of all parties, and effectively prevent operating risks.

(V) Logistics and materials trading and others

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

During the 13th Five-Year Plan period, China Railway Material Group Co., Ltd., a subsidiary of the Company, will seek resources, optimise resource allocation and adjust business structure, incorporate the work guideline of "adjustment, consolidation, increase and improvement" into practice and devote to major infrastructure construction and investment to enhance traditional business strength. While getting involved in the "go abroad" strategy and coordinating both domestic and overseas markets, it will adopt the centralised procurement system and earnestly satisfy internal service requirements. The subsidiary will promote quality reform and accelerate the cultivation of new growth drivers, push forward efficiency reform and advance transformation and upgrade, and promote dynamic change to revitalise itself. It will develop the centralised procurement system and strengthen the construction of regional platform to realise procurement system improvement. To boost development of overseas businesses, it will actively participate in the "Belt and Road Initiative", closely follow the schedule of "go abroad" and implement the guideline that "prioritising overseas businesses". By leveraging deeper supply-side structural reform, "Coordinated Development for Beijing-Tianjin-Hebei Region", "Guangdong-Hong Kong-Macau Greater Bay Area", "Yangtze Economic Belt" and other construction projects and through participation in military-civilian integration and other major national projects, the subsidiary will strengthen and improve the segments of materials and logistics, realise coordinated development and contribute to the building of "High-Quality CRCC".

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

Applicable Not Applicable

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

III. ANALYSIS OF THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not Applicable

(I) Prominent competitive strength in the industry

The Company has been ranking top 3 among the ENR global largest engineering contractors for many consecutive years, ranking top 58 in the Global 500. The Company has powerful market management and expansion capacity, with obvious increase in each business indicator. The global operation landscape has taken shape and the overseas business has continued to improve. The Company has taken advantage of its financing platform of A+H listings, sufficient bank credit and the highest international rating in construction industry. The Company has created favorable brand effect in the field of infrastructure construction, and obtained stable customer base and abundant market resources.

(II) Continuing enhancement of advantage in technology

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

(III) Perfection of industrial structure and layout

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

(IV) Gradual optimization of organizational and management structure

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

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

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

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

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

I. DISCUSSION AND ANALYSIS ON BUSINESS OPERATIONS

2018 marked the first year of full implementation of the spirit of the 19th CPC National Congress. In this year, faced with complicated and severe internal and external environment and undertaking the arduous and heavy task of reform, development and stability, the Group insisted on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and earnestly studied the market, properly organized operation principles, further implemented regional operation reform, improved operation capability and exerted greater efforts in developing emerging markets with emphasis on the theme of “Steady Growth, High Quality” in accordance with various arrangements proposed at the beginning of the year; in addition, the Group overcame difficulties, forged ahead, maintained a steady enterprise business scale with progress as a whole and made major breakthroughs in transformation and upgrading.

(I) High-quality development continued to improve

In 2018, the Group achieved an operating income of RMB730,123 million, representing a year-on-year increase of 7.22%; total profits of RMB25,105.3 million, representing a year-on-year increase of 18.11%; net profits of RMB19,838.4 million, representing a year-on-year increase of 17.25%; net profit margin of 2.72%, representing a year-on-year increase of 0.23 percentage point, reaching a record high; basic earnings per share of RMB1.26; total assets of RMB917,670.6 million, representing a year-on-year increase of RMB95,783.1 million; the gearing ratio of 77.41%, representing a year-on-year decrease of 0.85 percentage points.

(II) Business scale remained stable with growth

In 2018, the value of newly-signed contracts of the Group amounted to RMB1,584.4722 billion, representing a year-on-year increase of 5.05%. Among which, the value of newly-signed contracts for domestic business amounted to RMB1,454.2529 billion, accounting for 91.78% of the total value of the newly-signed contracts, representing a year-on-year increase of 3.63%; and the value of newly-signed contracts for overseas business amounted to RMB130.2193 billion, accounting for 8.22% of the total value of the newly-signed contracts, representing a year-on-year increase of 24.03%. As of the end of 2018, the value of outstanding contracts for the Group amounted to RMB2,708.7002 billion, representing a year-on-year increase of 13.02%. Of which, the value of outstanding domestic contracts amounted to RMB2,196.9510 billion, accounting for 81.11% of the total value of outstanding contracts; and the value of outstanding overseas contracts amounted to RMB511.7492 billion, accounting for 18.89% of the total value of outstanding contracts. The major indicators are as follows:

Unit: RMB'00 million

Type of business	Value of newly-signed contracts			Value of outstanding contracts		
	Reporting Period	Corresponding period of last year	Year-on-year growth	End of Reporting Period	Corresponding period of last year	Year-on-year growth
Construction operations	13,523.550	12,931.849	4.58%	23,636.513	21,472.892	10.08%
Survey, design and consultancy operations	177.111	170.778	3.71%	108.543	86.252	25.84%
Manufacturing operations	243.880	283.762	-14.05%	315.548	246.915	27.80%
Logistics and materials trading operations	862.617	823.213	4.79%	1,751.803	1,444.237	21.30%
Real estate development operations	934.553	684.126	36.61%	1,226.068	661.441	85.36%
Other businesses	103.011	189.396	-45.61%	48.527	54.565	-11.07%
Total	15,844.722	15,083.124	5.05%	27,087.002	23,966.302	13.02%

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

During the Reporting Period, the value of newly-signed contracts for construction operations amounted to RMB1,352.355 billion, accounting for 85.35% of the total value of newly-signed contracts and representing an increase of 4.58% year-on-year. Of which, the value of newly-signed contracts for railway construction amounted to RMB212.0396 billion, accounting for 15.68% of the value of newly-signed contracts in the construction operations segment and representing a decrease of 1.50% year-on-year; the value of newly-signed contracts for road projects amounted to RMB291.4925 billion, accounting for 21.55% of the value of newly-signed contracts in the construction operations segment and representing a decrease of 26.74% year-on-year; the value of newly-signed contracts for urban rail transit amounted to RMB104.2414 billion, accounting for 7.71% of the value of newly-signed contracts in the construction operations segment and representing an decrease of 49.09% year-on-year; the value of newly-signed contracts for housing construction amounted to RMB365.2075 billion, accounting for 27.01% of the value of newly-signed contracts in the construction operations segment and representing an increase of 77.79% year-on-year; the value of newly-signed contracts for municipal engineering amounted to RMB269.2299 billion, accounting for 19.91% of the value of newly-signed contract in the construction operations segment and representing an increase of 36.57% year-on-year; the value of newly-signed contracts for hydraulic and electric engineering amounted to RMB48.8869 billion, accounting for 3.61% of the value of newly signed contracts in the construction operations segment and representing an increase of 101.96% year-on-year; the value of newly-signed contracts for airports and terminals amounted to RMB10.9801 billion, accounting for 0.81% of the value of the newly-signed contracts in the construction operations segment and representing an increase of 12.48% year-on-year. The year-on-year decrease in the value of newly-signed contracts for road projects was attributable to the decrease in PPP road projects due to policy adjustment of investment and financing markets; the significant year-on-year decrease in the value of newly-signed contracts for urban rail transit was attributable to a large number of overseas orders during the same period last year, and the slight decrease in domestic urban rail transit tender projects as compared with that during the same period last year; the significant year-on-year increases in the value of newly-signed contracts for housing construction and municipal engineering were attributable to: (1) the increase in new tender projects in domestic market; and (2) the further promotion of new-type urbanization and shantytowns transformation by the State, which significantly drove the market, and increased efforts of the Group in operation of municipal and housing construction market in light of market situation; the significant year-on-year increase in the value of newly-signed contracts for hydraulic and electric engineering was attributable to normal fluctuation due to a small scale as a whole.

During the Reporting Period, the value of newly-signed contracts for non-construction operations segments of the Group amounted to RMB232.1172 billion, accounting for 14.65% of the total value of newly-signed contracts and representing an increase of 7.90% year-on-year. In particular, the value of newly-signed contracts for survey, design and consultancy operations amounted to RMB17.7111 billion, representing an increase of 3.71% year-on-year; the value of newly-signed contracts for manufacturing operations amounted to RMB24.3880 billion, representing a decrease of 14.05% year-on-year; the value of newly-signed contracts for logistics and materials trading operations amounted to RMB86.2617 billion, representing an increase of 4.79% year-on-year; and the value of newly-signed contracts for real estate development operations amounted to RMB93.4553 billion, representing an increase of 36.61% year-on-year. The significant year-on-year increase in the value of newly signed contracts for real estate development was attributable to the pick-up of sales performance due to the Group's great efforts in developing market customer base and expediting project sales.

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

(III) The Group made breakthroughs in transformation and upgrading

During the Reporting Period, the Group made every effort to promote enterprise transformation and industrial upgrading, namely, “switching from stagnant traditional products to competitive products, transforming from industrial to commercial, and transferring from regions with weak demand to regions with strong demand”, promoted the integration of industry and finance, developed emerging industries and emerging business, and enhanced new driving forces for enterprise development. The Group further expedited the development of non-construction operations industry. In 2018, profit contribution made by non-construction operations industry reached 56.74%, representing an increase of 5.49 percentage points, reaching a record high. Operating revenue and total profits realized by non-construction operations industry amounted to RMB134.7091 billion and RMB14.2447 billion, respectively, representing a year-on-year increase of 3.20% and 30.76%. The Group further optimized the structure of construction operations industry. In 2018, the “five RMB100-billion markets” of the Group, namely railway, highway, housing construction, urban rail transit and municipal engineering, were more balanced and further consolidated. Business in emerging market maintained a rapid growth, in particular, ecological and environmental protection business took a great leap forward. The Company strived to develop investment and financing and operation business. In 2018, the Group established 101 new investment and financing projects and 14 new expressway operation projects, and had a total of 58 operational highways, with a total mileage of 5,740 kilometers; and additional 9 other operational category projects, covering urban rail transit, urban underground utility tunnel, local railway and parking lot. The Group participated in the operation and maintenance of a total of 10,000 kilometers of railways and urban rails. Annual operation tasks of major overseas projects, such as Addis Ababa–Djibouti Railway and Mecca Light Rail, were accomplished successfully.

(IV) The Group made rapid and significant progress in reform and innovation

In 2018, the Group further deepened reform, promoted innovation and achieved new results. In respect of reform, in order to further optimize operation deployment, improve synergy and management efficiency, the Group successively established investment platform companies, including Northwest Investment & Construction and Urban Investment & Construction, and adjusted regional operation institutions; 12 regional headquarters were adjusted to 9 regional headquarters; internal information resources of the Company were reorganized and integrated, and CRCC IT Technology Co., Ltd. was established. In order to continue to improve manufacturing operations segment, the Group made steady progress in shareholding reform and the listing of China Railway Construction Heavy Industry Co., Ltd., a wholly-owned subsidiary of the Group. The Company further strived to be a leaner and better performer, and significantly reduced stock and controlled increment, and reduced a total of 61 legal entities, and 253 entities in aggregate were dissolved in the year. China Railway 23rd Bureau Group Co., Ltd., China Railway Siyuan Survey and Design Group Co., Ltd., and China Railway Fifth Survey and Design Institute Group Co., Ltd., all of which are wholly-owned subsidiaries of the Group, were included in the “Double Hundred Enterprises” list for reform of state-owned enterprises of the State-owned Assets Supervision and Administration Commission. In respect of innovation, in 2018, the Group made significant progress in innovation in all areas centering on scientific and technological innovation, attached great importance to building innovation system, with 5 new high-end innovation teams, and 12 labor model innovation studios at ministerial and provincial-level and above; the Group enhanced major specific management, and presided over the national key R&D program “Research on Key Technologies for Safe Construction of Urban Underground Space”; the Group successfully developed 100m full-face shaft boring machine, the first railway large-diameter earth pressure balance shield/TBM dual-mode boring machine at home, and the first fully intelligent concrete sprayer in the world; the Group attached great importance to the building of technical standards system, presided over or participated in the compiling of 126 national, industrial or organizational standards; the Group promoted the transformation of innovation achievements, and realized an income of RMB150 million from transformation of various intellectual properties. The Group was awarded with 3,128 new patents in the year, representing a year-on-year increase of 43.8%, including 462 patents for invention. The Group won 1 item of China Patent Silver Award and 3 items of China Patent Excellence Award; 1 item of National Award for Technological Invention, 2 items of National Science and Technology Progress Award, 88 Provincial Science and Technology Award, 285 Provincial Construction Methods and 2 items of FIDIC Award and 62 Provincial Survey and Design Consultancy Award.

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

II. MAJOR OPERATIONAL PARTICULARS DURING THE REPORTING PERIOD

In 2018 the Group recorded revenue of RMB730,123 million, representing an increase of 7.22% as compared to the corresponding period last year. The net profit amounted to RMB19,838.4 million, representing an increase of 17.25% as compared to the corresponding period of last year. The newly signed contracts for the year amounted to RMB1,584,472.2 million, representing a year-on-year increase of 5.05%. For more details, please see “I Discussion and Analysis on Business Operations”.

(I) Analysis of main businesses

- Analysis on Changes of Relevant Items in Statement of Profit or Loss and Statement of Cash Flows

Unit: '000 Currency: RMB

Item	During the period	During the corresponding period last year	Change (%)
Revenue	730,123,045	680,981,127	7.22
Cost of sales	658,711,266	618,059,386	6.58
Selling and distribution expenses	4,431,330	4,530,901	-2.20
General and administrative expenses	17,235,632	15,660,246	10.06
Research and development expenses	11,571,783	10,397,720	11.29
Finance costs	5,537,724	2,875,908	92.56
Net cash flows generated from operating activities	5,447,861	25,404,178	-78.56
Net cash flows generated from investing activities	-49,244,226	-36,687,650	N/A
Net cash flows generated from financing activities	43,911,977	23,775,316	84.70
Operating profit	25,321,766	20,909,804	21.10
Operating profit ratio (%)	3.47	3.07	Increased by 0.40 percentage points
Net profit	19,838,408	16,919,190	17.25

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

2. Analysis of the revenue and costs

Applicable Not Applicable

In 2018, the Group recorded a revenue of RMB730,123 million, representing an increase of 7.22% as compared to the corresponding period last year. The main businesses of CRCC cover construction operations, survey, design and consultancy, manufacturing, real estate development, logistics and materials trading and others. It operates its businesses in 32 provinces (including Taiwan), autonomous regions, municipalities directly under the central government in China, Hong Kong and Macao Special Administrative Regions, and 121 countries across the world.

(1) Performance of main businesses by segment and region

Unit: '000 Currency: RMB

Main Businesses by Segment

By segment	Revenue	Cost of sales	Gross profit margin (%)	Increase/decrease in revenue as compared to last year (%)	Increase/decrease in cost of sales as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)
Construction operations	634,748,041	588,579,651	7.27	8.67	8.20	Increased by 0.40 percentage points
Survey, design and consultancy operations	16,705,898	11,005,487	34.12	14.91	12.82	Increased by 1.22 percentage points
Manufacturing operations	16,482,327	12,202,503	25.97	15.78	15.71	Increased by 0.05 percentage points
Real estate development operations	36,913,777	27,832,847	24.60	-13.32	-19.36	Increased by 5.65 percentage points
Logistics and materials trading and other businesses	64,607,120	57,192,155	11.48	9.19	8.65	Increased by 0.44 percentage points
Inter-segment elimination	-39,334,118	-38,101,377				
Total	730,123,045	658,711,266	9.78	7.22	6.58	Increased by 0.54 percentage points

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

Main Businesses by Region

By region	Revenue	Cost of sales	Gross profit margin (%)	Increase/decrease in revenue as compared to last year (%)	Increase/decrease in cost of sales as compared to last year (%)	Increase/decrease in gross profit margin as compared to last year (%)
Domestic	694,568,568	627,901,041	9.60	8.02	7.37	Increased by 0.54 percentage points
Overseas	35,554,477	30,810,225	13.34	-6.38	-7.43	Increased by 0.98 percentage points
Total	730,123,045	658,711,266	9.78	7.22	6.58	Increased by 0.54 percentage points

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

Explanation on the main businesses by segments, products and regions

Applicable Not Applicable

① Construction operations

Construction Operations (Before Elimination of Inter-Segment Transactions)

Unit: '000 Currency: RMB

Item	2018	2017	Growth (%)
Revenue	634,748,041	584,127,735	8.67
Cost of sales	588,579,651	543,982,487	8.20
Gross profit	46,168,390	40,145,248	15.00
Gross profit margin (%)	7.27	6.87	Increased by 0.40 percentage points
Selling and distribution expenses	1,622,360	1,658,670	-2.19
General and administrative expenses	23,210,908	21,128,999	9.85
Total profit	10,943,270	10,601,319	3.23

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

② Survey, design and consultancy operations

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

Unit: '000 Currency: RMB

Item	2018	2017	Growth (%)
Revenue	16,705,898	14,538,635	14.91
Cost of sales	11,005,487	9,754,781	12.82
Gross profit	5,700,411	4,783,854	19.16
Gross profit margin (%)	34.12	32.90	Increased by 1.22 percentage points
Selling and distribution expenses	971,398	1,036,393	-6.27
General and administrative expenses	1,695,987	1,462,651	15.95
Total profit	2,922,143	2,249,683	29.89

③ Manufacturing operations

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

Unit: '000 Currency: RMB

Item	2018	2017	Growth (%)
Revenue	16,482,327	14,235,318	15.78
Cost of sales	12,202,503	10,546,039	15.71
Gross profit	4,279,824	3,689,279	16.01
Gross profit margin (%)	25.97	25.92	Increased by 0.05 percentage points
Selling and distribution expenses	406,435	343,856	18.20
General and administrative expenses	1,617,310	1,544,344	4.72
Total profit	1,997,980	1,648,371	21.21

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

④ Real estate development operations

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

Unit: '000 Currency: RMB

Item	2018	2017	Growth (%)
Revenue	36,913,777	42,587,234	-13.32
Cost of sales	27,832,847	34,516,931	-19.36
Gross profit	9,080,930	8,070,303	12.52
Gross profit margin (%)	24.60	18.95	Increased by 5.65 percentage points
Selling and distribution expenses	723,774	569,728	27.04
General and administrative expenses	917,447	790,952	15.99
Total profit	5,880,947	3,427,212	71.60

During the Reporting Period, total profit of the real estate development operations increased by 71.60% as compared to 2017, which was mainly attributable to provisions for impairment loss on certain projects in 2017.

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

⑤ Logistics and materials trading and other businesses

**Logistics and Materials Trading and Other Businesses
(Before Elimination of Inter-Segment Transactions)**

Unit: '000 Currency: RMB

Item	2018	2017	Growth (%)
Revenue	64,607,120	59,170,427	9.19
Cost of sales	57,192,155	52,639,694	8.65
Gross profit	7,414,965	6,530,733	13.54
Gross profit margin (%)	11.48	11.04	Increased by 0.44 percentage points
Selling and distribution expenses	707,363	922,253	-23.30
General and administrative expenses	1,394,793	1,189,162	17.29
Total profit	3,443,582	3,568,715	-3.51

(2) Analysis of production and sales

 Applicable Not Applicable

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

(3) Cost analysis table

Unit: '000 Currency: RMB

Particulars by segment

By segment	Item relating to cost composition	Amount in the current period	Percentage	Amount for the corresponding period last year	Percentage	Percentage	Explanation
			to the total cost for the period (%)		corresponding period last year (%)	changes in the amount for the period of the total cost for the corresponding period last year (%)	
Construction operations	-	588,579,651	84.47	543,982,487	83.50	8.20	
Survey, design and consultancy operations	-	11,005,487	1.58	9,754,781	1.50	12.82	
Manufacturing operations	-	12,202,503	1.75	10,546,039	1.62	15.71	
Real estate development operations	-	27,832,847	3.99	34,516,931	5.30	-19.36	
Logistics and materials trading and other businesses	-	57,192,155	8.21	52,639,694	8.08	8.65	
Total	-	696,812,643	100.00	651,439,932	100.00	6.96	
Including:	Labor cost	217,436,725	31.20	199,674,963	30.65	8.90	
	Materials expenses	285,359,595	40.95	267,676,668	41.09	6.61	
	Machinery expense	73,404,147	10.53	69,638,929	10.69	5.41	
	Other costs	120,612,176	17.32	114,449,372	17.57	5.38	
Inter-segment elimination	-	-38,101,377	-	-33,380,546	-	-	
Total	-	658,711,266	100.00	618,059,386	100.00	6.58	

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

Description on other situations of cost analysis

Applicable Not Applicable

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

(4) Major customers and suppliers

Applicable Not Applicable

The revenue from the top five customers was RMB28.5275 billion, accounting for 3.91% of the annual total revenue, among which the revenue from the related parties was RMB0, accounting for 0% of the annual total revenue. The purchase amount from the top five suppliers was RMB8.3176 billion, accounting for 1.26% of the annual total purchase amount, among which the purchase amount from the related parties was RMB0, accounting for 0% of the annual total purchase amount.

Other Explanation

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

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

3. Expenses

Applicable Not Applicable

In 2018, the Group's selling and distribution expenses amounted to RMB4.4313 billion, representing a decrease of 2.20% as compared to that of 2017. The decrease in selling and distribution expenses was mainly attributable to further enhanced sales management and reduced selling and distribution expenses expenditure.

In 2018, the general and administrative expenses of the Group was RMB17.2356 billion, with an increase of 10.06% compared to that in 2017, mainly caused by the increase in the remuneration of the management.

In 2018, the finance costs of the Group were RMB5.5377 billion, with an increase of 92.56% compared to that in 2017, mainly due to the increase in interest expenses resulted from the increase in external borrowings, expanding financing channels and revitalising assets.

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

In 2018, the Group's income tax expenses amounted to RMB5.2669 billion, representing an increase of 21.45% as compared to that of 2017, mainly due to the increase in total profit for the year as a result of expanded business scale in this year. The details of income tax expenses are shown in the following table:

Unit: '000 Currency: RMB

Item	2018	2017
Income tax expenses for the period	6,576,631	5,045,597
Deferred income tax expenses	-1,309,777	-709,023
Total income tax expenses	5,266,854	4,336,574

4. R&D investment

Table of R&D investment

Applicable Not Applicable

Unit: '000 Currency: RMB

Expense-type research and development expenses for the current period	11,571,783
Capitalised research and development expenses for the current period	-
Total R&D expenditures	11,571,783
Proportion of total research and development expenses to the revenue (%)	1.58
Number of R&D staff	39,658
Percentage of R&D staffs to the total staffs of the Company (%)	13.40
Percentage of capitalised R&D investment (%)	-

Explanation

Applicable Not Applicable

In 2018, R&D investment of the Group mainly involved technical researches in five major areas, namely, perspectiveness, fundament, new industry, new materials and new equipment, and the implementation of "Belt and Road Initiative". At present, all scientific research projects are proceeding successfully, to provide a strong support for the sustainable development of CRCC.

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

5. Capital expenditure

The Group's capital expenditures are mainly used for the purchase or construction and technical upgrading of equipment and facilities, as well as for the construction of PPP and BOT projects. In 2018, the Group's capital expenditures amounted to RMB33.5716 billion, representing an increase of RMB0.3733 billion as compared to that of 2017. The increase in capital expenditures over the last year was mainly attributable to the increase of the Group's newly added engineering facilities in 2018 as compared with that of the previous year.

Unit: '000 Currency: RMB

Segment	2018	2017
Construction operations	18,740,377	17,672,984
Survey, design and consultancy operations	520,119	465,961
Manufacturing operations	1,416,219	1,415,887
Real estate development operations	197,970	167,527
Other businesses	12,696,956	13,475,995
Total	33,571,641	33,198,354

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

6. Cash flows

Applicable Not Applicable

Analysis of changes in cash flows

Unit: '000 Currency: RMB

Item	2018	2017	Growth (%)
Net cash flows generated from operating activities	5,447,861	25,404,178	-78.56
Net cash flows generated from investing activities	-49,244,226	-36,687,650	N/A
Net cash flows generated from financing activities	43,911,977	23,775,316	84.70

In 2018, the net cash flows generated from the operating activities of the Group was RMB5.4479 billion, representing a decrease of net cash inflow of RMB19.9563 billion, or 78.56%, compared to that of last year, mainly caused by the increase in cash paid for goods and services.

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

In 2018, the Group's net cash flows generated from investing activities amounted to RMB49.2442 billion, representing an increase of RMB12.5566 billion net outflow as compared to the corresponding period last year, mainly due to the increase in cash paid for equity investment, acquisition and construction of fixed assets and intangible assets.

In 2018, the Group's net cash flows generated from financing activities amounted to RMB43.9120 billion, representing an increase of cash inflow of RMB20.1367 billion, or 84.70%, as compared to that of last year, which was mainly attributable to the increase in borrowings, as expanded business scale brought increased capital demand.

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

(1) *Issuance of ultra-short-term financing bonds by the Company*

The Company held the 2014 Annual General Meeting on 2 June 2015, which considered and approved the Resolution on the Registration and Issuance of Bonds by the Company with the National Association of Financial Market Institutional Investors. The registration and issuance of ultra-short-term financing bonds with the balance of the principal amount of not more than RMB30 billion by the Company with the National Association of Financial Market Institutional Investors was approved. The Company issued the first tranche of ultra-short-term financing bonds with an amount of RMB3 billion and a term of 270 days on 13 September 2018.

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

The 2009 First Extraordinary General Meeting held on 13 January 2009 and the 2010 Annual General Meeting held on 31 May 2011 respectively by the Company considered and approved the Proposal in Relation to the Issuance of Medium-term Notes of the Company. The 2012 Second Extraordinary General Meeting held on 28 December 2012 considered and approved the Proposal in Relation to the Increase of Amounts for Registration and Issuance of Medium-term Notes and Short-term Financing Bonds of China Railway Construction Corporation Limited, approving the Company to register and issue medium-term notes with an aggregate balance of principal amount of no more than 40% of the net assets as stated in the audited financial report of the Company for each reporting period with the National Association of Financial Market Institutional Investors. On 14 October 2011, the Company issued the first tranche of medium-term notes for the year of 2011 of RMB7.5 billion with a term of 7 years, which have been due and cashed in full amount on 18 October 2018. On 20 June 2013, the Company issued the first tranche of medium-term notes for the year of 2013 of RMB10 billion with a term of 7 years.

The 2014 Annual General Meeting held on 2 June 2015 considered and approved the Resolution on the Registration and Issuance of Bonds by the Company with the National Association of Financial Market Institutional Investors, which approved the issuance of medium-term notes with the principal not exceeding 40% of audited net asset of the Company for each period. The resolution would be valid for 48 months from the date on which it has been approved at the general meeting. On 8 August 2018, the Company received the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2018] MTN No. 417) issued by the National Association of Financial Market Institutional Investors, which approved a registered amount of medium-term notes of RMB10 billion, and the registered quota would be valid for 2 years from the signing date of the notice. As of the end of the Reporting Period, the Company has not issued any medium-term notes in accordance with the approval.

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

(3) Overseas bonds issued by the Company

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

(4) Renewable corporate bonds issued by the Company

For details, please see “Section XII Particulars of Corporate Bonds” of this report.

8. Bank facilities of the Company during the Reporting Period

As at 31 December 2018, the Group has already obtained the banking facilities from several PRC banks of up to RMB1,187.3703 billion of which an amount of RMB465.4916 billion has been utilized.

9. Foreign exchange risk and exchange loss

The main production and operating activities of the Group were carried out in China, settled by RMB. There was foreign exchange risk in the foreign currency assets and liabilities recognized by the Group and future transactions denominated in foreign currencies. See “63. Foreign currency monetary items” in Note V of the Financial Reports attached to the report for the monetary resources, bills receivable and trade receivables, other receivables, short-term borrowings, bills payable and trade payables, other payables, long-term borrowings and bonds payable (mainly USD, Euro, Algerian dinars and Misaysia Ringgit) held by the Group by 31 December 2018.

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

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

Applicable Not Applicable

(III) Analysis of assets and liabilities

Applicable Not Applicable

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

1. Assets and Liabilities

Unit: '000 Currency: RMB

Name of item	Amount at the end of the period	Percentage of amount at the end of the period to the total assets (%)	Amount at the end of last year	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the period as compared to that of last year (%)	Explanation
Cash and bank balances	143,801,598	15.67	141,206,185	17.18	1.84	
Financial assets at FVTPL	/	/	489,712	0.06	-100.00	Mainly due to financial assets at FVTPL reclassified into held-for-trading financial assets according to new financial instrument accounting standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Held-for-trading financial assets	3,344,458	0.36	/	/	/	
Bills receivable and trade receivables	109,162,550	11.90	153,528,817	18.68	-28.90	Mainly due to the reclassification of retention receivables from trade receivables to other non-current assets during the Reporting Period.
Advances to suppliers	18,591,945	2.03	18,784,004	2.29	-1.02	
Other receivables	63,474,288	6.92	55,278,965	6.73	14.83	
Inventories	159,891,368	17.42	266,604,158	32.44	-40.03	Mainly due to inventories reclassified into contract assets as required by new revenue standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Contract asset	123,938,151	13.51	/	/	/	
Other current assets	17,236,252	1.88	8,414,479	1.02	104.84	Mainly due to the increase in the amount of prepaid tax and deductible VAT of the Group during the Reporting Period.
Other non-current financial assets	779,049	0.08	/	/	/	

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

Name of item	Amount at the end of the period	Percentage of amount at the end of the period to the total assets (%)	Amount at the end of last year	Percentage of amount at the end of last period to the total assets (%)	Percentage of the amount at the end of the period as compared to that of last year (%)	Explanation
Available-for-sale financial assets	/	/	8,382,301	1.02	-100.00	Mainly due to reclassification of available-for-sale financial assets as required by new financial instrument standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Other equity instrument investments	8,268,378	0.90	/	/	/	
Long-term equity investments	28,978,555	3.16	17,869,525	2.17	62.17	Mainly due to the increase in external investments by the Group
Fixed assets	50,300,597	5.48	45,981,850	5.59	9.39	
Intangible assets	50,667,006	5.52	40,155,864	4.89	26.18	
Short-term loans	61,781,084	6.73	29,499,098	3.59	109.43	Mainly due to the increase in external borrowings due to the increase in need of short-term working capital of the Group during the Reporting Period.
Bills payable and trade payables	334,707,334	36.47	323,491,509	39.36	3.47	
Advances from customers	64,390	0.01	85,682,565	10.43	-99.92	Mainly due to some advances from customers reclassified into contract liabilities as required by new revenue standards and Notice of the Revised Format of Financial Statements for General Business Enterprise issued in 2018.
Contract liabilities	89,276,585	9.73	/	/	/	
Other payables	55,429,042	6.04	49,797,546	6.06	11.31	
Other current liabilities	12,434,964	1.36	8,053,925	0.98	54.40	Mainly due to the issuance of ultra-short-term financing bonds by the Group during the Reporting Period
Long-term loans ^{Note 1}	87,674,061	9.55	77,231,016	9.40	13.52	
Bonds payable ^{Note 2}	38,458,422	4.19	45,665,034	5.56	-15.78	
Employee benefits payable ^{Note 3}	11,852,014	1.29	11,084,863	1.35	6.92	
Other non-current liabilities	1,082,465	0.12	787,842	0.10	37.40	Mainly due to the changes in fair value of convertible bonds of the Group

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

Note 1. "Long-term loans" includes "current portion of long-term loans".

Note 2. "Bonds payables" includes current portion of bonds payable".

Note 3. "Employee benefits payable" is the sum of the "employee benefits payable" in the current liabilities and the "long-term employee benefits payables" in the non-current liabilities plus the "current portion of post-employment benefits".

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

Applicable Not Applicable

3. Other Explanation

Applicable Not Applicable

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

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

As at 31 December 2018, the Group's financial assets were as follows:

Unit: '000 Currency: RMB

Item	Classified as Financial assets at FVTOCI	Designated as financial assets at FVTOCI	Financial assets at FVTPL	Financial assets measured at amortized cost	Total
Bills receivable and trade receivables	-	-	-	109,162,550	109,162,550
Loans and advances to customers	-	-	-	2,145,000	2,145,000
Other receivables (excluding petty cash)	-	-	-	63,288,905	63,288,905
Other current assets	-	-	-	2,999,900	2,999,900
Long-term receivables	-	-	-	54,442,045	54,442,045
Cash and bank balances	-	-	-	143,801,598	143,801,598
Held-for-trading financial assets	-	-	3,344,458	-	3,344,458
Debt investments	-	-	-	41	41
Other debt investments	100,513	-	-	-	100,513
Other equity instrument investments	-	8,268,378	-	-	8,268,378
Other non-current financial assets	-	-	779,049	-	779,049
Current portion of non-current asset	-	-	-	5,891,453	5,891,453
Total	100,513	8,268,378	4,123,507	381,731,492	394,223,890

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

As at 31 December 2018, the Group's financial liabilities were as follows:

Unit: '000 Currency: RMB

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	61,781,084	61,781,084
Due to customers	–	5,881,497	5,881,497
Bills payable and trade payables	–	334,707,334	334,707,334
Other payables	–	55,429,042	55,429,042
Current portion of non-current liabilities (excluding current portion of long- term employee benefits payable)	–	19,374,376	19,374,376
Other current liabilities	–	4,998,272	4,998,272
Long-term loans	–	69,840,477	69,840,477
Bonds payable	–	37,458,422	37,458,422
Long-term payables (excluding special payables)	–	1,406,579	1,406,579
Other non-current liabilities	850,865	231,600	1,082,465
Total	850,865	591,108,683	591,959,548

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

(2) Working capital

① Trade receivables

Trade receivables of the Group decreased from RMB146.5039 billion as at 31 December 2017 to RMB99.3823 billion as at 31 December 2018, representing a decrease of RMB47.1216 billion. The decrease was mainly attributable to the reclassification of retention receivables from trade receivables to other non-current assets during the Reporting Period. Board of the Company is of the view that the Group has accrued sufficient impairment of credit losses.

The following table sets forth an ageing analysis of trade receivables of the Group as at the end of the Reporting Period indicated:

Unit: '000 Currency: RMB

Age	31 December 2018	31 December 2017
Within 1 year	80,446,020	127,639,261
1 to 2 years	13,580,936	13,353,735
2 to 3 years	4,509,348	5,750,429
Over 3 years	5,551,846	3,731,557
Subtotal	104,088,150	150,474,982
Less: Impairment of credit losses/ Provision for bad debts	4,705,845	3,971,091
Total	99,382,305	146,503,891

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

The following table sets forth the turnover days of the Group's trade receivables and trade payables for the dates indicated:

Item	31 December 2018	31 December 2017
Turnover days of trade receivables <i>note 1</i>	61	75
Turnover days of trade payables <i>note 2</i>	157	160

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

Note 2: The number of turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant year by cost of sales multiplying 365 days.

② Trade payables

Trade payables of the Group increased from RMB282.0802 billion as at 31 December 2017 to RMB283.6709 billion as at 31 December 2018, representing an increase of RMB1.5907 billion, mainly attributable to the increase in trade payables as a result of expanded business scale during the Reporting Period.

The table sets forth an ageing analysis of trade payables of the Group as at the end of the Reporting Period indicated:

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Within 1 year	274,435,578	273,543,533
1 to 2 years	6,505,848	6,450,391
2 to 3 years	1,499,068	1,299,220
Over 3 years	1,230,412	787,061
Total	283,670,906	282,080,205

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

(3) *Advances to suppliers and other receivables*

Advances to suppliers and other receivables of the Group increased from RMB74.0630 billion as at 31 December 2017 to RMB82.0662 billion as at 31 December 2018, representing an increase of RMB8.0032 billion, or 10.81%, mainly due to the increase in cooperative development funds during the Reporting Period.

(4) *Defined benefit plan*

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

During the Reporting Period, the Group's obligations in respect of the defined benefit plan for post leaving personnel were computed by an independent actuary, Beijing Branch of Towers Watson Management Consulting (Shenzhen) Co., Ltd. as at 31 December 2018, using the projected cumulative unit credit method.

The plan has no defined benefit assets.

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

As at 31 December 2017 and 31 December 2018, the Group held the provisions of such obligations hereof amounting to RMB0.9254 billion and RMB0.5714 billion respectively. Details of the defined benefits plan of the Company are set out in the "34. Long-term employee benefits payable" in the Note V of the Financial Reports of this report.

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

(5) Liabilities

① Borrowing

The short-term loans of the Group as of 31 December 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Pledged loans	380,000	–
Mortgaged loans	205,000	–
Guaranteed loans	4,358,930	2,602,701
Credit loans	56,837,154	26,896,397
Total	61,781,084	29,499,098

Other current liabilities of the Group as of 31 December 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Other current liabilities	12,434,964	8,053,925

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

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

The long-term loans of the Group as of 31 December 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Pledged loans	26,840,000	20,534,420
Mortgaged loans	4,725,841	3,330,040
Guaranteed loans	13,529,940	10,123,666
Credit loans	24,744,696	24,838,667
Total	69,840,477	58,826,793

The maturity profile of the long-term loans as at 31 December 2018 and 31 December 2017 is listed as follows:

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Within one year or paid on demand	17,833,584	18,404,223
In the second year (inclusive)	20,591,310	16,646,081
In the third to fifth year (inclusive)	14,351,111	18,946,539
Over five years	34,898,056	23,234,173
Total	87,674,061	77,231,016

The bonds payable of the Group as at 31 December 2018 and 31 December 2017 were as follows:

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Total bonds payable	38,458,422	45,665,034
Less: Current portion of bonds payable	1,000,000	9,987,111
Total non-current portion of bonds payable	37,458,422	35,677,923

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

Gearing ratio analysis:

As at 31 December 2018 and 31 December 2017, the gearing ratios were 68% and 69%, respectively. Gearing ratio is the ratio of the net liabilities and capital plus net liabilities. Net liabilities include the sum of all the borrowings, due to customers, other current liabilities, bills payable and trade payables, other payables, bonds payable, long-term payables (excluding special payables) and current portion of non-current liabilities (excluding current portion of long-term employee benefits payable) and other non-current liabilities after deducting the cash and bank balances.

② Commitments

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Contracted but not provided for		
Capital commitments	290,993	364,024
Investment commitments	8,974,629	3,515,230
Other commitments	5,581,502	8,462,504
Total	14,847,124	12,341,758

③ Contingent liabilities

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

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

④ Mortgage and pledge of assets

Unit: '000 Currency: RMB

Item	31 December 2018	31 December 2017
Intangible assets	41,455,348	28,101,597
Inventories	14,401,283	14,710,869
Cash and bank balances	11,062,511	9,899,905
Fixed assets	60,969	653,950
Construction in progress	48,600	–
Long-term receivables	149,599	–
Bills receivable and trade receivables	389,222	–
Other non-current assets	1,888,875	–
Total	69,456,407	53,366,321

For details, please refer to “62. Assets with title restrictions” in the Note V of the Financial Reports in this report.

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

(IV) Analysis for industrial operation information

Applicable Not Applicable

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

Operation Information Analysis on Construction Industry

1. Economic situation and policy analysis on construction industry

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

2. Projects completed and accepted during the Reporting Period

Applicable Not Applicable

Unit: '0,000 Currency: RMB

Segment	Housing construction	Infrastructure projects	Professional engineering	Architectural decoration	Others	Total
Number of projects	226	831	-	-	-	1,057
Total amount	4,551,318	25,163,466	-	-	-	29,714,784

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

Applicable Not Applicable

Unit: '0,000 Currency: RMB

Project Region	Domestic	Overseas	Total
Number of projects	1,024	33	1,057
Total amount	28,787,993	926,791	29,714,784

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

Other Explanation

Applicable Not Applicable

3. Projects under construction during the Reporting Period

Applicable Not Applicable

Unit: '0,000 Currency: RMB

Segment	Housing construction	Infrastructure projects	Professional engineering	Architectural decoration	Others	Total
Number of projects	1,509	5,761	-	-	248	7,518
Total amount	46,311,731	301,123,855	-	-	3,656,576	351,092,162

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

Applicable Not Applicable

Unit: '0,000 Currency: RMB

Project Region	Domestic	Overseas	Total
Number of projects	6,978	540	7,518
Total amount	322,536,294	28,555,868	351,092,162

4. Major projects under construction

Applicable Not Applicable

Other Explanation

Applicable Not Applicable

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

5. Overseas projects during the Reporting Period

Applicable Not Applicable

Unit: USD'00 million

Project region	Number of projects	Total amount
Asia	301	263.52
Europe	22	9.32
Africa	544	697.09
America	38	46.27
Oceania	43	5.44
Total	948	1,021.64

Other Explanation

Applicable Not Applicable

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

Major overseas contracts may be exposed to risk factors such as country risk, legal risk, non-traditional security risk, labour risk and environmental risk. For details, please see "1. Overseas Risks" under "III. (IV) Potential Risks Faced by the Company" to this section.

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

Applicable Not Applicable

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

7. Other Explanations

Applicable Not Applicable

(1) Major projects in financing contract mode

Unit: '0,000 Currency: RMB

No.	Project	Total Investment	Investment Share/ Shareholding Proportion	Investment of the Year	Accumulative investment in the projects	Project Schedule
1	Deyang-Dujiangyan Segment BOT Project of G0511	1,595,400	100%	303,467	435,373	Normal progress
2	Investment, Financing and Construction BT Project of Phase I and II of Metro Line 5 of Chengdu	1,719,899	100%	629,756	1,349,056	Normal progress
3	The Investment and Financing BT Project of Line 6 of Chengdu Metro	1,766,031	100%	377,654	647,443	Normal progress

Note: The above projects were those with a total investment exceeding 10% of the Group's unaudited net assets attributable to the shareholders of the Company at the end of the previous year within the scope of consolidated statements.

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

As of the end of Reporting Period, the Group had 75 extra-grade general contracting qualifications, ranking atop in construction companies nationwide. Among these qualifications, 10 extra-grade general contracting qualifications were obtained by the Group in 2018: one extra-grade general contracting qualification for architectural engineering construction, eight extra-grade general contracting qualifications for road project construction and one extra-grade general contracting qualifications for municipal utilities project construction.

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

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

Unit: '000 Currency: RMB

Item	2018		2017		2016	
	Operating income	Proportion of the Company's operating income (%)	Operating income	Proportion of the Company's operating income (%)	Operating income	Proportion of the Company's operating income (%)
Construction operations	634,748,041	86.94	584,127,735	85.78	540,134,612	85.83
Among which:						
Infrastructure construction	508,003,643	69.58	454,881,709	66.80	419,142,874	66.60
Housing construction	94,730,604	12.97	85,909,132	12.62	81,748,541	12.99
Total operating income	730,123,045	100.00	680,981,127	100.00	629,327,090	100.00

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

Unit: '000 Currency: RMB

Item	2018		2017		2016	
	Costs of sales	Proportion of the Company's costs of sales (%)	Costs of sales	Proportion of the Company's costs of sales (%)	Costs of sales	Proportion of the Company's costs of sales (%)
Construction operations	588,579,651	89.35	543,982,487	88.01	503,154,934	88.06
Among which:						
Infrastructure construction	474,203,657	71.99	425,770,197	68.89	392,931,155	68.77
Housing construction	86,823,738	13.18	79,821,174	12.91	76,423,127	13.38
Total cost of sales	658,711,266	100.00	618,059,386	100.00	571,377,532	100.00

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

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

(5) *Financing arrangement*

For more details, see “(5) Liabilities” in “II. (III) 3. Other Explanation” of this section.

(6) *Major suppliers and major customers*

Please refer to “(4) Major customers and suppliers” included in the “II. (I) 2. Income and cost analysis” of this section.

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

The Group attaches great importance to quality development and it seriously implements the spirit of the national quality development outline, strictly carries out relevant quality standards, promotes quality responsibility system on project-end, carries out special improvement work including self-check and self-improvement of railway red line management and quality check and potential risk identification related to high speed rail and pushes forward engineering project excellence activities and the construction of safety quality standardization sites in order to ensure a stable quality management. No material issues related to project quality have been identified in the whole system. In the year of 2018, the Group obtained 46 National High-Quality Project Awards, 10 National Construction Luban Prizes, and 168 national excellent QC achievements.

The Company establishes a sound quality management organisation and system, and the quality control system is developed in accordance with national standards including GB/T19001-2016idt ISO9001:2015 and GB/T50430-2017. Control measures include the following: Firstly, the Company strengthened project quality management, amended and distributed “Rules of China Railway Construction Corporation Limited on Quality Accident Management” (《中國鐵建股份有限公司質量事故管理規定》), and enhanced the quality accident accountability mechanism which incorporates frontline team leaders and clarifies responsibilities of operation level and specific approaches. Secondly, the Company launched project quality improvement campaign. The concept of delicacy management is integrated into quality management in accordance with “Rules of China Railway Construction Corporation Limited on Project Quality Improvement” (《中國鐵建股份有限公司創建優質工程管理規定》) to comprehensively improve the effectiveness of quality management. According to the schedule of quality improvement campaign, comprehensive quality improvement group activities are initiated, with quality improvement plans well prepared and strictly implemented in project construction to achieve relevant goals. Thirdly, the Company launched high speed rail quality check and potential risk identification. Comprehensive quality inspection is conducted to high speed rail projects undertaken by all members of the Group and already put into operation. Those to be put into service will be examined and checked in an all-round manner. Potential risks will be identified, and rectification is required. Fourthly, the Company enhanced red line management related to railway project quality. Deployment about railway red line management are made in accordance with “Regulations on Red Line Management for Quality and Safety of Railway Construction Projects” (《鐵路建設項目質量安全紅線管理規定》) issued by China Railway, therefore strengthening quality and safety awareness and key process control in railway projects, ensuring all aspects related to project quality and safety to be under control and improving quality and safety level of railway construction projects.

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

(8) Operation of work safety system of the Company

In 2018, under the guidance of the safe development concept and the philosophy that life and safety is the most important, CRCC enhanced the work safety accountability mechanism, adopted specific measures with reference to the nine major indicators including safety guarantee responsibility, safety risk management and potential risk identification and rectification, so as to ensure the promotion of production safety. No material safety accidents were recorded during the Reporting Period.

Explicitly define work safety responsibilities. All subsidiaries regarded the work safety accountability mechanism as the core, and the letter of safety guarantee responsibility was developed and signed by all segments and levels based on business characteristics and the extent of safety risk. Safety packages were refined, which specified the entity responsible for safety guarantee, objectives of safety guarantee, incentives and punishments, and strict performance appraisal. Safety responsibilities were clearly defined, and a sound work safety accountability mechanism “to cover all functional departments and entities of all levels” were thereby established.

Launch strict safety risk control and potential risk identification and rectification. Control on the source of safety risk was intensified to eliminate any potential risk. With regard to construction projects subject to higher risks, the Company developed special technology and emergency plans, arranged review and analysis, organised safety inspections before the commencement of construction, strictly executed monitoring plans and appointed designated personnel to supervise the whole construction process. Potential risks were eliminated by daily examination, special inspection, early planning and discovery.

Launch special work safety actions. Implementation plans for special construction safety actions were developed in accordance with requirements set by Work Safety Committee of the State Council, the MOHURD and other governmental departments, which included housing construction, municipal engineering, railway, highway projects, especially tunnel projects under targeted management of complicated geological conditions, into the scope of special actions, and enhanced pre-construction and in-process control.

Enhance work safety education and training for all staff. A wide range of work safety trainings focusing on improving the safety awareness of staffs and standardising their behaviours were offered. In particular, pre-work trainings for frontline groups were enhanced, and safety awareness and management capabilities of management members have been improved.

Reinforce positive incentives. In a bid to encourage frontline staffs to proactively fulfil work safety responsibilities, the Company improved the incentive mechanism and reinforced positive incentives by promoting the system that combined work safety performance with compensation, so as to facilitate the progress from “forced safety execution” to “proactive pursuit of safety”.

Promote work safety emergency management. With reference to actual situation, seasonal construction and other characteristics, the Company improved emergency plans, organised emergency rescue drills in respect of tunnel collapse, high-altitude crash, disasters and fires, and improved the capability of dealing with emergency.

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

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

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

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

Not Applicable.

Analysis on Operational Information of Real Estate Industry

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

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

2. Reserve of real estate during the Reporting Period

Applicable Not Applicable

During the Reporting Period, the Company obtained 45 land parcels with a planned total floor area of approximately 9.8693 million sq.m. in 30 cities including Beijing, Shanghai, Guangzhou, Tianjin, Chongqing and Wuhan. As of the end of 2018, the Group has undertaken the development of 235 real estate projects in 65 cities and regions, with a total area of land for construction of 21.39 million sq.m. and a total floor area of about 69.88 million sq.m.

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

Land Reserve by Region

No.	Region(s) with the land to be developed	Area of the land to be developed (sq.m.)	A-land consolidation area (sq.m.)	Planned floor area upon calculation of plot ratio (sq.m.)	Whether to	Area related with the joint development project (sq.m.)	Equity ratio of the joint development project (%)
					be related with the joint development project		
1	Bohai Coastal Region	1,021,101	-	2,017,819	Yes	343,055	-
2	Southwest China	2,099,860	-	5,804,694	Yes	2,616,449	-
3	Yangtze River Delta	750,298	-	1,561,545	Yes	1,049,802	-
4	Pearl River Delta	1,076,524	-	2,724,996	Yes	781,738	-
5	Others	589,944	-	1,262,444	Yes	232,349	-

Notes:

1. The "Area related with the joint development project" mentioned in the above table refers to the planned floor area upon calculation of plot ratio for the project.
2. No A-land consolidation is covered in the Group's real estate development projects.

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

3. Development and investment in real estate during the Reporting Period

Applicable Not Applicable

The Group completed the real estate development investment of RMB52.3787 billion during the Reporting Period, among which, the investment of RMB17.7795 billion was completed in Bohai Coastal Region, and the investment of RMB12.9613 billion was completed in Yangtze River Delta, accounting for 33.94% and 24.75% of the investment, respectively.

Development and Investment in Real Estate by Region

No.	Region	Land area (10,000 sq.m.)	Planned floor	Gross floor area (10,000 sq.m.)	Floor area of	Completed Area (10,000 sq.m.)	Gross Investment (RMB '0,000)	Actual
			area upon calculation of plot ratio (10,000 sq.m.)		projects under construction (10,000 sq.m.)			investment during Reporting Period (RMB '0,000)
1	Bohai Coastal Region	647.90	1,451.64	1,914.84	412.04	1,111.19	21,399,075	1,777,946
2	Southwest China	688.40	1,922.43	2,544.07	602.83	1,057.29	19,083,706	1,104,993
3	Yangtze River Delta	431.62	1,004.18	1,333.92	310.37	716.14	14,828,978	1,296,129
4	Pearl River Delta	350.48	885.43	1,142.68	268.58	443.37	10,842,543	1,038,367
5	Others	20.44	41.93	52.51	12.58	15.20	351,953	20,436
Total		2,138.84	5,305.61	6,988.02	1,606.40	3,343.19	66,506,255	5,237,871

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

Among the 235 projects held by the Group, details of the development and investment of the top ten projects in estimated amount of total investment are as follow:

Unit: '0,000 Currency: RMB

No.	Region	Project	Address	Type of operation	Under construction/ Newly developed/ Completed projects	Interests attributable to the Company and subsidiaries	Land area (sq.m.)	Planned floor area upon calculation (sq.m.)	Gross floor Area (sq.m.)	Floor area of projects under construction (sq.m.)	Completed Area (sq.m.)	Expected completion period	Gross investment	Actual Investment During Reporting Period
1	Bohai Coastal Region	Tianjin International City, CRCC	Jinzhonghe Avenue, Hebei District, Tianjin	Residence/ commercial	Under construction	100%	252,300	866,100	1,224,600	338,700	636,500	2023	1,669,330	59,705
2	Southwest China	Guiyang International City, CRCC	Tai Ci Qiao Che Shui Road, Nanning District, Guiyang City	Residence	Under construction	100%	592,100	1,776,300	2,333,000	170,700	1,647,700	2021	1,326,534	65,232
3	Southwest China	Chongqing Xipai City, CRCC	Cuntan Street, Jiangbei District, Chongqing	Residence/ commercial	Under construction	100%	175,100	689,700	929,600	371,000	-	2021	1,236,549	124,850
4	Pearl River Delta	CRCC+Haiyu Xi'an	Tanwei Village, Huangge Town, Nansha District, Guangzhou	Residence	Not commenced	100%	166,300	550,300	764,700	-	-	2023	1,072,737	263,850
5	Bohai Coastal Region	Beijing International City, CRCC	Qingheying Village, Lai Guangying Town, Chaoyang District, Beijing	Residence/ commercial	Under construction	100%	195,600	612,300	855,800	-	845,000	2019	1,004,241	22,214
6	Southwest China	Chengdu Beihu International City, CRCC	Longtan Street, Chenghua District, Chengdu	Residence	Under construction	100%	99,800	357,000	499,800	179,400	433,100	2022	910,460	87,170
7	Yangtze River Delta	Hefei International City, CRCC	The junction at North 2nd Ring and Taoyuan Road, Luyang District, Hefei City	Residence	Completed	100%	441,300	1,378,100	1,701,200	-	1,701,200	2017	800,561	14,395
8	Yangtze River Delta	Nanjing Qingxiu City, CRCC	Wanshou Village, Maigaoqiao Street, Qixia District, Nanjing City	Residence	Under construction	100%	108,800	330,400	429,200	66,800	362,400	2019	711,267	62,372
9	Yangtze River Delta	Champs Mansion, CRCC	Fulan Road, Nanqiao Town Central, Fengxian District, Shanghai	Residence	Under construction	100%	110,100	205,100	321,200	85,000	236,200	2020	689,219	121,384
10	Yangtze River Delta	Hangzhou International City, CRCC	Shangtang Street, Gongshu District, Hangzhou	Residence/ commercial	Under construction	100%	99,000	271,400	363,600	47,800	314,900	2019	639,021	23,223

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

4. Sales of real estate during the Reporting Period

Applicable Not Applicable

During the Reporting Period, the Group's real estate sector achieved the sales volume of RMB93.4553 billion, with a year-on-year growth of 36.61%, and the sales area of 6.641 million sq.m, with a year-on-year growth of 28.38%.

Sales by Region in 2018

No.	Region	Saleable Area (10,000 sq. m.)	Pre-sold area within the Reporting Period (10,000 sq. m.)	Sales volume within the Reporting Period (RMB'0,000)	Average selling price (RMB/sq.m.)
1	Bohai Coastal Region	1,451.64	152.12	2,513,527	16,523
2	Southwest China	1,922.43	282.12	3,329,436	11,801
3	Yangtze River Delta	1,004.18	150.41	2,321,144	15,432
4	Pearl River Delta	885.43	74.26	1,118,107	15,057
5	Others	41.93	5.19	63,317	12,200
Total		5,305.61	664.10	9,345,531	14,072

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

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

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

No.	Region	Project	Address	Type of operation	Saleable Area (sq.m.)	Pre-sold area (sq.m.)	Expected completion period	Interests attributable to the Company and subsidiaries
1	Southwest China	Chengdu Xipai City, CRCC	Tiefo Village, Cujin Street Office, Wuhou District, Chengdu	Residence	278,600	255,911	2021	100%
2	Yangtze River Delta	Hangzhou Xihu International City, CRCC	Sandun North, Xihu District, Hangzhou	Residence	176,300	149,400	2018	100%
3	Southwest China	Chongqing Xipai City, CRCC	Cuntan Street, Jiangbei District, Chongqing	Residence	689,700	178,657	2021	100%
4	Yangtze River Delta	Champs Mansion, CRCC	Fulan Road, Nanqiao Town Central, Fengxian District, Shanghai	Residence	205,100	54,496	2020	100%
5	Southwest China	Gui'an Shanyu City, CRCC	Tianhetan Avenue Northwest, Baima Avenue, Gui'an New Area	Residence	476,500	208,844	2020	100%
6	Southwest China	Xi'an International City Phase III, CRCC	Qiujiang, Xi'an	Residence	635,900	153,400	2021	100%
7	Southwest China	Chongqing Shanshui Yicheng	Huangming Road, Chayuan New Area, Nan'an District, Chongqing	Residence	468,000	161,100	2020	100%
8	Bohai Coastal Region	Baotou Jing Sheng Kai Yuan, CRCC	Xindu Area, Jiuyuan District, Baotou, Inner Mongolia	Residence	414,600	249,200	2021	100%
9	Yangtze River Delta	Jiaxing Lakeside Mansion, CRCC	Coverage to Chengnan Road in the east, to Zhonghuan South Road in the south, to Xiaoqiaogang in the west and to Zhenheligang in the north, Jiaxing	Residence	112,000	75,728	2021	100%
10	Southwest China	Guiyang International City, CRCC	Tai Ci Qiao Che Shui Road, Nanming District, Guiyang	Residence	1,776,300	107,285	2021	100%

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

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

5. Real Estate during the Reporting Period

Applicable Not Applicable

6. Financing of the Company during the Reporting Period

Applicable Not Applicable

For details, please see “(5) Liabilities” in “II. (III) 3. Other Explanation” of this section.

7. Other Explanation

Applicable Not Applicable

(V) Analysis of investment

1. Overall analysis of external investment in equities

Applicable Not Applicable

As at 31 December 2018, the carrying balance of the Group’s long-term equity investment was RMB28.9786 billion, increasing by RMB11.1091 billion as compared to RMB17.8695 billion at the beginning of the year. Equity investment in joint venture amounted to RMB13.0854 billion, increasing by RMB5.4334 billion or 71.01% as compared to RMB7.6520 billion at the beginning of the year; investment in associate amounted to RMB15.8932 billion, increasing by RMB5.6757 billion or 55.55% as compared to RMB10.2175 billion at the beginning of the year.

- (1) *Major equity investment*

Applicable Not Applicable

- (2) *Major non-equity investment*

Applicable Not Applicable

- (3) *Financial assets measurement at fair value*

Applicable Not Applicable

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

Unit: '000 Currency: RMB

Item	Carrying amount at the beginning of the period	Carrying amount at the end of the period	Profit/loss during the Reporting Period	Change of owner's equity during the Reporting Period
Securities investment	557,408	3,201,059	63,904	-
Equity in other listed companies	2,200,661	1,704,079	20,396	-499,759
Trust products and others	380,416	912,626	-	513
Total	3,138,485	5,817,764	84,300	-499,246

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

① Investment in securities

Unit: '000 Currency: RMB

No.	Type of securities	Stock code	Abbreviated stock name	Amount of initial investment	Number of securities held (share)	Carrying value at the end of the period	Percentage over total securities investment at the end of the period (%)	Profit/loss during the Reporting Period	Financial statement item	Source of shares
1	Stock	HK03969	CRSC	131,950	25,000,000	120,039	3.75	-7,855	Held-for-trading financial assets	Original issue stock
2	Stock	HK01258	CHINF Mining	64,863	36,363,000	62,448	1.95	-3,816	Held-for-trading financial assets	Original issue stock
3	Stock	601618	MCC	59,265	10,600,000	17,461	0.55	-2,918	Held-for-trading financial assets	Original issue stock
4	Open-ended Fund	000652	Bosera-Yulong Hybrid	17,370	17,369,836	31,648	0.99	-2,736	Held-for-trading financial assets	Subscription
5	Open-ended Fund	519606	Guotai Jinxin	3,908	3,908,303	4,061	0.13	-3,748	Held-for-trading financial assets	Subscription
6	Open-ended Fund	003473	China Southern Tiantianli Money Market Fund	400,000	400,000,000	414,248	12.94	14,248	Held-for-trading financial assets	Subscription
7	Open-ended Fund	000620	E Funds Cash Money Market Fund	300,000	300,000,000	312,422	9.76	12,422	Held-for-trading financial assets	Subscription
8	Open-ended Fund	002758	CCB Cash Increase Money Market Fund	500,000	500,000,000	515,192	16.10	15,192	Held-for-trading financial assets	Subscription
9	Open-ended Fund	001478	Taikang Xinyibao Money Market B Fund	249,913	249,912,600	254,522	7.95	4,608	Held-for-trading financial assets	Subscription
10	Open-ended Fund	005202	CIB Wentianying Money Market B Fund	300,000	300,000,000	313,545	9.80	13,545	Held-for-trading financial assets	Subscription
11	Open-ended Fund	000716	ICBC-Credit Suisse Salary B Fund	100,000	100,000,000	100,916	3.15	916	Held-for-trading financial assets	Subscription
12	Open-ended Fund	070088	Harvest Money Market B Fund	100,000	100,000,000	100,858	3.15	858	Held-for-trading financial assets	Subscription
13	Open-ended Fund	003753	ICBC Ruyi Money Market B Fund	150,000	150,000,000	151,211	4.72	1,211	Held-for-trading financial assets	Subscription
14	Open-ended Fund	004984	Pengyang Tongli Money Market B Fund	100,000	100,000,000	100,586	3.14	586	Held-for-trading financial assets	Subscription
15	Open-ended Fund	000759	Ping An Dahua Caifubao Money Market Fund	200,000	200,000,000	200,781	6.27	781	Held-for-trading financial assets	Subscription
16	Open-ended Fund	100028	Fullgoal Tianshi Money Market B Fund	500,000	500,000,000	500,685	15.64	685	Held-for-trading financial assets	Subscription
17	Stock	600028	SINOPEC	533	135,000	436	0.01	-243	Other non-current financial assets	Original issue stock
	Other investment in securities held at the end of the period			/	/	/	/	/	/	/
	Profits/loss from disposal of investment in securities during the Reporting Period			/	/	-	-	20,168	/	/
Total				3,177,802	/	3,201,059	100.00	63,904	/	/

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

② Shareholdings in other listed companies

Unit: '000 Currency: RMB

Stock code	Abbreviated stock name	Amount of initial investment	Shareholding ratio at the beginning of the period (%)	Shareholding ratio at the end of the period (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in owner's equity during the Reporting Period	Financial statement item	Source of shares
601328	Bank of Communications	49,892	0.07	0.07	233,485	4,393	-16,937	Other equity instrument investments	Original issue stock
601211	Guotai Jun'an	7,604	0.10	0.10	115,503	2,970	-24,333	Other equity instrument investments	Original issue stock
600809	Shanxi Fenjiu	708	0.05	0.05	14,020	-	-8,776	Other equity instrument investments	Original issue stock
600322	Tianjin Real Estate Development	160	0.03	0.03	325	-	-316	Other equity instrument investments	Original issue stock
600061	SDIC Capital	268,452	1.45	1.45	549,899	3,792	-258,481	Other equity instrument investments	Original issue stock
600657	Cinda Real Estate	236	-	-	9,540	-	9,304	Other equity instrument investments	Original issue stock
601169	Bank of Beijing	2	-	-	1,113	54	-321	Other equity instrument investments	Original issue stock
HK00687	Hong Kong International Construction	208,027	5.03	5.03	120,364	4,777	16,481	Other equity instrument investments	Subscription
000630	Tongling Nonferrous	500,000	1.71	1.71	355,596	-	-171,480	Other equity instrument investments	Subscription
600885	Hongfa	1,440	0.71	0.71	34,490	-	-10,686	Other equity instrument investments	Original issue stock
000759	Zhongbai Holdings Group	1,058	0.14	0.14	5,059	-	-4,198	Other equity instrument investments	Original issue stock
002159	Sante Cableway	3,000	0.99	0.99	20,981	-	-1,503	Other equity instrument investments	Original issue stock
834898	Zhuzhou Department Stores	360	0.31	0.31	1,474	-	15	Other equity instrument investments	Original issue stock
HK3898	CRRC Times Electric	9,800	0.90	0.90	242,230	4,410	-28,528	Other equity instrument investments	Original issue stock
Total		1,050,739			1,704,079	20,396	-499,759	/	/

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

③ Trust products held and others

Unit: '000 Currency: RMB

Name of investees	Initial cost of investment	Percentage of shares held (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in owner's equity during the Reporting Period	Financial statement item	Source of shares
CCB Trust – CRCC Collective Fund Trust Scheme (No. 9)	2,500	9.88	2,500	-	-	Held-for-trading financial assets	Subscription
BOC International – CRCC Factoring Phase I Asset-backed Scheme	29,000	1.46	29,000	-	-	Held-for-trading financial assets	Sponsorship
CCB Trust – CRCC Collective Fund Trust Scheme (No. 7)	54,816	9.90	54,816	-	-	Other non-current financial assets	Subscription
Xinhengyintong Private Investment Fund	31,357	/	31,357	-	-	Other non-current financial assets	Subscription
Haitong Securities Investment Fund	19,000	/	19,000	-	-	Other non-current financial assets	Subscription
CCB Trust – CRCC Collective Fund Trust Scheme (No. 11)	24,000	19.66	24,000	-	-	Other non-current financial assets	Subscription
CCB Trust – CRCC Collective Fund Trust Scheme (No. 20)	47,900	20.00	47,900	-	-	Other non-current financial assets	Subscription
CCB Capital – China Railway 18th Bureau Group Phase I Trade receivables Asset-backed Scheme	88,000	8.52	88,000	-	-	Other non-current financial assets	Sponsorship
China PPP Fund	110,390	/	110,390	-	-	Other non-current financial assets	Subscription
Ping An Securities – China Railway Construction Asset Management Phase I Trade receivables Asset-backed Scheme	26,000	1.45	26,000	-	-	Other non-current financial assets	Sponsorship
2017 Tranche I non-public placed asset-backed notes of China Railway Construction (Beijing) Property Management Co, Ltd.	30,000	3.13	30,000	-	-	Other non-current financial assets	Sponsorship
2017 REG MBEC Phase I Trade receivables Asset-backed Scheme	11,000	0.99	11,000	-	-	Other non-current financial assets	Sponsorship
Haitong Securities – China Railway Construction Asset Management Phase I Trade receivables Asset-backed Scheme	31,000	1.47	31,000	-	-	Other non-current financial assets	Sponsorship

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

Name of investees	Initial cost of investment	Percentage of shares held (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in owner's equity during the Reporting Period	Financial statement item	Source of shares
Ping An Securities – China Railway Construction Asset Management Trade Receivables Asset-backed Scheme (No. 1)	25,000	1.47	25,000	–	–	Other non-current financial assets	Sponsorship
CRCC PPP Tianfu Private Investment Fund	32,080	/	32,080	–	–	Other non-current financial assets	Subscription
CRCC-China PPP Fund Private Investment Fund No. 1 Highway Construction Fund	33,590	/	33,590	–	–	Other non-current financial assets	Subscription
Mutual Infrastructure FOF Phase I Private Fund	67,180	/	67,180	–	–	Held-for-trading financial assets and other non-current financial assets	Subscription
Industrial Securities Asset Management – China Railway Construction Asset Management Phase I Trade Receivables Asset-backed Scheme	20,000	1.39	20,000	–	–	Other non-current financial assets	Sponsorship
Guojun – CRCC Phase I Asset-backed Scheme	39,000	1.19	39,000	–	–	Other non-current financial assets	Sponsorship
2018 Huaxia – CRCC Factoring Phase I Trade Receivables Debt Financing Scheme	7,600	1.38	7,600	–	–	Other non-current financial assets	Sponsorship
Ping An Securities – China Railway Asset Management Trade Receivables Asset-backed Scheme (No. 2)	40,000	1.21	40,000	–	–	Other non-current financial assets	Sponsorship
Guojun – CRCC Phase II Trade Receivables Asset-backed Scheme	14,000	1.27	14,000	–	–	Other non-current financial assets	Sponsorship
Guojun – China Railway 16th Bureau Group Trade Receivables Asset-backed Scheme	13,000	1.35	13,000	–	–	Other non-current financial assets	Sponsorship
CCB Trust – CRCC Collective Fund Trust Scheme (No. 18)	12,600	9.80	12,600	–	–	Other non-current financial assets	Sponsorship
18 Coupon-bearing Treasury Bond (Tranche 22)	100,000	/	100,513	–	513	Other debt investment	Subscription
Others	3,100	/	3,100	–	–	Other non-current financial assets	Subscription
Total	912,113	/	912,626	–	513	/	/

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

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

Unit: '000 Currency: RMB

Stock code	Abbreviated stock name	Amount of initial investment	Shareholding ratio at the beginning of the period (%)	Shareholding ratio at the end of the period (%)	Carrying value at the end of the period	Profit/loss during the Reporting Period	Changes in owner's equity during the Reporting Period
600061	SDIC Capital	268,452	1.45	1.45	549,899	3,792	-258,481

(VI) Disposal of significant assets and equity interest

Applicable Not Applicable

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

Applicable Not Applicable

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

1 Major Subsidiaries

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

Unit: '000 Currency: RMB

Name of Company	Major financial indicators as at 31 December				Principal operations	Industry
	Registered capital	Total assets	Net assets	Net profit		
China Civil Engineering Construction Co., Ltd.	3,000,000	24,301,224	7,424,576	1,392,961	Construction	Construction
China Railway 11th Bureau Group Co., Ltd.	5,030,000	53,985,312	12,822,322	1,344,595	Construction	Construction
China Railway 12th Bureau Group Co., Ltd.	5,060,677	47,088,865	10,191,727	1,368,484	Construction	Construction
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	3,000,000	42,643,751	6,924,045	110,752	Construction	Construction
China Railway 14th Bureau Group Co., Ltd.	3,110,000	40,111,049	6,430,335	643,352	Construction	Construction
China Railway 15th Bureau Group Co., Ltd.	3,000,000	27,567,353	4,145,472	165,267	Construction	Construction
China Railway 16th Bureau Group Co., Ltd.	3,000,000	44,158,435	6,667,881	333,674	Construction	Construction
China Railway 17th Bureau Group Co., Ltd.	3,003,724	36,291,744	5,661,569	212,250	Construction	Construction
China Railway 18th Bureau Group Co., Ltd.	3,000,000	38,642,503	5,871,263	455,208	Construction	Construction
China Railway 19th Bureau Group Co., Ltd.	5,080,000	39,075,862	5,809,453	66,381	Construction	Construction
China Railway 20th Bureau Group Co., Ltd.	3,130,000	39,074,757	5,991,196	744,324	Construction	Construction
China Railway 21st Bureau Group Co., Ltd.	1,880,000	27,950,603	4,206,596	122,058	Construction	Construction
China Railway 22nd Bureau Group Co., Ltd.	2,000,000	27,024,321	5,032,306	247,163	Construction	Construction
China Railway 23rd Bureau Group Co., Ltd.	2,000,000	22,722,748	3,421,297	246,123	Construction	Construction
China Railway 24th Bureau Group Co., Ltd.	2,000,000	19,831,305	2,981,901	299,414	Construction	Construction
China Railway 25th Bureau Group Co., Ltd.	2,000,000	17,544,783	2,888,302	106,694	Construction	Construction
China Railway Construction Group Ltd.	3,000,000	51,636,787	7,809,401	706,208	Construction	Construction
China Railway Electrification Bureau Group Co., Ltd.	710,000	28,283,475	8,086,401	1,457,273	Construction	Construction
China Railway Construction Real Estate Group Co., Ltd.	7,000,000	142,279,155	24,450,160	3,857,123	Real estate development and operations	Real estate
China Railway Material Group Co., Ltd.	3,000,000	20,105,850	2,811,178	480,144	Purchase and sales of goods and materials	Logistics
China Railway Construction Investment Group Co., Ltd.	12,000,000	95,802,815	22,093,193	1,395,376	Project investment	Investment
CRCC Finance Company Limited	9,000,000	113,476,417	11,250,855	858,605	Financial Agency	Finance
China Railway Urban Construction Group Co., Ltd.	2,000,000	16,876,274	2,752,010	544,059	Construction	Construction
CRCC High-Tech Equipment Corporation Limited	1,519,884	7,468,152	5,495,439	156,360	Industrial manufacturing	Industry
China Railway Construction Heavy Industry Co., Ltd.	3,855,540	16,096,586	9,390,091	1,643,985	Industrial manufacturing	Industry
CRCC Chongqing Investment Group Co., Ltd.	3,000,000	9,056,448	4,150,184	365,072	Project investment	Investment
CRCC Kunlun Investment Group Co., Ltd.	5,000,000	25,140,191	5,391,844	1,390,962	Project investment	Investment
CRCC Assets Management Co., Ltd.	3,000,000	37,407,868	4,857,011	306,145	Asset management	Finance

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

During the Reporting Period, China Railway Construction Real Estate Group Co., Ltd., a subsidiary of the Company, accounted for larger proportion in the consolidated operating results of the Group. The revenue of China Railway Construction Real Estate Group Co., Ltd. in 2018 was RMB27.8986 billion, and operating profit amounted to RMB5.0252 billion. The net profit amounted to RMB3.8571 billion, accounting for 19.44% of net profit of RMB19.8384 billion of the Group.

2. Major companies in which the Company invested

There was no important company invested by the Group. For detailed information, please see “12. Long-term equity investments” in the Note V and “2. Equity in joint ventures and associates” in Note VII to the Financial Report set out in this report.

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

Applicable Not Applicable

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

(I) Industry pattern and trends

Applicable Not Applicable

In 2019, the construction industry will maintain overall stability in spite of the complicated external and internal environment. The market value, investment scale, investment and financing policies and industry development policies are expected to remain stable, given that the country will coordinate the development of Western Development, Northeast Revitalisation, Rising of Central China and Eastern Region to Take the Lead in Development, and further promote a series of major strategies including “Belt and Road Initiative”, Xiong'an New Area, Coordinated Development for Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta Development. As the urbanisation continues to develop, large, medium and small cities will build more infrastructure facilities of better quality to comprehensively improve city functions. In a bid to improve public service capabilities, cities will accelerate the construction of integrated urban transportation network, renovation of shanty towns and dilapidated houses, upgrade of underground network and construction of sponge city, green city and intelligent city. In light of integration of transport, logistics, industry and environment in Beijing-Tianjin-Hebei region, construction of Xiong'an New Area, promotion of Yangtze integrated transport corridor, new city clusters and economy integration, and progress of “Belt and Road” infrastructure connectivity, railway, highway, housing construction, urban rail transit, municipal engineering, water conservancy, hydropower, airport, port and waterway will maintain steady growth; emerging markets are expected to experience rapid development; the infrastructure segment will see abundant opportunities. The country will continue to stimulate infrastructure investment to play a role in boosting national economy, and will launch a series of major projects that aim for perspectiveness, overall development, foundation consolidation and strategic growth.

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

The general trend is to deepen the comprehensive reform on state-owned assets and state-owned enterprises, and reform in all aspects will be further promoted, with greater efforts put in de-capacity, de-stocking, de-leveraging, cost reduction and weak link improvement. The determination of the central government on deepening overall reform is unshakable, and the general trend of innovation-driven development is irreversible. In 2019, the Company will focus on the key task of building “High-Quality CRCC” and actively promote structural adjustment, innovation-driven development and layout optimisation in accordance with the concept that development should be innovation-driven, coordinated, green, oriented toward global progress and beneficial to all, and be bold and straight in making CRCC better, larger and stronger.

(II) Development strategies of the Company

Applicable Not Applicable

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

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

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

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

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

In 2018, based on comprehensive and systematic evaluation of plan execution since 2016 and in-depth analysis on the issues in the course of execution, and in light of domestic and international macro-economic situation and the development of construction industry at present and in future, the Company optimised and adjusted the work plans and major tasks for the later period of “13th Five-year Plan”, and developed the Interim Evaluation Report on Enterprise Development Strategy and Planning 2016-2020 of CRCC. During the Reporting Period, the Company proposed the guideline of “prioritising overseas businesses” and implemented “four priorities”, namely “concept priority, resource priority, policy priority and guarantee priority”, established China Railway Construction International Investment Group Co., Ltd., further organised overseas business management system and mechanism and laid a solid foundation for developing high-quality CRCC.

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

(III) Operation plan

Applicable Not Applicable

1. Explanation of operation plan during the Reporting Period

Facing a sever market situation and great pressure in 2018, the Group acted proactively, made prudential judgement about market development, deepened regional operation reform, optimized and adjusted industry structure, strengthened business capabilities, developed overseas markets with great efforts and deepened the development of domestic market. Therefore, it realised production and operation objectives set for the year, and the business scale maintained steady growth.

2. Operation plan for 2019

The Group's operation plan for 2019 is that the value of newly-signed contracts is to reach RMB1.66 trillion, operating revenue is to reach RMB750.8 billion, and costs and taxes are to reach RMB726.4 billion. To this end, the Group will adhere to the "13th Five-Year Plan" and the guideline of "prioritising overseas businesses", earnestly promote high-quality development and build "High-Quality CRCC" with great efforts; maintain its strength in the traditional market, develop core segment and new industries and cultivate new growth engines by following national major strategies and seizing market opportunities; enhance local market and city operations, coordinate industry development, and deepen regional operations to improve business capabilities and foster further development; stick to the guideline of "prioritising overseas businesses", focus on overseas markets to enlarge market share and further improve market position; promote transformation and upgrade, improve operation and management system and consolidate development foundation to realise rapid improvement in business scale and development quality.

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

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

In order to achieve the business goals for 2019 and satisfy the development needs of the Company's various businesses, the Company will ensure the satisfaction of capital requirement for its operations through internal resources, issuance of new shares, bank loans and bank acceptance bills, issues of bonds and other ways.

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

(IV) Potential risks

Applicable Not Applicable

With reference to its characteristics, the Group standardises risk management procedures and strengthens material risk control to realise prudent and steady development. Through material risk assessment, the Group identifies the following risks as the material risks it will be subject to in 2019: overseas risks, safety and quality risks, investment risks, risks related to trade receivables and cash flow risks.

1. Overseas risks: The overseas environment will get complicated as the global economy may see a gloomy prospect in the future, the international trade will grow at a slower pace, trade protectionism will return and geopolitical risk will be higher. Adhering to the guideline of “prioritising overseas businesses”, the Group expands to over 100 countries and regions around the globe and is exposed to tough and complicated environment in the course of overseas market expansion, for these countries and regions differ from each other in political system, market, economic and legal environment, manners and customs, natural environment and other aspects. Overseas businesses will be subject to certain risks if the Group does not have comprehensive and thorough risk analysis and adopt effective risk control, or some countries and regions experience political instability and social unrest, and involve in diplomatic and economic frictions or disputes with China. By comprehensive analysis, the Group determines that risk management related to overseas operation will focus on country risk, legal risk, non-traditional security risk, foreign exchange risk, labour risk and environment risk, analyses the background and reasons of such risks and the possible impact, puts forward countermeasures and conducts follow-up and control in the whole process to ensure a healthy and orderly development of overseas market.
2. Safety and quality risks: Contracted construction projects comprising of a large variety of building tasks account for a large share of the Group’s business. The work safety and quality management are exposed to certain risks due to the nature of the industry and the impact of the construction environment, as the Group’s projects feature multiple sites, wide range and long construction periods, and are constantly faced with natural disasters including floods, debris flows, landslides, gas, typhoon and fire, other emergent incidents and other risk factors. While strictly implementing national laws and regulations and requirements of relevant departments in relation to safety and quality management and conducting operation in accordance with laws and regulations, the Group improves safety and quality policies and regulations, promotes standardisation of safety and quality management, strengthens safety and quality education and training, earnestly fulfils work safety and quality management responsibilities, and adheres to the policies of “people-oriented and safe development” and “high-quality development”, therefore to prevent any work safety accidents.

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

3. Investment risks: Investments of the Group are concentrated in property and PPP projects, which feature large scales, long construction periods, a wide range of sectors, high complexity, strict construction deadlines, high quality requirements and exposure to policy influence. In the internal and external environment characterized by greater policy control by the central and local governments, standardised management, stricter financial regulation, greater debt pressure and fiercer competition, the execution and operation of investment projects above may subject the Company to certain risks if feasibility analysis received is not comprehensive, or if policy interpretation is not accurate, funds are not available, the process is not managed in a standard way, which may affect the expected benefit and the realisation of strategic goals. To effectively control investment risks, the Group makes greater efforts in national and local economic policy analysis, sticks to the guidance of strategic goals, conducts pre-investment risk identification, strictly controls investments in non-core businesses, improves feasibility analysis standards, strictly performs investment project analysis and decision-making procedures, manages investment costs, enhances risk control in the whole process of investment projects, and develops targeted risk control plans and mitigation measures by taking account of specific characteristics of different projects with an aim to minimise investment risks.
4. Risks related to trade receivables: The domestic market is now experiencing the conversion of new and old economic growth drivers. Restricted by new liquidity rules, the construction industry is seeing overall tightening financing availability; collection of trade receivables is in a slower progress; it is difficult to realise trade receivables settlement and debt reduction. To prevent risks brought by trade receivables, the Group controls the scale and quality of trade receivables from the source, strictly reviews the tendering and the contract signing, sticks to the “six not undertake” principle, and closely monitors the quality and benefit of new contracts. The Group also enhances management of project cost and fund allocation, carefully chooses projects with ultra-low progress payment ratios, and prohibits any excessive allocation and payments. In addition, the Group conducts daily control on trade receivables, holds the red line regarding to total amount, makes deployments to each level, and specifies responsibilities and objectives to ensure that collection of trade receivables and debt is realised.
5. Cash flow risks: On top of overall economy and tightening financing availability, the continuous development and expanding business scale of the Group result in high level of trade receivables and inventory, and the slower fund collection leads to less cash flows, which brings great pressure to business operation. Regarding capital as the blood of a company, the Group adheres to the concept that “the one with cash in hand is likely to stand out in the market, and ample resources provide certain guarantee”, actively expands financing channels, optimises financing structure and enhances centralised capital management to ensure capital chain security.

(V) Others

Applicable Not Applicable

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

Applicable Not Applicable

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

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

(I) Principal business

For details, please refer to “Section IV Summary of the Company’s Businesses”.

(II) Business review

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

(III) Taxation on dividend

The Board proposed to distribute a final cash dividend for the year 2018 of RMB0.21 per share (including tax) with a total amount of RMB2,851,703,715.00 based on the total share capital of 13,579,541,500 shares of the Company as at 31 December 2018. The above profit distribution plan is subject to consideration and approval at the 2018 Annual General Meeting of the Company. After being considered and approved, the cash dividend will be paid on or before 31 August 2019 as expected by the Company. The Company will make separate announcements after convening of the General Meeting in relation to further details of the closure of register of H shareholders for distribution of cash dividend and the expected payment date.

Details of profit distribution of the Company in 2018 are set out in “Section VI Significant Events” of this report.

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

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

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

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

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

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

(IV) Share capital

Details of the share capital of the Company are set out in “37. Share capital” in the Note V to the Financial Reports of this report.

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

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

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

(V) Capital reserves, surplus reserves and special reserves

Changes to capital reserves, special reserves and surplus reserves of the Group and the Company in the year are set out in the Consolidated Statement of Changes in Equity in the audited financial reports and “39. Capital Reserve”, “41. Special Reserve” and “42. Surplus Reserve” in the Note V to the Financial Reports of this report.

(VI) Fixed assets

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

(VII) Distributable reserves

The distributable reserve of the Company as at 31 December 2018 was approximately RMB10.6446 billion.

(VIII) Designated deposits and overdue term deposits

As at 31 December 2018, the Group had no designated deposits placed with any financial institutions in China, nor any term deposits which could not be recovered upon maturity.

(IX) Pre-emptive rights

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

(X) Permitted indemnity provisions

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

(XI) Management contracts

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

(XII) Donation

During the Reporting Period, the aggregation of the charitable donations and other donations of the Group amounted to RMB19.025 million.

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

(XIII) Relationship with employees, customers and suppliers

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

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

For details of the major customers and major suppliers, please refer to “(4) Major customers and suppliers” in “II. (I) 2. Analysis of the revenue and costs” of this section.

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

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

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

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

Section VI Significant Events

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

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

Applicable Not Applicable

1. Details of implementation of the cash dividend policy during the Reporting Period

It was resolved at the 3rd meeting of the fourth session of the Board convened by the Company on 28 and 29 March 2018 that a cash dividend of RMB2,444,317,470.00 in total for 2017, i.e., RMB0.18 (tax inclusive) per share based on the total share capital of 13,579,541,500 shares as at 31 December 2017 was declared. The profit distribution plan had been considered and passed at the 2017 Annual General Meeting convened on 11 June 2018. As at 3 August 2018, the distribution of the above cash dividend was completed.

2. Formulation, execution or adjustment of cash dividend policy

While maintaining the sustainable and stable development, the Company highly valued reasonable investment return to its shareholders. According to relevant regulations by the CSRC, the Articles of Association made clear the approval procedure for the cash dividend distribution policy and profit distribution policy. The Company's profit distribution policy is consistent with the Articles of Association and review process requirements. The standard and proportion of dividend are clear and relevant decision-making mechanism and procedures are complete. The independent directors of the Company fulfilled their responsibilities with due diligence, carefully audited the cash dividend policy and issued independent advice. The Company has adopted a number of ways for the small and medium-sized shareholders to fully express their views and demands, fully safeguard the legitimate rights and interests of minority shareholders. During the Reporting Period, in order to facilitate investors to have more comprehensive and further understanding of cash dividend distribution for 2017, the Company held an online illustration meeting on 9 May 2018, with the investors' corresponding issues hereof under common concern answered; on 11 June 2018, through the combination of on-site open and online voting, the Company considered and adopted the Proposal Regarding 2017 Annual Profit Distribution Plan at the 2017 Annual General Meeting.

Section VI Significant Events (continued)

3. Explanation on profit distribution plan for 2018

(1) *The 2018 profit distribution plan approved by the Board*

According to the audited financial report of the Company for 2018, at the beginning of 2018, the undistributed profit of the parent company was RMB10,900,866,035.34. After adding the net profit realized by the parent company in this year of RMB3,394,437,790.53, deducting the cash dividends for 2017 of RMB2,444,317,470.00, paying the interests of renewable corporate bonds and renewable loans of RMB866,982,777.79 due to the trigger of a mandatory interest payment event, the distributable profit of the parent company at the end of the year was RMB10,984,003,578.08.

According to the Company Law and the Articles of Association, the distributable profit of the parent company shall be distributed in the order as follows in 2018: the withdraw of the statutory surplus reserve fund of RMB339,443,779.05 based on 10% of net profit realized by the parent company for the year of 2018, after which the parent company's distributable profit for the shareholders in this year was RMB10,644,559,799.03; a cash dividend of RMB2,851,703,715.00 in total, being RMB0.21 (tax inclusive) per share, will be distributed, based on the total issued share capital of 13,579,541,500 shares as at 31 December 2018; upon such distribution, the undistributed profit of the parent company amounting to RMB7,792,856,084.03 will be carried forward to the next year.

(2) *The time arrangement of the profit distribution plan for 2018*

The profit distribution plan for 2018 of the Company is subject to consideration and approval at the 2018 Annual General Meeting. The above proposed dividend is expected to be paid to the shareholders of the Company on or before 31 August 2019 after such profit distribution plan is considered and approved at the 2018 Annual General Meeting (the date of which has not been determined but will be announced by the Company in due course). If there is any change in the expected payment date, the Company will make further announcement(s) in respect of such change in due course.

Section VI Significant Events (continued)

(3) *Statement of the Board on the profit distribution plan for 2018*

From the perspective of national strategies and economic development requirements, investment into infrastructure construction will remain stable, the promotion of new urbanization, coordinated development for the Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt, Guangdong-Hong Kong-Macau Greater Bay Area and Xiong'an New Area will become an important engine for future development of the construction industry and bring great and valuable opportunities. Investment into railway, road, housing construction, urban transit, municipal engineering and water resources, water and electricity supply, airport will remain stable. Fields including utility tunnel, sponge city and pollution prevention and treatment are expected to experience rapid development. As the "Belt and Road Initiative" is advanced, overseas markets will embrace new development opportunities. To seize opportunities arising from national deployment, the Company has a great capital demand for realizing its strategic plans.

From the perspective of the development, the Group now sees a rapid development and is in a crucial stage for strategic transformation. In 2018, the newly-signed contracts, revenue and total profit of the Group amounted to RMB1,584,472.2 million, RMB730,123 million and RMB25,105.3 million respectively, all recording significant growth as compared with the same period of last year and setting a new record in the history of the Group while the business is expanding with steady and rapid growth, the Company records year-on-year increase in investment in manufacturing and real estate development in the course of deepening reform and promoting innovation-driven development. When pressing ahead with restructuring and transformation and pursuing the development strategy of "construction-oriented, relevant diversification, integrated operation and advance through transformation", the Company has to settle any potential capital pressure.

From the perspective of retained earnings, one portion of net income earned will be distributed to investors, and the other portion will be reserved. Accumulative retained earnings are attributable to owners of the Company, but will not be distributed for the time being. A balance between distribution and accumulation to keep some of net income for satisfying future requirements and controlling fluctuations of income allocation will be conducive to a sustained and stable dividend distribution policy. Dividend declaration of CRCC has been staying above 15% in recent years, indicating a stable level of dividend distribution.

Section VI Significant Events (continued)

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

Unit : RMB'000 Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share)	Amount of dividend for every 10 shares (tax included)	Number of shares transferred for every 10 shares (share)	Amount of cash dividend (tax included)	Net profit attributable to ordinary shareholders of the Company in the consolidated financial statement during the year of dividend distribution	Percentage in net profit attributable to shareholders of the Company in the consolidated financial statement (%)
2018	0	2.10	0	2,851,704	17,068,298	16.71
2017	0	1.80	0	2,444,317	15,767,085	15.50
2016	0	1.60	0	2,172,727	13,858,410	15.68

Note:

1. In the year of distribution of 2018, net profit attributable to shareholders of the parent company in the consolidated financial statement amounted to RMB17,935,281,000; net profit attributable to ordinary shareholders of the Company after deducting the interest distributed to other equity instrument holders, RMB866,983,000, amounted to RMB17,068,298,000.
2. In the year of distribution of 2017, net profit attributable to shareholders of the parent company in the consolidated financial statement amounted to RMB16,057,235,000; net profit attributable to ordinary shareholders of the Company after deducting the interest distributed to other equity instrument holders, RMB290,150,000, amounted to RMB15,767,085,000.
3. In the year of distribution of 2016, net profit attributable to shareholders of the parent company in the consolidated financial statement amounted to RMB13,999,610,000; net profit attributable to ordinary shareholders of the Company after deducting the interest distributed to other equity instrument holders, RMB141,200,000, amounted to RMB13,858,410,000.

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

Applicable Not Applicable

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

Applicable Not Applicable

Section VI Significant Events (continued)

II. PERFORMANCE OF UNDERTAKINGS

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

Applicable Not Applicable

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

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

Section VI Significant Events (continued)

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

Applicable Not achieved Not Applicable

- (III) **Fulfillment of performance commitment and impact on goodwill impairment test**

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Applicable Not Applicable

The Group has adopted the Accounting Standards for Business Enterprises No.14–Revenue amended by the Ministry of Finance ("MoF") in 2017 (hereinafter by referred to as the "New Revenue Standard" while the "Original Revenue Standard" refers to the revenue standard prior to amendment), as well as the Accounting Standards for Business Enterprises No.22–Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No.23–Transfer of Financial Assets, the Accounting Standards for Business Enterprises No.24–Hedging Accounting and the Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments (the four standards mentioned above are collectively referred to as "New Standards of Financial Instruments".) since 1 January 2018.

Section VI Significant Events (continued)

In accordance with the notice from the MoF, for companies listed in domestic markets as well as oversea markets, or listed in oversea markets and adopted IFRS or ASBE to prepare financial statements, the New Revenue Standard and the New Standards of Financial Instruments shall be adopted from 1 January 2018. Therefore, the Company has adopted the New Revenue Standard and the New Standards of Financial Instruments mentioned above since 1 January 2018.

In addition, the financial statements of the Group have been prepared based on the Notice of the Ministry of Finance on Revising and Issuing the Format of Consolidated Financial Statements of 2018 (Cai Kuai [2019] No. 1) and the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2018] No.15) issued by the MoF on 18 January 2019 and 15 June 2018, respectively. The comparative financial information are presented according to above documents.

1. Impact of the New Revenue Standard on the Group

In accordance with the New Revenue Standard, during the first implementation of the standard, the accumulative amounts impacted shall be adjusted in the opening balance (i.e. balance as at 1 January 2018) of retained earnings and other relevant items in the financial statements, with no impacts on comparative information. In the adoption of the New Revenue Standard, the Group only adjusted the accumulative impacted amounts for contracts not completed at the date of the first implementation.

2. Impact of the New Standards of Financial Instruments on the Group

In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and available-for-sale financial assets are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in unquoted equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be charged forward to profit or loss at disposal.

In terms of the impairment of financial assets, financial assets measured at amortised cost, financial assets classified into financial assets at fair value through profit or loss, contract assets, leasing receivables and financial guarantee contracts of the Group are within the scope of New Standards of Financial Instruments. The New Standards of Financial Instruments require to replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognised as the expected credit losses within 12 months or over the entire duration based on whether credit risks of relevant items have been increased significantly from the initial recognition. For trade receivables, contract assets and leasing receivables from transactions within the scope of revenue standards can be simplified and recognised as the expected credit losses over the entire duration. For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each end of the Reporting Period.

Section VI Significant Events (continued)

The Group made adjustment according to the New Standards of Financial Instruments for the recognition and measurement of financial instruments prior to 1 January 2018. The Group has not adjusted the comparative financial information. For the differences between the original carrying amount of financial instruments and the carrying amount of financial instruments measured by the New Standards of Financial Instruments, the Group adjusted the retained earnings or other comprehensive income at 1 January 2018.

Such changes in accounting policies and the adjustment to the format of financial statements of enterprises did not cause any material impact on the financial position, operating performance, cash flow and future operating results of the Group. For details in relation to the impact of accounting policies on the Group, please refer to "33. Changes in significant accounting policies" as set out in Note III to the Financial Statements of this report.

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

Applicable Not Applicable

(III) Communication with the previous accounting firm

Applicable Not Applicable

(IV) Other Explanation

Applicable Not Applicable

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

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

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

Section VI Significant Events (continued)

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

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

The Audit and Risk Management Committee heard the report of Deloitte Touche Tohmatsu CPA LLP on the progress of the audit on 2018 annual report of the Company, reviewed the "key audit matters" in the auditor's Report, and agreed with the judgment of Deloitte Touche Tohmatsu CPA LLP on the "key audit matters" and the audit procedures implemented.

VII. APPOINTMENT AND REMOVAL OF AUDITORS

Unit: '0,000 Currency: RMB

Existing Auditors	
Name of domestic auditors	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic auditors	2,538
Term of the domestic auditors for audit services	2 years

Unit: '0,000 Currency: RMB

	Name	Compensation
The auditors for internal control audit	Deloitte Touche Tohmatsu CPA LLP	216
Financial advisor	Nil	-
Sponsor	Nil	-

Explanation on appointment and removal of auditors

Applicable Not Applicable

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

Section VI Significant Events (continued)

2. During the Reporting Period, the Company did not replace its auditor. From 2007 to 2016, Ernst & Young Hua Ming LLP provided auditing services for the Company for 10 years. In order to ensure the objectivity and independence of the external auditors, the Company changed its auditors in 2017. On 15 June 2017, after consideration and approval by the 2016 Annual General Meeting, the Company engaged Deloitte Touche Tohmatsu CPA LLP as the external auditor of the Company for 2017. As considered and approved at the 2017 Annual General Meeting of the Company on 11 June 2018, the Company reappointed Deloitte Touche Tohmatsu CPA LLP as the external auditor of the Company for 2018. During the Reporting Period, fees for 2018 interim review, financial statement audit and relevant services paid by the Company for 2018 to Deloitte Touche Tohmatsu CPA LLP amounted to RMB25,380,000.

3. As considered and approved at the 2017 Annual General Meeting of the Company on 11 June 2018, the Company reappointed Deloitte Touche Tohmatsu CPA LLP as the auditor for internal control audit of the Company for 2018. During the Reporting Period, fees for 2018 audit of internal control and related services paid by the Company to Deloitte Touche Tohmatsu CPA LLP amounted to RMB2,160,000.

Explanations on replacement of auditors during the audit period

Applicable Not Applicable

VIII. RISK OF SUSPENSION OF LISTING

(I) Causes of Suspension of Listing

Applicable Not Applicable

(II) Measures to be taken by the Company

Applicable Not Applicable

IX. SITUATION AND CAUSES FOR TERMINATION OF LISTING

Applicable Not Applicable

X. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not Applicable

Section VI Significant Events (continued)

XI. MATERIAL LITIGATION AND ARBITRATION

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

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

- Applicable Not Applicable

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

- Applicable Not Applicable

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

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

- Applicable Not Applicable

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

Information on share incentive

- Applicable Not Applicable

Other explanation

- Applicable Not Applicable

Information on employee stock ownership plan

- Applicable Not Applicable

Other incentive measures

- Applicable Not Applicable

Section VI Significant Events (continued)

XV. CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

The Controlling Shareholder and its associates, retained certain ancillary operations in the process of the restructuring and listing of the Company. Following the listing of the H shares of the Company on the Hong Kong Stock Exchange, these ancillary operations continued to provide ancillary construction survey and design services to the Company and/or its subsidiaries. In order to regulate the above continuing connected transactions between the Group and the controlling shareholder, among others, the Company and the Controlling Shareholder entered into the Services Mutual Provision Framework Agreement (as supplemented by a supplemental agreement dated 29 January 2008) on 5 November 2007, and set the relevant annual caps for the continuing connected transactions contemplated thereunder.

The Services Provision Framework Agreement and the continuing connected transactions contemplated thereunder were renewed on 28 December 2009, 28 December 2012 and 28 December 2015. Following the continuous increase in revenue of the Company from survey and design, the volume of the transactions with the Controlling Shareholder and/or its associates in relation to survey, testing and mapping in the industry chain have increased correspondingly. Therefore, the originally determined 2018 annual cap for the continuing connected transactions could not longer satisfy the needs for business development. The Board therefore resolved on 30 October 2018 to adjust the annual caps for continuing connected transactions with the Controlling Shareholder and/or its associates under the Service Provision Framework Agreement to RMB850 million. Given that both the Services Provision Framework Agreement entered into between the Company and the Controlling Shareholder on 28 December 2015 and the annual caps of the continuing connected transactions set thereunder expired on 31 December 2018, and in order to regulate the continuing connected transactions for purchase of related services by the Group from the Controlling Shareholder and/or its associates, the Company and the Controlling Shareholder renewed the Services Provision Framework Agreement on 13 December 2018 for a term from 1 January 2019 to 31 December 2021, and set the annual caps of the continuing connected transactions thereunder for the three years ending 31 December 2021.

Section VI Significant Events (continued)

Set out below are the approved annual cap and actual amount of transaction in relation to non-exempt continuing connected transactions under the aforementioned Services Provision Framework Agreement by the Group and the Controlling Shareholder and/or its associates for the year ended 31 December 2018:

Unit: '000 Currency: RMB

Nature of transaction	Annual cap for 2018	Consolidated amount of transaction of the Group in 2018
Expenditure payable by the Group in respect of the services provided by the Controlling Shareholder and/or its associates under the Services Provision Framework Agreement	850,000	842,004

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

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

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

Section VI Significant Events (continued)

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

Set out below are the approved annual cap and actual amount of transaction of the non-exempt continuing connected transactions under the Property Leasing Framework Agreement and the Land Use Rights Leasing Framework Agreement for the year ended 31 December 2018:

Unit: '000 Currency: RMB

Nature of transaction	Annual cap for 2018	Consolidated amount of transaction of the Group in 2018
Expenditures payable by the Group for leasing properties and land use rights from the controlling Shareholder and/or its associates under the Property Leasing Framework Agreement and the Land Use Rights Leasing Framework Agreement	300,000	101,192

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

The Financial Services Agreement entered into between the CRCC Finance Company Limited (hereinafter referred to as "Finance Company") and the Controlling Shareholder on 29 December 2012 has expired. To regulate the continuing connected transactions under the agreement, Finance Company and the Controlling Shareholder renewed the Financial Services Agreement on 25 January 2016, with a term of three years from 1 January 2016 to 31 December 2018. According to the Financial Services Agreement, Finance Company shall provide the following financial services to the Controlling Shareholder and its subsidiaries:

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

Section VI Significant Events (continued)

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

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

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

The Financial Services Agreement entered into between Finance Company and the Controlling Shareholder on 15 January 2016 and the annual caps determined for continuing connected transactions under the agreement expired on 31 December 2018. To regulate continuing connected transactions in respect of deposit, loan, clearing and other financial services provided by Finance Company to the Controlling Shareholder and/or its associates, Finance Company and the Controlling Shareholder renewed the Financial Services Agreement, with a term from 1 January 2019 to 31 December 2021, and determined the annual caps of continuing connected transactions thereunder for the three years ending 31 December 2021.

Section VI Significant Events (continued)

Set out below are approved annual caps and actual amount of transaction of the non-exempt continuing connected transactions under the Financial Services Agreement as at 31 December 2018:

Unit: '000 Currency: RMB

Nature of transaction	Annual cap for 2018	Consolidated amount of transaction of the Group in 2018
Deposit Services	30,000,000	2,274,675
Loan Services	3,000,000	2,277,376
Clearing Services	100,000	9
Other Financial Services	100,000	25

The proposed annual caps of the continuing connected transactions mentioned in paragraphs 1, 2 and 3 above were determined based on the estimated amount of transactions involved with reference to the historical transaction volumes. For details of the abovementioned continuing connected transactions, please refer to the announcements of continuing connected transactions dated 29 December 2015, 26 January 2016, 31 October 2017 and 14 December 2018 as published by the Company.

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

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

Section VI Significant Events (continued)

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

- (i) Nothing had come to the auditors' attention that had caused them to believe that the continuing connected transactions as disclosed had not been approved by the Board;
- (ii) In respect of the continuing connected transactions relating to the provision of goods and services by the Group, nothing had come to the auditors' attention that caused them to believe that such transactions had not been conducted in accordance with the pricing policy of the Company in all material aspects;
- (iii) Nothing had come to the auditors' attention that caused them to believe that such transactions had not complied with the terms of the relevant transactions in all material aspects; and
- (iv) Nothing had come to the auditors' attention that caused them to believe that the continuing connected transactions as disclosed had exceeded the 2018 annual caps set out in the continuing connected transactions announcements dated 29 December 2015, 26 January 2016, 31 October 2017 and 31 October 2018.

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2018 are set out in Note X to the financial statements of this report. Except for the related party transactions between the Company and joint ventures and associates set out in Note X, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that the Company has complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in relation to such related party transactions.

Section VI Significant Events (continued)

(II) Related party transactions in relation to the ordinary operations

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

Applicable Not Applicable

Summary of the event

Document for inspection

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

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

Section VI Significant Events (continued)

Summary of the event	Document for inspection
<p>The Company convened the 12th meeting of the fourth session of the Board on 30 October 2018, which considered and approved the Resolution on Adjustment to Annual Cap for Daily Connected Transactions for 2018, and agreed to adjust the cap for daily connected transactions under the Service Provision Framework Agreement entered into with the Controlling Shareholder. The Company convened the 14th meeting of the fourth session of the Board on 13 December 2018, which considered and approved the Resolution on Renewal of Service Provision Framework Agreement and Proposed Caps for Continuing Connected Transactions for 2019-2021. Pursuant to the Service Provision Framework Agreement entered into between the Company and the Controlling Shareholder, the annual transaction amount for 2019-2021 shall not exceed RMB2,000,000,000. Before submission to the Board for review, the proposal has been approved by independent nonexecutive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.</p>	<p>For details, please refer to the announcements of the Company dated 31 October 2018 and 14 December 2018 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).</p>

Section VI Significant Events (continued)

Summary of the event	Document for inspection
<p>The Company and CRCC Financial Leasing Co., Ltd. (“CRFL”) signed the Services Mutual Provision Framework Agreement in 2016, which standardized the financial assistance, equipment procurement and leasing services provided by CRFL to the Company and its subsidiaries and set up caps. The Company issued an announcement in relation to the Services Mutual Provision Framework Agreement. The 39th meeting of the third session of the Board of the Company was held on 29 to 30 March 2017. At the meeting, the Resolution on Renewal of the Services Mutual Provision Framework Agreement entered into between the Company and CRFL were considered and approved. The Company adjusted the details for the business transactions with CRFL and reset the annual caps based on its own planning on business development. The Company re-entered into the Services Mutual Provision Framework Agreement with CRFL for a term from 1 January 2017 to 31 December 2019. Before submission to the Board for review, the proposal has been approved by independent nonexecutive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.</p>	<p>For details, please refer to the announcement of the Company dated 31 December 2016 and 31 March 2017 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company’s website (www.crcc.cn).</p>

Section VI Significant Events (continued)

Summary of the event	Document for inspection
<p>The 22nd meeting of the third session of the Board of the Company was held on 25 January 2016. At the meeting, the Proposal on Renewal of the Financial Services Agreement entered into between CRCC Finance Company Limited and the Controlling Shareholder was considered and approved; CRCC Finance Company Limited, being non-wholly-owned subsidiary of the Company, was approved to renew the Financial Services Agreement with the Controlling Shareholder, and provide deposit, loan, clearing and other financial services to the controlling shareholder and its subsidiaries (excluding the Company) based on the agreement. Prior to submission to the Board for review, the proposal has been approved by independent non-executive Directors of the Company. During the Board review process, independent non-executive Directors also gave independent opinions in favor of the proposal. The 14th meeting of the fourth session of the Board of the Company was held on 13 December 2018. At the meeting, the Resolution on Renewal of the Financial Services Agreement and Determination of Caps of Continuing Connected Transactions from 2019 to 2021 was considered and approved; CRCC Finance Company Limited, being a subsidiary controlled by the Company, was approved to renew the Financial Services Agreement with the Controlling Shareholder, and provide deposit, loan, clearing and other financial services to the Controlling Shareholder and its subsidiaries (excluding the Company) based on the agreement. Before submission to the Board for review, the proposal has been approved by independent non-executive directors of the Company; in the process review by the Board, independent non-executive directors also gave independent opinions for approving the proposal.</p>	<p>For details, please refer to respective announcements of the Company dated 26 January 2016 and 14 December 2018 published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).</p>

During the Reporting Period, the abovementioned related party transactions in relation to ordinary operations have been conducted in accordance with provisions of the agreements, with no change has been made.

During the Reporting Period, actual execution of the above mentioned related party transactions is as follows:

Section VI Significant Events (continued)

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

Unit: '000 Currency: RMB

Related party	Related party transactions type	Related party transactions content	Pricing principle of related party transactions	Related party transactions price	Related party Transactions amount	Proportion in similar transactions (%)	Settlement method of related party transactions	Market price	Reason for the difference between transaction price and market price
11 units including Shaanxi Railway Engineering Investigation Co., Ltd.	Expenditure for labor service	Survey, design and consultation operations	Agreement pricing	-	842,004	0.13	Cash	-	-
Controlling Shareholder	Property leasing expense	Property leasing	Agreement pricing	-	101,192	0.02	Cash	-	-

(2) *Continuing connected transactions between the Company and CRFL*

Unit: '000 Currency: RMB

Nature of transaction	Project	Annual cap for 2018	Consolidated amount of transaction during the Reporting Period
Revenue	With the comparable market price which is no less than that of the third party, CRFL will purchase tunnel boring machines and other mechanical equipment from the Company and its related subsidiaries, but the cumulative amount per year shall not exceed RMB9 billion.	9,000,000	2,109,300

Section VI Significant Events (continued)

Nature of transaction	Project	Annual cap for 2018	Consolidated amount of transaction during the Reporting Period
	Under the pre-condition of complying with the relevant laws and regulations of the state, according to its scope of operation, CRFL may take term deposits of 3 months or more (both days inclusive) from China Railway Construction Heavy Industry Group Co., Ltd. ("Railway Construction Heavy Industry") and Beijing CRCC Tianrui Machinery Equipment Co., Ltd. ("CRCC Tianrui"), both of which are subsidiaries of the Company, and pay interest based on the agreed interest rate. The interest rate paid by CRFL shall be no less than the applicable loan rate that domestic major commercial banks provide for similar loan services within the same period. Within the validity term of the agreement, the deposit balance (including accrued interest) that CRFL obtains from Railway Construction Heavy Industry and CRCC Tianrui shall not exceed RMB500 million.	500,000	–
Expense	CRFL provides financial leasing services and operating leasing services for the Company or its related subsidiaries. Within the validity term of the agreement, CRFL shall charge the fees in relation the leasing services provided by CRFL for the Company based on the charging standard which is not higher than that of the similar service items provided by the similar financial institutions in China. The total amount of annual charge for leasing services shall not exceed RMB31.5 billion.	31,500,000	966,147

Section VI Significant Events (continued)

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

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

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

Applicable Not Applicable

3. Events not disclosed in the temporary announcements

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

3. Events not disclosed in temporary announcements

Applicable Not Applicable

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

Applicable Not Applicable

3. Events not disclosed in temporary announcements

Applicable Not Applicable

Section VI Significant Events (continued)

(V) Claims and liabilities between related parties

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

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

Applicable Not Applicable

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

Applicable Not Applicable

Unit: '000 Currency: RMB

Related party	Related party relationship	Provision of funds to related party by the listed company			Provision of funds to the listed company by related party		
		Beginning balance	Accrual	Ending balance	Beginning balance	Accrual	Ending balance
China Railway Construction Group Co., Ltd. ^{Note 1}	Controlling Shareholder	1,700,000	500,000	2,200,000	785,744	18,996	804,740
China Railway Construction Group Co., Ltd. ^{Note 2}	Controlling Shareholder	-	-	-	170,549	409,852	580,401
China Railway Jinli Assets Management Co., Ltd. ^{Note 2}	Wholly-owned subsidiary of the Controlling Shareholder	-	-	-	345,866	269,468	615,334
Beijing Tongda Jingcheng Highway Co., Ltd. ^{Note 2}	Non-wholly owned subsidiary of the Controlling Shareholder	-	-	-	242,485	28,188	270,673
Beijing Railway Construction Technology Magazine Co., Ltd. ^{Note 2}	Non-wholly owned subsidiary of the Controlling Shareholder	-	-	-	3,136	381	3,517
Total		1,700,000	500,000	2,200,000	1,547,780	726,885	2,274,675

Section VI Significant Events (continued)

During the Reporting Period, the amount of funds provided to the Controlling Shareholder and its subsidiaries by the Company (in RMB'000)	500,000
Cause to claims and liabilities between related parties	Claims and liabilities resulted from the Company's operations with the related parties.
Settlement of claims and liabilities between related parties	Settlement by normal progress.
Commitments related to claims and liabilities between related parties	None.
Impact of such claims and liabilities between related parties on the Company's operating result and financial position	No significant impact.

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

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

3. Events not disclosed in temporary announcements

Applicable Not Applicable

(VI) Others

Applicable Not Applicable

Section VI Significant Events (continued)

XVI. MAJOR CONTRACTS AND PERFORMANCE

(I) Trusteeship, contracting and leasing matters

1. Information on trusteeship
 Applicable Not Applicable
2. Information on contracting
 Applicable Not Applicable
3. Information on leasing
 Applicable Not Applicable

(II) Related guarantee

- Applicable Not Applicable

Unit: '000 Currency: RMB

Guarantor	Relationship with the listed company		Party guaranteed	Guarantee amount	Guarantees (Other than guarantees for subsidiaries)			Performance			Counter guaranteed or not	Guarantee by related party	Connected Relationship
					Date of Guarantee Occurrence (date of signing the agreement)	Guarantee Starting date	Guarantee Due date	Completed or not	Overdue or not	Overdue amount			
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	67,200	28 December 2006	28 December 2006	28 December 2026	General guarantee	No	No	No	No	No	
The Company	Within the Company	Chuantie (Luzhou) Tielu Co., Ltd.	50,400	16 April 2008	16 April 2008	16 April 2028	General guarantee	No	No	No	No	No	
The Company	Within the Company	CRCC-Tongguan Investment Co., Ltd.	1,029,480	17 March 2014	17 March 2014	30 December 2023	General guarantee	No	No	No	Yes	Associate	
The Company	Within the Company	CRCC-Tongguan Investment Co., Ltd.	296,490	20 May 2015	20 May 2015	20 November 2023	General guarantee	No	No	No	Yes	Associate	
China Railway Construction Investment Group Co., Ltd.	Wholly-owned subsidiary	CRCC-Shandong Jinghu Highway Jile195 Co., Ltd.	195,000	8 December 2016	8 December 2016	7 December 2025	General guarantee	No	No	No	Yes	Associate	
China Railway 23rd Bureau Group Co., Ltd.	Wholly-owned subsidiary	Chengdu Urban Investment & Construction Technology Co., Ltd.	10,500	28 April 2018	28 April 2018	1 July 2021	General guarantee	No	No	No	No	No	

Total amount of guarantees for the Reporting Period (exclusive of the guarantees for subsidiaries)	74,063
Ending balance of guarantees for the Reporting Period (A) (exclusive of the guarantees for subsidiaries)	1,649,070

Section VI Significant Events (continued)

Guarantees for subsidiaries by the Company together with its subsidiaries

Total amount of guarantees for subsidiaries for the Reporting Period	-1,744,234
Ending balance of guarantees for subsidiaries for the Reporting Period (B)	18,009,998

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

Total guarantees (A+B)	19,659,068
The proportion of total guarantees in net assets of the Company (%)	11.57
Among which:	
The amount of guarantees for the Company's shareholders, actual controllers and their related parties (C)	-
Debt guarantees directly or indirectly to guaranteed objects with the gearing ratio higher than 70% (D)	19,659,068
Of total guarantees, the portion in excess of 50% net assets of the Company (E)	-
Total of the above three categories of guarantees (C+D+E)	19,659,068
Explanation on the potential joint liability arising from the immature guarantees	N/A

Explanation on the guarantees (1) Company's Guarantees for Wholly-Owned Subsidiaries:

It was considered and approved at the 3rd meeting of the fourth session of the Board held from 28 to 29 March 2018 and the 2017 Annual General Meeting of the Company held on 11 June 2018 that the total cap for the guarantees of the Company to wholly-owned subsidiaries in 2018 was determined to be RMB80 billion. Within the guarantee cap, the Company may revise the guarantee caps among different segments in light of actual business needs. During the Reporting Period, guarantees granted to wholly-owned subsidiaries by the Company was in strict compliance with the guarantee cap and did not exceed the approved cap of guarantee.

Section VI Significant Events (continued)

(2) Company's External Guarantees

- ① In 2006, China Railway Construction Group Co., Ltd. (formerly known as "China Railway Construction Corporation") had provided RMB67.2 million of guarantee for Sichuan Naxu Railway Co., Ltd.'s RMB400 million of loans pursuant to its 16.8% of capital contribution. Due to the reform in December 2007, it entered into a tripartite agreement with the Company and the Luzhou Branch of China Construction Bank to revise the subject of the contract to the Company. The resolutions in relation to provision of guarantee to the Sichuan Naxu Railway Co., Ltd. for loans were considered and approved at the 10th meeting of the first session of the Board in October 2008. In proportion to the capital contribution of 16.8%, a guarantee of RMB50.4 million was agreed to be provided to Sichuan Naxu Railway Co., Ltd. for its loans of RMB300 million in 2014, Sichuan Naxu Railway Co., Ltd. was renamed as "Chuantie (Luzhou) Tielu Co., Ltd.", with the amount guaranteed unchanged. As at 31 December 2018, the actual effective balance of such guarantee amount was RMB0.1176 billion.
- ② The resolution in relation to the investment in the development and construction of Mirador Copper Mine Project in Ecuador was considered and approved at the 14th meeting of the second session of the Board in August 2012, pursuant to which the Company agreed to provide guarantee of USD387 million, according to the shareholding proportion, for the loan applied by CRCC-Tongguan Investment Co., Ltd. The resolution in relation to the provision of guarantee for the loan advanced to CRCC Tongguan Investment Co., Ltd. by the Export- Import Bank was considered and approved in the 32nd meeting of the second session of the Board of the Company on 29 April 2014, pursuant to which it was agreed that in proportion to its shareholding of 30%, a guarantee of USD43.2 million would be provided to CRCC-Tongguan Investment Co., Ltd. As at 31 December 2018, the actual effective balance of above two guarantee amounts provided by the Company was RMB1,326 million in equivalence.

Section VI Significant Events (continued)

- ③ CRCC Shandong Beijing-Shanghai Expressway Jile Company Limited was originally a subsidiary of the Company. In 2017, the Company lost control of such company due to the disposal of its equity interests, which was no longer included in the scope of consolidation. As the Company can still exert a significant influence over such company, the Company accounts it as an associate. The original guarantee of RMB195 million for such company remained with effect after consideration of the Company, hence it was changed to a guarantee for an associate.
- ④ In April 2018, the fifth meeting of the fourth session of Board of the Company considered and approved the Resolution on the Provision of Guarantee by China Railway 23rd Bureau Group Co., Ltd. to joint stock companies, and agreed the provision of guarantee of RMB22.5 million by China Railway 23rd Bureau Group Co., Ltd. to the borrowings of RMB150 million of Chengdu Rongcheng Pipeline Investment Co., Ltd., a subsidiary of Chengdu Urban Construction & Investment Management Group Co., Ltd., one of the shareholders of Chengdu Urban Investment & Construction Technology Co., Ltd. for Chengdu Urban Investment & Construction Technology Co., Ltd. according to a 15% equity ratio. As at 31 December 2018, the actual effective balance of the guarantee amount was RMB10.5 million.

The total of the four guarantees amounts above was RMB1.6491 billion, increased by RMB0.0741 billion as compared with the beginning of the period, which was mainly due to the impact of the RMB exchange rate against the US dollar.

Section VI Significant Events (continued)

(III) Entrusted others to manage cash assets

1. Entrusted wealth management

(1) Overall entrusted wealth management

Applicable Not Applicable

Unit: '000 Currency: RMB

Type	Source of funding	Amount	Outstanding balance	Amount overdue but uncollected
Public offering fund products	Fund on hand	3,900,000	2,964,965	-
Trust wealth management products	Fund on hand	67,416	141,816	-
Securities wealth management products	Fund on hand	189,600	373,600	-
Privately offered fund products	Fund on hand	296,697	332,405	-
Total	Fund on hand	4,453,613	3,812,686	-

Others

Applicable Not Applicable

Section VI Significant Events (continued)

(2) Individual entrusted wealth management

Applicable Not Applicable

Unit: '000 Currency: RMB

Entrustee	Type	Amount	Start date	Expiry date	Source of fund	Investment	Determination of returns	Annualized yield	Expected return (if any)	Actual gains or losses	Collection	Whether approved by due process	Any future plan for entrusted wealth management	Provision for impairment loss (if any)
China Southern Tiantianli Money Market Fund	Public offering fund product	400,000	11 January 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	4.11	N/A	14,248	- Yes	Yes	-	
E Funds Cash Money Market Fund	Public offering fund product	300,000	11 January 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	4.29	N/A	12,422	- Yes	Yes	-	
CCB Cash Increase Money Market Fund	Public offering fund product	500,000	25 January 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.98	N/A	15,192	- Yes	Yes	-	
Taikang Xinyibao Money Market B Fund	Public offering fund product	249,913	25 January 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.47	N/A	4,608	- Yes	Yes	-	
CIB Wentianying Money Market B Fund	Public offering fund product	300,000	25 January 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.83	N/A	13,545	- Yes	Yes	-	
ICBC-Credit Suisse Salary B Fund	Public offering fund product	100,000	18 September 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.53	N/A	916	- Yes	Yes	-	
Harvest Money Market B Fund	Public offering fund product	100,000	9 November 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.23	N/A	858	- Yes	Yes	-	
ICBC Ruyi Money Market B Fund	Public offering fund product	150,000	9 November 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.04	N/A	1,211	- Yes	Yes	-	
Pengyang Tongli Money Market B Fund	Public offering fund product	100,000	13 November 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	2.81	N/A	586	- Yes	Yes	-	
Ping An Dahua Caifubao Money Market Fund	Public offering fund product	200,000	13 November 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	3.10	N/A	781	- Yes	Yes	-	
Fullgoal Tianshi Money Market B Fund	Public offering fund product	500,000	12 December 2018	No fixed maturity	Fund on hand	Monetary market	By yield announced	2.94	N/A	685	- Yes	Yes	-	

Others

Applicable Not Applicable

(3) Provisions for impairment of entrusted wealth management

Applicable Not Applicable

Section VI Significant Events (continued)

2. Entrusted loans

(1) Overall entrusted loans

Applicable Not Applicable

Others

Applicable Not Applicable

(2) Individual entrusted loans

Applicable Not Applicable

Others

Applicable Not Applicable

(3) Provisions for Impairment of entrusted wealth management

Applicable Not Applicable

3. Others

Applicable Not Applicable

Section VI Significant Events (continued)

(IV) Other Major Contracts

Applicable Not Applicable

1. Domestic business contract

Unit: '00,000,000 Currency: RMB

No.	Date of signing	Name of project	Contract amount	Contracting party	Term of performance
1	10 January 2018	The General Contracting Project of the Construction of Shenzhen Urban Rail Transit Line 16	184.262	A consortium comprising China Railway Construction Corporation Limited, China Railway 14th Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 25th Bureau Group Co., Ltd., China Railway 24th Bureau Group Co., Ltd., China Railway 22nd Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway 11th Bureau Group Co., Ltd.	A construction period of 2,036 calendar days
2	31 January 2018	Wuxi (Chongqing Municipality) to Zhenping (Shaanxi Province) Expressway (Chongqing Section) project	99.1	China Railway Construction Corporation Limited	A construction period of 4 years and an operating period of 30 years
3	1 February 2018	Design and General Contracting Project of Construction of Pearl Bay Bridge (excluding the foregoing section)	30.846	A consortium comprising China Railway Construction Bridge Engineering Bureau Group Co., Ltd. and China Railway Siyuan Survey and Design Group Co., Ltd.	A construction period of 1,260 calendar days
4	16 March 2018	The PPP Project of Featured Township of Jade Articles in Wantou, Yangzhou	57.73	China Railway Construction Investment Group Co., Ltd. and China Railway Fifth Survey and Design Institute Group Co., Ltd.	A construction period of 3 years and an operation period of 30 years
5	8 April 2018	Shanty-town Renovation and Construction Project in Bailang River District	41	China Railway 18th Bureau Group No.2 Engineering Co., Ltd.	A construction period of 1,825 calendar days

Section VI Significant Events (continued)

No.	Date of signing	Name of project	Contract amount	Contracting party	Term of performance
6	20 April 2018	The Public-Private-Partnership (PPP) project for the Highway Project of Zhangye-Wenchuan National Expressway (G0611) (Zhangye-Biandukou Section)	58.726	China Railway Construction Investment Group Co., Ltd., Guangde CRCC-Blue Ocean Longxin Investment Center (LLP), China Railway First Survey and Design Institute Group Co., Ltd., China Railway 20th Bureau Group Co., Ltd., China Railway 21st Bureau Group Co., Ltd.	A construction period of around 3 years and an operating period of 30 years
7	6 June 2018	The Public-Private-Partnership (PPP) project for the Highway Project of Zhangye-Wenchuan National Expressway (G0611) (Zhangye-Biandukou Section)	110.007	China Railway Construction Corporation Limited, China Railway 16th Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	A construction period of 1.5 years and an operating period of 25 years
8	25 June 2018	The BOT Project of Huanglong-Pucheng Highway (in Shaanxi Province) of the National Highway Yulin-Lantian Expressway (G65E)	75.36	China Railway 20th Bureau Group Co., Ltd.	A construction period of 3 years and an operating period of 30 years
9	29 June 2018	The General Contracting Project of the Construction of Hangzhou Metro Line 8 (phase I)	49.314	A consortium comprising China Railway Construction Corporation Limited, China Railway 11st Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd. and China Railway 19th Bureau Group Co., Ltd.	A construction period of 1,086 calendar days
10	6 August 2018	Construction of MHSD-2 Section of the E&M System of the New Railway Channel for Coal Transportation from West Inner Mongolia to Central China	64.728	China Railway Construction Electrification Bureau Group Co., Ltd.	A construction period of 419 calendar days
11	21 August 2018	BOT Project of Zhongjiang County of Deyang-Suining Expressway in Sichuan Province	89.8534	China Railway Construction Corporation Limited	A construction period of 3 years, and an operating period of 29 years and 11 months and 20 calendar days

Section VI Significant Events (continued)

No.	Date of signing	Name of project	Contract amount	Contracting party	Term of performance
12	29 October 2018	General Contracting Project of the Construction of Guangzhou Rail Transit Line 10 and Concurrent Implementation Works	85.9	A consortium comprising China Railway Construction Corporation Limited, CRCC Huanan Construction Co., Ltd., China Railway 11th Bureau Group Co., Ltd., China Railway 12th Bureau Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd., China Railway 18th Bureau Group Co., Ltd., China Railway 19th Bureau Group Co., Ltd., China Railway 20th Bureau Group Co., Ltd., China Railway 21st Bureau Group Co., Ltd., China Railway 25th Bureau Group Co., Ltd.	A construction period of 1,856 calendar days
13	29 October 2018	Sightseeing Facilities Project of Shapotou in Zhongwei City, Ningxia	30.43	China Railway Construction Bridge Engineering Bureau Group 1st Engineering Co., Ltd.	A planned construction period of 730 calendar days
14	9 November 2018	General Construction Contracting (EPC) for the Construction Project of the Innovation and Entrepreneurship Base Located in Northern Footwear Capital (北方鞋都) (Gaoyi Xinsantai Footwear Industrial Town (高邑新三台鞋業小鎮)).	41.84	China Railway 20th Bureau Group Co., Ltd.	A planned construction period of 1,825 calendar days
15	12 November 2018	Chongqing Dazu-Sichuan Neijiang Expressway (Chongqing Section) (重慶大足至四川內江高速公路重慶段) ("Dazu-Neijiang Expressway") and the Expansion Project for Chongqing Yusui Expressway (Beibei-Tongliang Section) (重慶渝遂高速公路擴能北碚至銅梁段)	94.9	China Railway Construction Corporation Limited	The construction period of Chongqing Dazu-Sichuan Neijiang Expressway (Chongqing Section) is three years, and the operating period is 29 years; The construction period of the Expansion Project for Chongqing Yusui Expressway (Beibei-Tongliang Section) is 3.5 years, and the operating period is 29 years.
16	14 November 2018	EPC General Contracting Project for the Construction of Muchuan Haoran Champion Sports and Health (International) Town in China	50.5	China Railway 22nd Bureau Group Co., Ltd.	A construction period of 2,190 calendar days
17	22 November 2018	General Contracting for the Phase II Construction Project of Zunyi High-Speed Railway New Town	76.3	China Railway 11th Bureau Group Co., Ltd.	A construction period of 730 calendar days

Section VI Significant Events (continued)

No.	Date of signing	Name of project	Contract amount	Contracting party	Term of performance
18	10 December 2018	Mining and Stripping Project for the Years 2019–2021 of China Gold Inner Mongolia Mining Co., Ltd. (中國黃金集團內蒙古礦業有限公司)	30.284	China Railway 19th Bureau Group Co., Ltd.	A construction period of 1,085 calendar days
19	14 December 2018	Construction General Contracting of Newly-built Fangchenggang to Dongxing Railway Bidding FDZQ Section	32.426	China Railway 16th Bureau Group Co., Ltd.	A construction period of 1,095 calendar days
20	14 December 2018	Infrastructure Stripping and Production Stripping Construction Project of the Renovation and Expansion Construction for Yulong Copper mine of Tibet Yulong Copper Industry Co., Ltd. (西藏玉龍銅業股份有限公司)	68.5029	China Railway 19th Bureau Group Co., Ltd.	A construction period of 2 years and an operating period of 8 years
21	13 November 2018	General Construction Contracting for the Construction Project of Sanmenxia – Yuzhou Section (Intersection of Luoning – Yichuan and Ruyang) of Sanmenxia – Yangkou Railway	53	China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	A construction period of 36 calendar months

Section VI Significant Events (continued)

2. Overseas operation contracts

No.	Date of contract	Name of project	Contract amount	Contracting party	Term of performance
1	15 May 2018	Implementation of Addendum No.4 (Ibadan-Kaduna Segment of the Nigeria Lagos/Kano Rail Line with Branch Line from Oshogbo to Ado-Ekiti)	US\$6.681 billion	China Civil Engineering Construction Co., Ltd.	48 months
2	28 June 2018	Open-pit Mining and Stripping Engineering of the Mirador Copper Mine in Ecuador	US\$919.9975 million	China Railway 19th Bureau Group Co., Ltd.	From the signing date of the contract to 31 December 2029
3	29 November 2018	Contract for the Design, Provision, Construction and Quality Control of the San Martín Freight Railway (Palmira-Rufino Section) and the Mitre Railway (Rufino-Soldini Section and Santa Teresa-Villa Constitucion Section)	US\$1.089 billion	China Railway Construction Corporation Limited	60 months

Section VI Significant Events (continued)

XVII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

Applicable Not Applicable

(I) Business Development of Subsidiaries Listed Overseas

As of the end of the Reporting Period, one of the subsidiaries of the Group is listed overseas, and its business development is as follows:

CRCC High-tech Equipment Corporation Limited, established in 1954 and listed on the main board of Hong Kong Stock Exchange on 16 December 2015, is a large road maintenance machinery and equipment manufacturing company under the Group. Main business scope of CRCC High-tech Equipment Corporation Limited covers research, development, manufacturing and marketing of large railway track maintenance machinery; product overhaul service; railway maintenance service and railway locomotive and vehicle engineering technical service. During the Reporting Period, main business scope of CRCC High-tech Equipment Corporation Limited remained unchanged.

Insisting on the market-oriented development principle, CRCC High-tech Equipment Corporation Limited is committed to creating sustainable values for shareholders and realizing the sustainable development of the company. Revenue of the company mainly derives from the manufacturing and marketing of large railway track maintenance machinery, marketing and service of parts and components, product overhaul services, railway maintenance service and railway locomotive and vehicle engineering technical service. Main strategies of the company are as follows: aligning with the target of “being world-class and domestic leading” relying on National High-tech Industrial Base of Large Railway Track Maintenance Machinery and CRCC Southwest Industrial Base of Underground Engineering Equipment; striving to build the innovation and service-oriented enterprise mode; adhering to the professional, digital and global development path; developing and improving nine types of capabilities of the enterprise, including market development and rapid response capabilities, all-around and lifetime service capability, adventurous independent innovation capability, efficient resource allocation, integration and management capability, enterprise management and innovation capability, “mechanism +” guiding, driving and disciplining capability, “digital +” transformation and upgrading capability, “Party building +” kinetic energy conversion capability, “execution+” and “training +” work improvement capability; in addition, based on the above, the company focuses on implementing production innovation, strives to improve comprehensive competitiveness, and rapidly transfers reform achievements to economic benefits.

Section VI Significant Events (continued)

(II) Transfer of State-Owned Shares at Nil Consideration

On 23 July 2018, China Railway Construction Corporation Limited has received a notice from China Railway Construction Group Co., Ltd., the Controlling Shareholder, that upon approval by the SASAC, China Railway Construction Group Co., Ltd. proposed to transfer its A shares of the Company with respective amounts of 312,329,455 and 312,329,455 to Beijing Chengtong Financial Investment Co., Ltd. (北京誠通金控投資有限公司) and Guoxin Investment Co., Ltd. (國新投資有限公司), respectively. On 7 September 2018, the Company has received the Confirmation of Transfer Registration issued by China Securities Depository and Clearing Corporation Limited from China Railway Construction Group Co., Ltd., confirming that the share transfer registration formalities for the above transfer of state-owned shares at nil consideration have been completed. Upon completion of the above transfer at nil consideration, China Railway Construction Group Co., Ltd. directly held 6,942,736,590 A shares of the Company, representing 51.13% of the total share capital of the Company; Beijing Chengtong Financial Investment Co., Ltd. held 312,329,455 A shares of the Company, representing 2.30% of the total share capital of the Company; Guoxin Investment Co., Ltd. held 312,329,455 A shares of the Company, representing 2.30% of the total share capital of the Company.

For relevant details, please refer to the announcement of the Company dated 24 July 2018 and 8 September 2018, respectively, published in China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn).

XVIII. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITY

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

Applicable Not Applicable

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

Applicable Not Applicable

Section VI Significant Events (continued)

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

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

Main tasks: Providing poverty alleviation aid to Wanquan District and Shangyi County in Zhangjiakou City, Hebei Province; Gande County in Guoluo Prefecture, Qinghai Province; Qianshan Kazakh Nationality Township, Yiwu County, Hami Region, Xinjiang Uygur Autonomous Region; Tangchang Village and Jincang Village in Fuxing Town, Wangqing County, Jilin Province; Liangshan Village in Liangwangzhuang Township, Jinghai District, and Fulizhuang Village in Xiacang Town, Jizhou District, and Xiaohujiazhuang Village in Yangjinzhuang Town, and Dongwanhe Village in Xiaowangzhuang Town, Binhai New District, Tianjin; Shahukou Village in Youyu County, and Qingxiang Village in Fenxi County, Shanxi Province; Nanlilou Village in Zhangluji Township, Yuncheng County, Shandong Province; Lama Village and Balang Village in Lujing Township, Dingxi City, Gansu Province; Dagou Town in Huining County, Wutai Village at Guanghuo Street in Ningshan County, and Beiguan Village in Longxian County, Baoji City, Shaanxi Province; Yinmenghu Village in Langhe Town, Danjiangkou, and Youzhuping Village in Baiguo Township, Enshi City, Hubei Province; Yanluozhai Village in Shiyangshao Township, and Daimaopo Village in Yanmen Town, Mayang County, Huaihua City, Hunan Province; Yingtan City, Jiangxi Province; Teke Village in Xinshiba Town, Ganluo County in Sichuan Province; Meibai Village in Yunyang County, Chongqing; Xiadang Village in Shouning County, Ningde City, Fujian Province; Longna Village in Mashan County, and Hongyang Village in Long’an County, Nanning City, Guangxi Province; Dalu Village in Dubu Town, Yangshan County, Qingyuan, Guangdong Province.

Section VI Significant Events (continued)

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

2. Summary of annual targeted poverty alleviation

Applicable Not Applicable

In 2018, the Company sent a total of 30 cadres for targeted poverty alleviation, and paid the funds of RMB40.036 million directly (including donations by units and employees, and input of funds for poverty alleviation). The materials donated by the Company were equivalent to RMB40.712 million. In three pair-up assistance districts and counties, the Company paid the funds of RMB15.5958 million directly, helped attracting various funds of RMB30.9675 million, trained 144 cadres at the basic level and professional technicians, assisted 11 college students in poverty-stricken counties, purchased industrial products and light industrial products from poverty-stricken areas with a value of RMB13.4919 million, and agricultural products with a value of 2.1826 million, and sold agricultural products of poverty-stricken areas with a value of RMB1.4983 million.

(1) *Insist on the Party's leadership and promote the fulfillment of responsibilities*

First, improve mechanism and strengthen responsibilities. The Party Committee of CRCC adjusted targeted poverty alleviation work leading group according to the changes in members of the leadership team, to ensure consistent leadership responsibility. All secondary units have established poverty alleviation working groups and front working groups for poverty alleviation (led by temporary cadres), rear support groups (formed by relevant departments). The working mechanism of “unified management and graded responsibilities” featuring unified decision making of leading group, coordinated operation of support team, support and cooperation of relevant departments, and implementation of tasks by temporary cadres was established, to promote the practical and proper implementation of poverty alleviation work at all levels under the coordinated operation of front and rear units. Second, appoint excellent cadres and enhance assessment. Excellent cadres with good political and ideological quality, strong dedication to work and responsibility, outstanding work competence and great development potential were appointed and sent to work in pair-up assistance regions. In the whole system, a total of 30 excellent cadres were appointed and sent to work in pair-up assistance regions, including 7 excellent cadres appointed as temporary deputy secretary, deputy county mayor and resident major secretary in pair-up assistance districts and counties. In addition, by insisting on the combination of strict management with positive incentive, and improving the application of assessment results of objectives for the term of office and annual objectives, benefits for temporary cadres in work and life were strictly implemented and sufficient care and

Section VI Significant Events (continued)

support were provided to them, to stimulate their enthusiasm for work. Third, strictly execute disciplines and strengthen supervision and inspection. CRCC issued the Notice on the Implementation of Special Treatment of Corruption and Working Style Issues Relating to Poverty Alleviation in January 2018, established an inspection team, and identified and rectified corruption and working style issues relating to poverty alleviation in a centralized, detailed and thorough manner in two months. The Company submitted the report of CRCC on the list of corruption and working style issues relating to poverty alleviation in March, contemplated and developed rectification schemes and defined rectification tasks according to the list, earnestly implemented rectification and effectively improved working efficiency. The Company submitted the report of CRCC on special treatment and rectification of corruption and working style issues relating to poverty alleviation in October. Executive managers and division managers of CRCC investigated and inspected in pair-up assistance regions for 2 time and 3 times, respectively. Through regulating the use of funds for poverty alleviation, improving working style of cadres for poverty alleviation and strengthening supervision over discipline execution, poverty alleviation projects and funds were operated in a transparent way.

(2) *Promote targeted poverty alleviation by actions producing material benefits*

Firstly, promote industrial development to “lift out of poverty”. CRCC called for joint efforts to provide continuous and strong support for development of local enterprises, Hebei Wanquan Mine Machinery Factory (河北萬礦機械廠), Hebei Zhangjiakou Yuebei Shenhui Development Co., Ltd. (河北省張家口粵北神水發展有限責任公司), Zhangjiakou Lunbi Clothing Co., Ltd. (張家口倫比服飾有限公司), Guzhichan Zhangjiakou Food Co., Ltd. (穀之禪張家口食品有限公司) and Zhangjiakou Wantie Trading Co., Ltd. (張家口萬鐵商貿有限公司). As the industry grew stronger and sales volume of products improved, the local employment got improved. In 2018, cumulative purchase from these five companies amounted to RMB15.6745 million. Secondly, stimulate and transfer employment to “cultivate strong skills”. As one of the world’s largest contractors with great labour demands, CRCC launched the initiative of stimulating employment by labour dispatch and realised “helping the whole family out of poverty through one employed member”. It offered skill and career trainings to enhance the professionalism of people who were about to take jobs in other regions. These trainings attracted a total of 1,065 participants during the year. CRCC strengthened the labour dispatch and hired over 200 people to work for the Company during the year. With further labour subcontracting, CRCC hired over 150 people from recorded poor families through labour employment. It brought in more college graduates from poor families, and hired 385 college graduates from “three regions and three prefectures” in extreme poverty, including 97 graduates of ethnic minorities and 11 graduates from targeted assistance regions and counties. CRCC also expanded employment channels from all aspects and developed positions with charity nature to help people from poor families to get employed in other regions and make more earnings. Thirdly, ensure housing safety to “build a land of happiness”. CRCC vigorously promoted the initiative of poverty alleviation by relocation and promoted the construction of safe houses for families living in dilapidated buildings. In 2018, CRCC invested RMB4.56 million in Shangyi County, and collaborated with Xiamajuan Township Government to build a community of happiness and mutual support. It planned to invest RMB5.1 billion in Wanquan Satellite City, a property development project in Wanquan District. In the project, 200 mu of land was

Section VI Significant Events (continued)

for the new countryside development and construction of Sunjiaxiaozhuang Village and Sanlizhuang Village, and over 1,000 families would move in after three years. Fourthly, support education to “foster abilities”. In 2018, CRCC invested RMB4.35 million into the construction project of Gande Youth Activity Centre, which would provide local youth with a platform for various activities. All subsidiaries actively participated in volunteer services and donations, with funds of about RMB1 million and computers, printers, books, clothes, school uniforms, trees, daily necessities worth over RMB1 million donated to local primary and middle schools. Fifthly, offer support to medical care to “safeguard health”. CRCC collaborated with Fuwai Hospital, CAMS & PUMC to cure Guo Qinglan, a patient with congenital heart disease from Nanchaonian Village. All subsidiaries raised over RMB1 million through various channels to help poor families suffering from diseases, which was like fuel in snowy weather and brought the light of hope to them. Sixthly, improve the ecological environment to “facilitate development”. The ecological farming project invested by CRCC with RMB500,000 produced 2,000 mu of forage grass in Xielong Village, Jiangqian Township, and the annual capacity reached over 15,000 bundles. The total value amounted to over RMB550,000, lifting 162 people from 50 families out of poverty and increasing the net income by RMB127,000. Seventhly, take actions producing material benefits and offer guarantee to “ensure basic living standards”. CRCC invested RMB150,000 into targeted assistance counties as “funds to address urgent needs and great difficulties” to help 76 people from poverty-stricken families because of diseases. It visited 100 poor families during the Spring Festival Holiday to address their urgent needs, and provided basic guarantee to help 120 families with issues related to supporting the elderly. CRCC hired workers from poverty-stricken regions, rented local construction machinery and purchased local products for life and production, which significantly boosted the earnings of local people. Eighthly, improve infrastructure construction to “consolidate foundation”. CRCC actively improved photovoltaic power projects, “village connect” road construction projects, construction of basketball courts, canteens, leisure squares and underground drainage systems in pair-up assistance regions. Ninthly, improve capabilities and skills of grass-root Party members to “enhance Party building”. CRCC invested RMB1.5 million into three targeted assistance counties to build Party activity centres. Through the improvement of skills and capabilities, Party members were able to better play their role as the fortress in the battle against poverty.

Section VI Significant Events (continued)

(3) *Cultivate inner impetus by changing thoughts*

Cadres in charge of poverty alleviation, especially dispatched first secretaries, remained true to their missions and earnestly fulfilled their responsibilities. Firstly, the Company launched a large-scale family-by-family promotion campaign and prepared “Book of Targeted Poverty Alleviation for Recorded Poor Families” (「建檔立卡貧困戶精準扶貧台賬」), in which, cadres in charge of pair-up assistance worked together with the locals to record the implementation of pair-up assistance, thus helping more locals to better understand the policies. Secondly, the Company launched multi-level and multi-channel promotion (including television programs, media, advertising on billboards) by active organisation. Such promotion activities improved the subject consciousness and engagement awareness of the locals, and stimulated the locals to participate in poverty alleviation with greater passion, thereby building a favourable environment in which the locals were actively building their new homes. In 2018, CRCC published 287 pieces of news about poverty alleviation on the public company website, published 46 features about poverty alleviation on China Railway Construction News, and poverty alleviation related articles on a wide range of media and publications, including the website of the SASAC, China Poverty Alleviation online, Xinhua Net, People’s Daily Online, China National Radio, Xinhua News, China Report, and China Poverty Alleviation magazine, thereby building an environment where all people engage in poverty alleviation.

CRCC was recognised by the public with its great efforts in poverty alleviation. In the article themed “‘Telling Stories’ on National Poverty Day – Poverty Alleviation Efforts of Central Enterprises”, the SASAC spoke highly of CRCC’s achievements. The SASAC published the article themed “CRCC: the Iron Army in Winning the Battle Against Poverty” on its website. Xinhua Net and China Poverty Alleviation magazine published an article themed “The Sun Shines on the Field of Hope – Poverty Alleviation Stories of CRCC”. The article themed “Clearly Recognise the Nine Major Relations and Promote Poverty Alleviation for New Era” (《認清九大關係 推進新時代扶貧工作》) was named best essay of “Essays about Study of Xi Jinping Poverty Alleviation Thoughts 2018” (「2018年度學習習近平扶貧思想徵文活動」), included in “Essays about Study of Important Views of Xi Jinping regarding Poverty Alleviation (2018)” (「習近平總書記關於扶貧工作的重要論述學習文集(2018年卷)」), and served as the representative of best essays to attend the seminar about important views of Xi Jinping regarding poverty alleviation, which was jointly sponsored by Publicity Department of CPC Central Committee and the State Council Leading Group Office of Poverty Alleviation and Development.

Section VI Significant Events (continued)

3 Achievements of Targeted Poverty Alleviation

Applicable Not Applicable

Unit: '0,000 Currency: RMB

Indicator	Quantity and implementation
I. Overall situation	
Including: 1. Funds	4,003.6
2. Amount of money converted from materials	4,071.2
3. Number of the people lifted out of poverty, who were on the records (person)	2,156
II Itemized investments	
1. Lifting the poor out of poverty through industrial development	
Including: 1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation in agriculture and forestry industry <input type="checkbox"/> Poverty alleviation in tourism <input checked="" type="checkbox"/> Poverty alleviation in e-commerce <input checked="" type="checkbox"/> Poverty alleviation in assets profit <input checked="" type="checkbox"/> Poverty alleviation in science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	43
1.3 Amount invested in industrial poverty alleviation projects	2,988
1.4 Number of the people lifted out of poverty, who were on the records (person)	2,017
2. Lifting the poor out of poverty through finding jobs elsewhere	
Including: 2.1 Amount invested in vocational skills training	24.2
2.2 Number of the poor who have received vocational skills training (person-time)	1,065
2.3 Number of the poor on the records who are helped to get employed (person)	208
3. Lifting the poor out of poverty through relocation:	
Including: 3.1 Number of the poor out of poverty through relocation who are helped to get employed (person)	67

Section VI Significant Events (continued)

Indicator	Quantity and implementation
4. Lifting the poor out of poverty through education Including: 4.1 Amount invested for helping the poor students	336.04
4.2 Number of the poor students who are funded (person)	5,695
4.3 Amount invested for improving educational resources in poor areas	531.17
5. Lifting the poor out of poverty through better health care Including: 5.1 Investment amount of medical and health resources in poverty – stricken areas	10.18
6. Poverty alleviation through ecological protection Including: 6.1 Project title	
	<input type="checkbox"/> Ecological protection and construction <input type="checkbox"/> Establishing Compensation Mode of Ecological Protection <input type="checkbox"/> Establish ecological public welfare post <input checked="" type="checkbox"/> Others
6.2 Amount invested	50
7. Guaranteed basic living standard for people unable to work Including: 7.1 Investment in left-behind children, women and senior people	425.05
7.2 Number of left-behind children, women and senior people assisted (person)	655
7.3 Investment in assisting poor people with physical disabilities	56.82
7.4 Number of poor people with disabilities assisted (person)	348
8. Social poverty alleviation Including: 8.1 Investment in coordinated poverty alleviation in East and West China	-
8.2 Investment in targeted poverty alleviation programs	310.04
8.3 Charity funds for poverty alleviation	1,962.86
9. Other projects Including: 9.1 Number of projects	56
9.2 Amount invested	1,380.44
9.3 Number of registered poor people lifted out of poverty (person)	139

Section VI Significant Events (continued)

Indicator	Quantity and implementation
9.4 Explanation for other projects	Construction of roads connecting each household, activity centres, Party activity centres, village clinics and rehabilitation centres for the disabled, purchase in lieu of donation, village culture construction, e-reading rooms, winter greeting activities, “visiting people and sending support”
III. Honors (contents and levels) CRCC was honoured “Poverty Alleviation Model Company of Qinghai Province” (「青海省脫貧攻堅先進單位」) (Provincial level) CRCC was honoured “Certificate of Love Knows No Borders Campaign” (「大愛無國界活動紀念證書」) China Railway 20th Bureau Group Co., Ltd., a subsidiary of the Group, was honoured “Poverty Alleviation Model Company” (「脫貧攻堅先進幫扶單位」) by Shaanxi Poverty Alleviation Leading Group and “Poverty Alleviation Model Company of Ankang City” (「安康市助力脫貧攻堅優秀企業」) (Provincial level)	

Section VI Significant Events (continued)

Indicator	Quantity and implementation
China Railway 25th Bureau Group Co., Ltd., a subsidiary of the Group, was honoured “Guangdong Poverty Alleviation Kapok Cup (Bronze)” (「廣東省扶貧濟困紅棉杯銅牌」) (Provincial level)	
China Railway Construction Investment Group Co., Ltd., a subsidiary of the Group, was honoured “Model Company of Charity Activities” of Guangdong Poverty Alleviation Day (廣東省扶貧濟困日「慈善公益活動先進單位」) (Provincial level)	
Li Huayi was honoured “Excellent First Secretary of Hebei Province” and “Excellent Poverty Alleviation Cadre of Zhangjiakou City” (Provincial level)	
Lv Shuai was honoured “Excellent First Secretary of Hebei Province” (Provincial level)	
Wang Jianbin was honoured “Cadre of Outstanding Performance” (「工作突出的工作隊員」) (Provincial level)	
Sun Jie was praised by Organisational Department of CPC Zhangjiakou Municipal Committee (Municipal level)	
Wu Yong was honoured “Yuncheng County Poverty Alleviation Model”(「鄆城縣脫貧攻堅好隊員」) (County level)	
Yang Suoli was honoured “Ningshan County Excellent Dispatched Cadre of Poverty Alleviation” (「寧陝縣脫貧攻堅優秀駐村幹部」) (County level)	

4. Subsequent targeted poverty alleviation plan

Applicable Not Applicable

- (1) Take targeted measures and offer stronger support to lift poverty through industrial development. In the future, CRCC will expand purchase from industrial projects it currently supports to help improve their profit margin, which include Hebei Wanquan Mine Machinery Factory (河北萬礦機械廠), Hebei Zhangjiakou Yuebei Shenhui Development Co., Ltd. (河北省張家口粵北神水發展有限責任公司), Zhangjiakou Lunbi Clothing Co., Ltd. (張家口倫比服飾有限公司), Guzhichan Zhangjiakou Food Co., Ltd. (穀之禪張家口食品有限公司) and Zhangjiakou Wantie Trading Co., Ltd. (張家口萬鐵商貿有限公司). The poverty alleviation project in Gande County, Qinghai Province is an ecological forage grass base, and CRCC will expand the scale on basis of current development and explore new cooperation model.
- (2) Develop strengths and promote poverty alleviation through employment and labour dispatch. CRCC will bring in more college graduates from poor families, and prefer qualified college graduates from recorded poor families in accordance with position requirements. It will offer more trainings to dispatched labours to improve the professionalism of people who are about to take jobs in other regions. The Company will enhance the organisation of labour dispatch, hire more people from targeted assistance regions to work in framework building teams and employ more people from recorded poor families to work as toll collector and logistics service personnel in road projects in operation. It will offer migrant workers long-term and stable job opportunities that will bring more income, further develop labour subcontracting and arrange more dispatched labour teams to undertake construction tasks of Project Department.

Section VI Significant Events (continued)

- (3) Expand channels for lifting poverty through education by various approaches. Firstly, CRCC will facilitate joint education programmes and talent cultivation projects, launch targeted talent training programmes and provide talents with employment channels. Secondly, CRCC will promote “Internet + Education” collaboration and expand service scope to improve the education digitalisation of poverty-stricken regions and to expand the coverage of high-quality digital education resources in poverty-stricken regions. Thirdly, CRCC will strictly execute financial assistance policies for students from recorded poor families, ensure that subsidies will be fully allocated in a timely manner, improve the subsidy mode that combines “inclusiveness, assistance to those in need, reward to outstanding ones, guidance”, so that all students from poverty-stricken families are supported and their needs are fully satisfied. Fourthly, CRCC will promote “Support to Pre-Schooling Development” initiative, help poverty-stricken regions to address issues that “pre-school education is not available” and “schools are far away from home”, offer greater assistance to infrastructure construction in primary and middle schools of poverty-stricken regions, participate in local education resource allocation, communicate actively to contribute to construction of pre-school facilities and buy students more sports equipment, outdoor recreation facilities and educational tools. Fifthly, CRCC will enhance promotion activities and call for social parties to make contribution. It will attract more people to care about and support local education development by donations, volunteer services and other ways.
- (4) Create new model for poverty alleviation through healthcare. In the future, CRCC will improve the construction of healthcare system and the services for poverty alleviation through healthcare. Firstly, CRCC will communicate with local hospitals and hospitals within its system to offer more free medical consultation to caretakers and provide essential drugs for free. Secondly, CRCC will build medical records, equip paralyzed seniors with auto saving alarm, care about and continuously monitor the health conditions of left-behind seniors and seniors without family. Thirdly, CRCC will communicate with insurance companies to seek favourable insurance policies, thereby offering health guarantee to people of poverty-stricken regions. Fourthly, CRCC will offer stronger support to those in urgent needs and extreme poverty and build a normalised mechanism that is upgraded from one-sided assistance to comprehensive solutions. Fifthly, CRCC will offer more basic guarantee related to medical care. It will improve medical care assistance policies related to major and serious diseases, develop detailed assistance plans to people of poverty-stricken regions by classification and grade, and reasonably increase annual financial support year on year. Basing on the above, CRCC will provide stronger support to individuals and families heavily burdened by medical expenses and appropriately expand the assistance scope.
- (5) Select qualified and competent cadres and engage more talents to help poverty alleviation. CRCC will appoint outstanding cadres with high level of political consciousness, strong ambition and responsibility, great capabilities and development potential to serve pair-up assistance regions. It will also integrate strict management with positive incentives, strengthen the application of appraisal results related to objectives in the term of office and annual objectives, so as to motivate these cadres to work with initiative and passion.

Section VI Significant Events (continued)

- (6) Explore new models to collaborate with other central enterprises in poverty alleviation by various means. CRCC will develop deep processing of green farm produce and other projects with food companies such as COFCO to promote deep processing of special products of Shangyi County and Gande County. It will cooperate with China National Travel Service Group and other tourism companies to develop characteristic towns and to promote the tourism development project in Wanquan. CRCC will actively explore poverty alleviation through collaboration by various means and resources, thereby helping farmers to improve their income.

(II) Activities in social responsibilities

Applicable Not Applicable

The Company actively fulfils its social responsibilities. The 2018 Social Responsibility Report of CRCC will be disclosed together with the annual report, which will be available on the websites of the Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkex.com.hk) and the Company (www.crcc.cn).

(III) Environmental Information

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

Applicable Not Applicable

2. Environmental issues of companies other than key pollutant discharging companies

Applicable Not Applicable

In the course of business, the Group strictly abides by the national environmental protection related policies, as well as laws and regulations, resolutely implements the national laws and regulations such as Environmental Protection Law, and regulatory documents, such as Action Plan for Prevention and Treatment of Air, Water and Soil Pollution, issued by the State Council. The Group has always practiced the environmental management concept of “reasonable energy use and green construction”, made continuous innovations in environmental protection work with the help of science and technology, and consciously fulfilled and assumed the social responsibility of environmental protection, striving to become a “resource-saving and environmentally-friendly” enterprise, and contributing to the construction of ecological civilization of the state by fighting for an environment with blue sky, clear water and rich soil.

The major emissions of the Group in the course of business include CO₂ generated from the use of oil, gas and coal, as well as solid wastes such as construction waste generated during construction of engineering projects.

Section VI Significant Events (continued)

To reduce the emission of carbon dioxide, the Group has taken the following measures: firstly, controlling the total energy consumption; secondly, adjusting the energy utilization structure to cut down the consumption of energy with high carbon dioxide content; thirdly, adopting clean energy and promoting the clean production strategy; fourthly, discarding obsolete capacity and process and purchasing energy-saving and advanced equipment; fifthly, optimizing the construction plan to accelerate construction and shorten construction period, thus reducing energy consumption; sixthly, applying advanced technologies to help with energy conservation.

For the purpose of utilizing construction waste in an efficient manner to reduce the total discharge, the Group has taken the following measures: firstly, recycling and treating construction waste for reutilization purposes; secondly, having comprehensive treatment on construction waste in accordance with environmental standards and requirements and discharging the waste only when it met such standards; thirdly, initiating the energy substitution project, using steel over timber, adopting convertible materials and expanding the cycle of convertible materials, thus reducing the production of waste.

3. Explanation of reasons for non-disclosure of environmental information by companies other than key pollutant discharging companies

Applicable Not Applicable

4. Explanation of the follow-up progress of or changes in the disclosure of environmental information during the Reporting Period

Applicable Not Applicable

(IV) Other Explanation

Applicable Not Applicable

Section VI Significant Events (continued)

XIX. CONVERTIBLE BONDS

(I) Issuance of convertible bonds

Applicable Not Applicable

1. Issuance of A share convertible corporate bonds

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

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

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

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

On 29 January 2016, the Company issued the H share convertible bonds at an aggregate principal amount of US\$500,000,000 (hereinafter referred to as "US\$ H Share Convertible Bonds"), which will due on 29 January 2021, with a par value of US\$250,000 each and were issued at 100% of its par value with zero coupon. The initial conversion price of the US\$ H Share Convertible Bonds is HK\$10.30 per H share, which was adjusted to HK\$10.15 per H share on 19 July 2016. The conversion price was adjusted to HK\$10.02 per H Share on 19 July 2017, and to HK\$9.83 per H Share on 18 July 2018. The subscribers of the US\$ H Share Convertible Bonds are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). Calculated based on the net proceeds from the issuance of the US\$ H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable, the net price for each share to be converted will be approximately HK\$9.75 (at the pre-determined exchange rate of US\$1.00 = HK\$7.7944). The last closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 18 January 2016 (being the trading day on which the subscription agreement of the US\$ H Share Convertible Bonds was signed) is HK\$7.49 per H share, and the last closing price as quoted on the Hong Kong Stock Exchange on 19 July 2016 (being the effective date of the first adjustment of the conversion price) is HK\$9.39 per H share. The last closing price as quoted on the Hong Kong Stock Exchange on 19 July 2017 (being the effective date of the second adjustment of the conversion price) was HK\$10.96 per H share. The last closing price as quoted on the Hong Kong Stock Exchange on 18 July 2018 (being the effective date of the third adjustment of conversion price) was HK\$7.72 per H Share. The proceeds from the issuance of the US\$ H Share Convertible Bonds by the Company were intended to be used for, among others, domestic and overseas projects investment, merger and acquisition, capital contribution and replenishment of working capital for domestic and overseas construction projects, replenishment of working capital of the Company and repayment of bank loans. As of 31 December 2018, all proceeds from the abovementioned issuance of the US\$ H Share Convertible Bonds have been used for replenishment of working capital of the Company and repayment of domestic and overseas bank loans.

Section VI Significant Events (continued)

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

On 21 December 2016, the Company issued the RMB3.450 billion US\$ settled 1.5% convertible bonds (hereinafter referred to as “RMB H Share Convertible Bonds”), which will due in 2021 and can be converted into H shares of the Company. The RMB H Share Convertible Bonds were issued in registered form in minimum denominations of RMB2,000,000 each and integral multiples of RMB1,000,000 in excess thereof. The aggregate issuance price represented 100% of the principal amount of the bonds. The subscribers are not less than six independent placees (each of whom is independent individual, enterprise and/or institutional investor). The initial conversion price of the RMB H Share Convertible Bonds is HK\$13.7750 per H share, and the adjusted conversion price on 19 July 2017 was HK\$13.59 per H share, and the conversion price was adjusted to HK\$13.34 per H Share on 18 July 2018. Calculated based on the net proceeds from the issuance of the RMB H Share Convertible Bonds of approximately US\$496 million after the deduction of fees, commissions and expenses payable, the net price for each share to be converted will be approximately HK\$13.16 (for reference purpose only, at the exchange rate of US\$1.00 = HK\$7.71). The last closing price of H shares of the Company as quoted on the Hong Kong Stock Exchange on 7 December 2016 (being the trading day on which the subscription agreement of the RMB H Share Convertible Bonds was signed) is HK\$11.02 per H share. On 19 July 2017 (being the effective date of the first adjustment of conversion price), the last closing price as quoted on the Hong Kong Stock Exchange was HK\$10.96 per H share. On 18 July 2018 (being the effective date of the second adjustment of conversion price), the last closing price as quoted on the Hong Kong Stock Exchange was HK\$7.72 per H Share. As of 31 December 2018, US\$385 million of proceeds from this issuance of the RMB H Share Convertible Bonds had been used for the purpose of replenishment of general working capital for overseas projects.

For more details, please see relevant announcements published on 3 June 2015, 29 October 2015, 30 October 2015, 19 January 2016, 28 January 2016, 18 July 2016, 8 December 2016, 21 December 2016, 18 July 2017 and 17 July 2018, respectively, on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times, as well as on the website of Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the Company's website (www.crcc.cn), respectively.

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

Applicable Not Applicable

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

Section VI Significant Events (continued)

(III) Changes in convertible bonds during the Reporting Period

Applicable Not Applicable

Accumulated conversion of convertible bonds during the Reporting Period

Applicable Not Applicable

(IV) Previous adjustments to conversion price

Applicable Not Applicable

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

Unit: yuan Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2016	10.15	18 July 2016	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2015
19 July 2017	10.02	18 July 2017	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2016
18 July 2018	9.83	17 July 2018	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.crcc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2017
The latest conversion price as of the end of Reporting Period				9.83

Section VI Significant Events (continued)

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

Unit: yuan Currency: HKD

Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Note to adjustments to conversion price
19 July 2017	13.59	18 July 2017	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.croc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2016
18 July 2018	13.34	17 July 2018	China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times, as well as on the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the company's website (www.croc.cn)	Adjust the conversion price according to the implementation plan of dividend distribution for the year 2017
The latest conversion price as of the end of Reporting Period				13.34

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

Applicable Not Applicable

During the Reporting Period, there was no significant change in the Company's liabilities and creditworthiness. Credit rating granted by all credit rating agencies to the Company remained unchanged. The initial conversion price of the US\$ H Share Convertible Bonds issued by the Company was HK\$10.30 (adjusted conversion price: HK\$9.83). During the Reporting Period, the closing price on several trading days exceeded such conversion price, but no investor has demanded for conversion, which illustrated the high value of the conversion price of the bonds issued by the Company and the investors were willing strongly to hold the Company's convertible bonds. The US\$ H Share Convertible Bonds with an amount of US\$500,000,000 issued by Company bore zero coupons, while the RMB H Share Convertible Bonds with an amount of RMB3.45 billion, which are settled in US\$, bore a coupon of 1.5%, which is far lower than that of the US\$ bonds with the same rating in the market. Hence, the investors are possibly not to hold the bonds for principal to maturity. The Company has abundant cash flow and in the meanwhile, banks granted sufficient credit to the Company. Even though the holders hold such bonds to maturity, the Company is fully capable of redeeming in cash.

Section VI Significant Events (continued)

(VI) Other description of convertible bonds

Applicable Not Applicable

1. Utilization of proceeds from issuance of convertible bonds

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

Proceeds from issuance of the US\$ H Share Convertible Bonds are used for investment in both domestic and overseas projects, merger and acquisition, capital increase and working capital replenishment for overseas construction projects, replenishment of the Company's working capital and repayment of bank loans. As at 31 December 2017, all proceeds from the issuance of the US\$ H Share Convertible Bonds stated above had been used for replenishing working capital of the Company and repaying domestic and overseas bank loans. For details, please refer to the 2017 annual report of the Company.

(2) *RMB H Share Convertible Bonds*

The proceeds from the issuance of the RMB H Share Convertible Bonds by the Company were intended to be used for, among others, domestic and overseas project investment, merger and acquisition, capital contribution and replenishment of working capital for domestic and overseas construction projects, replenishment of working capital of the Company and repayment of bank loans. As of 31 December 2018, US\$385 million (equivalent to approximately 78% of the net proceed) of US\$496 million of proceeds from the issuance of the RMB H Share Convertible Bonds stated above have been utilised, all of which were used for replenishing general working capital of overseas projects. The remaining proceeds will be used in the way disclosed in the announcement of the Company dated 8 December 2016.

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

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

As at the end of the Reporting Period, the outstanding principal amount of US\$ H Share Convertible Bonds was US\$500 million. If all outstanding US\$ H Share Convertible Bonds were converted based on the adjusted conversion price (HK\$9.83 per H share), the maximum total number of H shares to be issued by the Company will be 396,459,817 H shares (based on the pre-determined exchange rate of US\$1.00 to HK\$7.7944). The Company has sufficient general mandate to issue the H shares upon full conversion of the US\$ H Share Convertible Bonds.

Section VI Significant Events (continued)

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

Shareholders	Class of shares	No conversion of any US\$ H Share Convertible Bonds		If the US\$ H Share Convertible Bonds were fully converted based on the adjusted conversion price of HK\$9.83 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling Shareholder	A share	6,942,736,590	51.13	6,942,736,590	49.68
Public holders of A shares	A share	4,560,508,910	33.58	4,560,508,910	32.63
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,472,755,817	17.69
Total	/	13,579,541,500	100.00	13,976,001,317	100.00

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

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

As at the end of the Reporting Period, the outstanding principal amount of RMB H Share Convertible Bonds was RMB3.45 billion. If all outstanding RMB H Share Convertible Bonds were converted based on the adjusted conversion price (HK\$13.34 per H share), the maximum total number of H shares to be issued by the Company will be 290,650,359 H shares (at the fixed exchange rate of RMB0.8898 to HK\$1.00). The Company will have sufficient general mandate to issue the H shares upon full conversion of the US\$ H Share Convertible Bonds.

Section VI Significant Events (continued)

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

Shareholders	Class of shares	No conversion of any RMB H Share Convertible Bonds		If the RMB H Share Convertible Bonds were fully converted based on the adjusted conversion price of HK\$13.34 per H share at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling Shareholder	A share	6,942,736,590	51.13	6,942,736,590	50.06
Public holders of A shares	A share	4,560,508,910	33.58	4,560,508,910	32.88
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,366,946,359	17.06
Total	/	13,579,541,500	100.00	13,870,191,859	100.00

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

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

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

Shareholders	Class of shares	No conversion of any US\$ H Share Convertible Bonds or RMB H Share Convertible Bonds		If the US\$ H Share Convertible Bonds and the RMB H Share Convertible Bonds were fully converted based on their respective adjusted conversion prices at the end of the Reporting Period	
		Number of shares (share)	Approximate percentage of the issued share capital (%)	Number of shares (share)	Approximate percentage of the issued extended share capital (%)
The Controlling Shareholder	A share	6,942,736,590	51.13	6,942,736,590	48.66
Public holders of A shares	A share	4,560,508,910	33.58	4,560,508,910	31.97
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29	2,763,406,176	19.37
Total	/	13,579,541,500	100.00	14,266,651,676	100.00

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

Section VI Significant Events (continued)

3. Accounting Treatment for the H share convertible bonds

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

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

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

For the derivative component, as at 31 December 2018, the Company revaluated the fair value of the derivatives. The increase of US\$14.906 million in the fair value of derivatives will be recognized through profit or loss.

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

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

The Company evaluated the fair value of such bonds as at the date of issuance and separated the liability component and equity instruments component for the convertible bonds. In the separation, the initial recognition of liability component is made at the fair value, whereas the initially recognized amount of the equity component equals to the total issuance amount less the initial recognized amount of the liability component. The transaction fees will be allocated on a pro rata basis based on the fair price of the liability component and the equity component in the separation. Transaction fees associated with liability component will be recognized as liability whereas transaction fees associated with equity component will be recognized as other equity instruments. See details in the Note V. "38. Other equity instruments" of the Financial Reports attached to this Report.

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

XX. SUBSEQUENT EVENTS

As at the approval date of this report, the Group has no other significant off-balance-sheet events that are required to disclose.

Section VII Changes in Ordinary Shares and Particulars of Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary shares

1. Table of changes in ordinary shares

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

2. Particulars of changes in ordinary shares

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(II) Changes in shares subject to trading moratorium

Applicable Not Applicable

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

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

Applicable Not Applicable

Unit: share Currency: RMB

Type of share and derivative	Date of issue	Issue price (or coupon rate)	Shares to be issued	Date of listing	Shares permitted to be traded	Termination date
Convertible corporate bond, bond with warrants, debenture						
2018 renewable corporate bonds (first tranche)	16 March 2018	5.56%	3,000,000,000	2 April 2018	3,000,000,000	
2018 renewable corporate bonds (second tranche)	16 April 2018	5.23%	2,000,000,000	3 May 2018	2,000,000,000	
2018 renewable corporate bonds (third tranche)	30 May 2018	5.30%	2,000,000,000	15 June 2018	2,000,000,000	

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

Applicable Not Applicable

Upon the approval of China Securities Regulatory Commission by “Zheng Jian Xu Ke [2016] No. 1337”, the Company was permitted to issue renewable corporate bonds with par value not exceeding RMB15 billion (inclusive) in tranches to qualified investors.

The issue of 2016 renewable corporate bonds of China Railway Construction Corporation Limited (first tranche) was completed on 29 June 2016. The final issue size was RMB8 billion, and the coupon rate of first period stood at 3.53%, with the initial benchmark interest rate being 2.69% and the initial spread being 0.84%. This tranche of bonds has been listed on Shanghai Stock Exchange on 22 July 2016.

The issue of 2018 renewable corporate bonds of China Railway Construction Corporation Limited (first tranche) was completed on 19 March 2018. The final issue size was RMB3 billion, and the coupon rate of first period stood at 5.56%. This tranche of bonds has been listed on Shanghai Stock Exchange on 2 April 2018.

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

The issue of 2018 renewable corporate bonds of China Railway Construction Corporation Limited (second tranche) was completed on 17 April 2018. The final issue size was RMB2 billion, and the coupon rate of first period stood at 5.23%. This tranche of bonds has been listed on Shanghai Stock Exchange on 3 May 2018.

The issue of 2018 renewable corporate bonds of China Railway Construction Corporation Limited (third tranche) was completed on 31 May 2018. The final issue size was RMB2 billion, and the coupon rate of first period stood at 5.30%. This tranche of bonds has been listed on Shanghai Stock Exchange on 15 June 2018.

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

Applicable Not Applicable

(III) Existing internal employee shares

Applicable Not Applicable

III. PARTICULARS OF SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Structure of share capital and public float (disclosure under the Listing Rules of the Hong Kong Stock Exchange)

1. Share Capital Structure

As at 31 December 2018, the share capital structure of the Company is set out as follows:

Shareholder	Class of shares	Number of Shares (share)	Approximate Percentage of the issued share capital (%)
China Railway Construction Group Co., Ltd.	A share	6,942,736,590	51.13
Public holders of A shares	A share	4,560,508,910	33.58
Public holders of H shares	H share ^{Note}	2,076,296,000	15.29
Total	–	13,579,541,500	100.00

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

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

2. Public float

As at the latest practicable date prior to the publication of this report, and according to all public information and as far as the directors are aware, the public holders of the Company held 6,636.80491 million shares, representing 48.87% of the issued capital of the Company. In particular, public holders of H shares held 2,076.296 million shares, representing 15.29% of the issued capital of the Company; public holders of A shares held 4,560.50891 million shares, representing 33.58% of the issued share capital of the Company. The Company has sufficient public float which satisfies the requirements under the Hong Kong Listing Rules.

(II) The total number of shareholders

As at the end of the Reporting Period, the total number of shareholders of the Company was 283,048, of which 266,425 were holders of A shares and 16,623 were holders of H shares. At the end of the last month prior to the publishing date of this annual report, the total number of common shareholders of the Company was 295,419, of which 279,343 were holders of A shares and 16,076 were holders of H shares.

Total number of common shareholders as at the end of the Reporting Period	283,048
Total number of common shareholders at the end of the last month prior to the date of the issuance of the annual report	295,419
Total number of preference shareholders with voting right restored as at the end of the Reporting Period	N/A
Total number of preference shareholders with voting right restored at the end of the last month prior to the date of the issuance of the annual report	N/A

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

Unit: share

Name of shareholder (full title)	Particulars of Top 10 Shareholders			Number of shares subject to trading moratorium	Shares pledged or frozen	Share status	Quantity	Nature of shareholder
	Increase/decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)					
China Railway Construction Group Co., Ltd.	-624,658,910	6,942,736,590	51.13	0	Nil	0	State-owned	
HKSCC NOMINEES LIMITED	488,813	2,061,440,593	15.18	0	Unknown	0	Overseas legal person	
China Securities Finance Corporation Limited	-214,468,150	407,098,054	3.00	0	Nil	0	Others	
China Merchants Bank – ICBC Credit Suisse SSE 50 ETF Investment Fund	229,516,300	229,516,300	1.69	0	Nil	0	Others	

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

Name of shareholder (full title)	Particulars of Top 10 Shareholders			Number of shares subject to trading moratorium	Shares pledged or frozen Share status	Nature of shareholder
	Increase/decrease during the Reporting Period	Number of shares held at the end of the period	Percentage (%)			
Guoxin Investment Co., Ltd.	155,213,255	155,213,255	1.14	0	Nil	0 Others
Central Huijin Asset Management Corporation Limited (中央匯金資產管理有限責任公司)	0	141,519,100	1.04	0	Nil	0 Others
Beijing Chengtong Financial Investment Co., Ltd.	136,266,155	136,266,155	1.00	0	Nil	0 Others
Agriculture Bank of China – China Asset Management CSI Central Enterprise Restructuring ETF Investment Fund	101,704,308	101,704,308	0.75	0	Nil	0 Others
Hong Kong Securities Clearing Company Limited	57,340,735	98,175,687	0.72	0	Nil	0 Overseas legal person
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
E Fund – Agricultural Bank of China – E Fund CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
Zhong Ou Fund – Agricultural Bank of China – Zhong Ou CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
CSAM – Agricultural Bank of China – CSAMCSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme	26,752,100	81,847,500	0.60	0	Nil	0 Others

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

Particulars of shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
China Railway Construction Group Co., Ltd.	6,942,736,590	RMB ordinary share	6,942,736,590
HKSCC NOMINEES LIMITED	2,061,440,593	Overseas listed foreign share	2,061,440,593
China Securities Finance Corporation Limited	407,098,054	RMB ordinary share	407,098,054
China Merchants Bank – ICBC Credit Suisse SSE 50 ETF Investment Fund	229,516,300	RMB ordinary share	229,516,300
Guoxin Investment Co., Ltd.	155,213,255	RMB ordinary share	155,213,255
Central Huijin Asset Management Corporation Limited (中央匯金資產管理有限責任公司)	141,519,100	RMB ordinary share	141,519,100
Beijing Chengtong Financial Investment Co., Ltd.	136,266,155	RMB ordinary share	136,266,155
Agriculture Bank of China – China Asset Management CSI Central Enterprise Restructuring ETF Investment Fund	101,704,308	RMB ordinary share	101,704,308
Hong Kong Securities Clearing Company Limited	98,175,687	RMB ordinary share	98,175,687
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
E Fund – Agricultural Bank of China – E Fund CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
Zhong Ou Fund – Agricultural Bank of China – Zhong Ou CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
China Asset Management – Agricultural Bank of China – China Asset Management CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
CSAM – Agricultural Bank of China – CSAM CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500

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

Particulars of shareholdings of the top ten shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium	Class and number of share	
		Class	Number
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme	81,847,500	RMB ordinary share	81,847,500
Explanations on the connected or concerted action among the above shareholders	HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are wholly-owned subsidiaries of Hong Kong Exchanges and Clearing Limited (HKEx). In addition to the disclosures above, the Company has no information on whether there exists any related-party relationship between the top ten shareholders not subject to trading moratorium and the top ten shareholders and whether the shareholders are persons acting in concert as specified in the Measures for the Administration of the Acquisition of Listed Companies.		
Explanation on the preference shareholders with voting right restored and their shareholdings	Not Applicable		

Note: The H shares held by HKSCC Nominees Limited were held for and on behalf of several clients. The A shares held by Hong Kong Securities Clearing Company Limited were held for and on behalf of several clients. As at the end of the Reporting Period, HKSCC Nominees Limited held 2,061,440,593 shares of the Company. However, details regarding whether the shares were pledged or frozen were unknown.

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

Applicable Not Applicable

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

Applicable Not Applicable

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

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

So far as the directors of the Company are aware, as at 31 December 2018, the persons other than directors, supervisors or chief executive of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Section 336 of Part XV of the SFO were as follows:

Unit: share

Name of substantial shareholder	Class of share	Capacity	Number of shares interested ^{Note 1}	Percentage of issued share capital of the relevant class of shares	Percentage of total issued share capital
China Railway Construction Group Co., Ltd.	A share	Beneficial owner	6,942,736,590	60.35%	51.13%
National Council for Social Security Fund	H share	Beneficial owner	188,754,500(L)	9.09%	1.39%
JPMorgan Chase & Co. ^{Note 2}	H share	Interest of corporation controlled by the substantial shareholder, investment manager, person having a security interest in shares, approved lending agent	214,255,212(L)	10.32%	1.58%
		Interest of corporation controlled by the substantial shareholder, investment manager	19,545,406(S)	0.94%	0.14%
		Approved lending agent	134,019,445(P)	6.45%	0.99%
BlackRock, Inc. ^{Note 3}	H share	Interest of corporation controlled by the substantial shareholder	163,979,697(L)	7.90%	1.21%
			3,616,500(S)	0.17%	0.03%
The Bank of New York Mellon Corporation ^{Note 4}	H share	Interest of corporation controlled by the substantial shareholder	145,811,953(L)	7.02%	1.07%
			142,721,791(P)	6.87%	1.05%
Citigroup Inc. ^{Note 5}	H share	Person having a security interest in shares, interest of corporation controlled by the substantial shareholder, investment manager, approved lending agent	127,123,263(L)	6.12%	0.94%
		Interest of corporation controlled by the substantial shareholder	31,912,437(S)	1.54%	0.24%
		Approved lending agent	83,098,361(P)	4.00%	0.61%

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

Note 2. As at 31 December 2018, JPMorgan Chase & Co. (including certain corporations under its control) held long positions in 214,255,212 H shares and short positions in 19,545,406 H shares of the Company in total.

Note 3. As at 31 December 2018, BlackRock, Inc. held long positions in 163,979,697 H shares and short positions in 3,616,500 H shares of the Company in total through certain corporations under its control.

Note 4. As at 31 December 2018, The Bank of New York Mellon Corporation held long positions in 145,811,953 H shares of the Company in total through a corporation under its control.

Note 5. As at 31 December 2018, Citigroup Inc. held long positions in 127,123,263 H shares and short positions in 31,912,437 H shares of the Company in total through certain corporations under its control.

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

IV. CHANGES IN THE CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER

(I) Controlling shareholder

1. Legal Representative

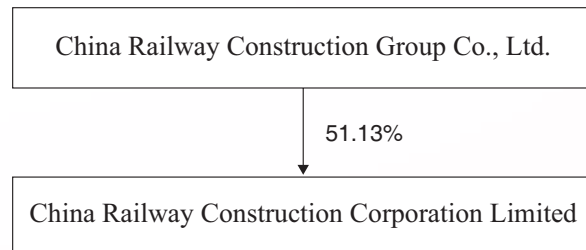
Applicable Not Applicable

Name	China Railway Construction Group Co., Ltd.
Person in charge or legal representative	CHEN Fenjian
Incorporation date	28 August 1990
Principal businesses	Construction of railways, metropolitan railways, highways, airports, ports, tunnels, bridges, water conservancy and hydropower facilities, post and telecommunication facilities, mining facilities; lumbering; provision of technical consultancy services for municipal engineering, general contracting and subcontracting of installation of circuitry, pipeline and equipment; construction of prevention and control of geologic disasters; provision of construction project management services; sale of automobile and cars; wholesale and retail of ferrous metal, timber, cement, fuel, construction materials, chemical products (excluding dangerous chemicals), electromechanical products, armored concrete product and special railway equipment; production of the enterprises under direct control of the organization; overseas construction contracting and domestic construction tendering; provision of rental services of machinery and construction installation equipments, provision of renovation and interior decoration services; provision of technical consulting, technical services, import and export related to the above businesses; advertising business. (The enterprise can choose the business to be engaged in and carry out such business activities pursuant to the laws; for business activities for which approvals are required, they should be carried out after obtaining approvals from relevant authorities; no business activity as prohibited by the industrial policies of the municipality and restricted by the authorities shall be engaged in.)
Particulars of other domestic and overseas listed companies held and invested by the Controlling Shareholder during the Reporting Period	Nil

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

Name	China Railway Construction Group Co., Ltd.
Explanation on other matters	On 7 August 2018, the legal representative of China Railway Construction Co., Ltd. was changed from MENG Fengchao to CHEN Fenjian. On 11 January 2019, China Railway Construction Co., Ltd. changed its name to China Railway Construction Group Co., Ltd.

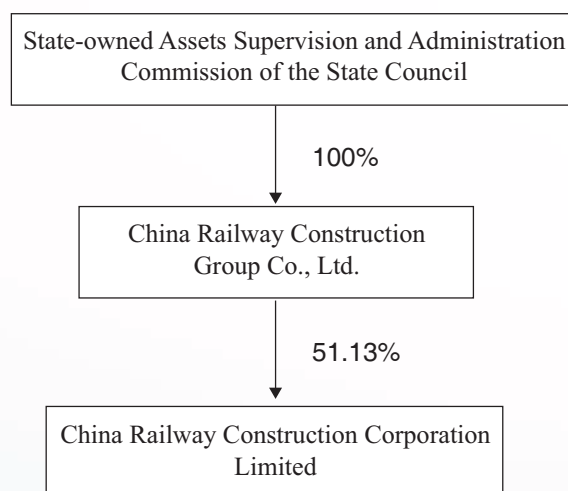
2. Natural person
 Applicable Not Applicable
3. Special explanation on no controlling shareholder for the Company
 Applicable Not Applicable
4. Index and date of changes in controlling shareholder during the Reporting Period
 Applicable Not Applicable
5. The chart of the relationship between the Company and the Controlling shareholder on the property ownership and controlling rights
 Applicable Not Applicable



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

(II) Actual controller

1. Legal Representative
 Applicable Not Applicable
2. Natural person
 Applicable Not Applicable
3. Special explanation on no actual controller for the Company
 Applicable Not Applicable
4. Index and date of changes in actual controller during the Reporting Period
 Applicable Not Applicable
5. The chart of the relationship between the Company and the actual shareholder on the property ownership and controlling rights
 Applicable Not Applicable



6. The actual controller controls the Company through the trust or other asset management way
 Applicable Not Applicable

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

- Applicable Not Applicable

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

V. OTHER SHAREHOLDERS HOLDING MORE THAN 10% OF SHARES

Applicable Not Applicable

Unit: Yuan Currency: RMB

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

VI. EXPLANATION ON THE RESTRICTION OF REDUCING SHARE

Applicable Not Applicable

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

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

Section VIII Particulars of Preference Shares

Applicable Not Applicable

Section IX Directors, Supervisors, Senior Management and Staff

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Applicable Not Applicable

Unit: share

Name	Title	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Number of shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB '0,000)	Whether receive remuneration from related parties of the Company
CHEN Fenjian	Chairman, executive director and secretary of the communist party committee	Male	56	17 September 2018 (Chairman, executive director), 3 July 2018 (Secretary of the communist party committee)	21 December 2020 (Chairman, executive director)	-	-	-	-	29.24	No
ZHUANG Shangbiao	Executive director and president, deputy secretary of the communist party committee	Male	56	28 October 2014 (Executive director), 4 December 2015 (President, Deputy secretary of the communist party committee)	21 December 2020 (Executive director and president)	-	-	-	-	104.24	No
LIU Ruchen	Executive director	Male	55	22 December 2017	21 December 2020	-	-	-	-	93.26	No
GE Fuxing	Non-executive director	Male	62	28 October 2014	21 December 2020	-	-	-	-	0	No
WANG Huacheng	Independent non-executive director	Male	55	28 October 2014	21 December 2020	-	-	-	-	17.10	No
Patrick SUN	Independent non-executive director	Male	60	28 October 2014	21 December 2020	-	-	-	-	12.80	No
CHENG Wen	Independent non-executive director	Male	66	28 October 2014	21 December 2020	-	-	-	-	6.00	No
Amanda Xiao Qiang LU	Independent non-executive director	Female	64	28 October 2014	21 December 2020	-	-	-	-	14.10	No
CAO Xirui	Chairman of Supervisory Committee	Male	49	22 December 2017	21 December 2020	-	-	-	-	66.96	No
LIU Zhengchang	Supervisor	Male	50	22 December 2017	21 December 2020	-	-	-	-	62.35	No
KANG Fuxiang	Employee supervisor	Male	50	6 September 2018	21 December 2020	-	-	-	-	58.25	No
WANG Xiuming	Chief accountant	Male	55	29 April 2014	21 December 2020	-	-	-	-	93.43	No
LI Ning	Vice president	Male	56	15 June 2017	21 December 2020	-	-	-	-	72.82	No
WANG Wenzhong	Vice president	Male	55	15 June 2017	21 December 2020	-	-	-	-	77.54	No
LIU Chengjun	Vice president	Male	55	11 June 2018	21 December 2020	-	-	-	-	25.20	No
WANG Lixin	Vice president	Male	48	11 June 2018	21 December 2020	-	-	-	-	80.74	No
NI Zhen	Vice president	Male	47	11 June 2018	21 December 2020	-	-	-	-	91.12	No
ZHAO Dengshan	Secretary to the Board and Joint Company Secretary	Male	57	30 May 2018	21 December 2020	-	-	-	-	68.00	No
MENG Fengchao	Chairman, and secretary of the communist party committee	Male	60	28 December 2010 (Chairman, executive director), 5 December 2016 (Secretary of the communist party committee)	20 July 2018 (Chairman, executive director), 3 July 2018 (Secretary of the communist party committee)	-	-	-	-	88.96	No
XIA Guobin	Executive director and deputy secretary of the communist party committee	Male	60	22 December 2017 (Executive director), 1 March 2017 (Deputy secretary of the communist party committee)	7 December 2018	-	-	-	-	93.89	No
ZHANG Liangcai	Employee supervisor	Male	60	31 May 2011	6 September 2018	-	-	-	-	42.63	No
LU Bin	Vice president	Male	55	15 June 2017	7 December 2018	-	-	-	-	74.00	No
YU Xingxi	Secretary to the Board and Joint Company Secretary	Male	60	12 October 2010	30 May 2018	-	-	-	-	16.31	No
Total	/	/	/	/	/	-	-	-	/	1,288.94	/

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

Notes:

1. Remunerations for the Reporting Period represent those before the deduction of income tax, social insurance and housing fund.
2. Total remunerations before tax received from the Company during the Reporting Period included the Company's supplementary pension insurance and housing provident fund paid by the Company for employees.
3. Mr. KANG Fuxiang has been serving as supervisor of the Company since September 2018, and his remuneration for 2018 included remunerations he received for assuming other positions in the Company.
4. Remunerations of Mr. LI Ning and Mr. WANG Wenzhong for 2018 included annual performance salaries they received for assuming positions in the subsidiaries of the Company.
5. Mr. WANG Lixin and Mr. NI Zhen have been serving as vice presidents of the Company since June 2018 and their remunerations for 2018 included remunerations they received for assuming positions in the subsidiaries of the Company.
6. Mr. ZHAO Dengshan has been serving as Secretary to the Board and Joint Company Secretary of the Company since May 2018, and his remuneration for 2018 included remunerations he received for assuming other positions in the Company.
7. Mr. ZHANG Liangcai reached the statutory age of retirement in February 2018. During the Reporting Period, ZHANG Liangcai continued to perform duties of employee supervisor of the Company till 6 September 2018, and his remuneration is determined by the remuneration standard for supervisors, net of pension.
8. Mr. YU Xingxi reached the statutory age of retirement in January 2018. During the Reporting Period, YU Xingxi continued to perform duties of Secretary to the Board and Joint Company Secretary of the Company of the Company till 30 May 2018, and his remuneration is determined by the remuneration standard for Secretary to the Board, net of pension.

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

Name	Main work experience
CHEN Fenjian	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
ZHUANG Shangbiao	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LIU Ruchen	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
GE Fuxing	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Huacheng	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
Patrick SUN	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
CHENG Wen	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
Amanda Xiao Qiang LU	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
CAO Xirui	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LIU Zhengchang	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
KANG Fuxiang	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Xiuming	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LI Ning	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Wenzhong	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
LIU Chengjun	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
WANG Lixin	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.

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

Name	Main work experience
NI Zhen	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
ZHAO Dengshan	For details, please refer to “II (I) Biographies of incumbent directors, supervisors and senior management” in this section.
MENG Fengchao	Mr. MENG joined workforce in 1975, and served as the chairman, general manager and secretary to the communist party committee of China Railway Construction Corporation since May 2010. He has also been serving as an executive director and the chairman of the first session of the Board and the secretary to the communist party committee of the Company since December 2010 and an executive director and the chairman of the second session of the Board of the Company and the secretary to the communist party committee since May 2011. He served as an executive director and the chairman of the third session of the Board of the Company and secretary to the communist party committee since October 2014. He has been the chairman of the Board and the deputy secretary to the communist party committee of the Company as well as the chairman and deputy secretary to the communist party committee of China Railway Construction Corporation since February 2015. He serves as the chairman, secretary to the communist party committee of the Company, as well as chairman and secretary to the communist party committee of China Railway Construction Corporation since December 2016. He has also been serving as an executive director and the chairman of the fourth session of the Board and the secretary to the communist party committee of the Company and the chairman of the Board and the secretary to the communist party committee of China Railway Construction Co., Ltd. from December 2017 to July 2018.
XIA Guobin	Mr. XIA joined workforce in 1975 and served as the deputy general manager and chief engineer of China Railway Construction Corporation from April 2001 to November 2007. He served as the vice president and chief engineer of the Company since November 2007. He no longer served as the chief engineer of the Company since October 2009. Since 1 March 2017, he serves as a deputy secretary to the communist party committee of China Railway Construction Corporation as well as a deputy secretary to the communist party committee of the Company. From December 2017 to December 2018, he served as an executive director of the fourth session of the Board and the deputy secretary to the communist party committee of the Company as well as a deputy secretary to the communist party committee of China Railway Construction Co., Ltd.

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

Name	Main work experience
LU Bin	Mr. LU joined workforce in 1980 and successively held positions in Bureau of Personnel Chinese Academy of Science (中科院人事局), the former Ministry of Personnel of the People's Republic of China (原國家人事部) and Central Enterprise Work Commission (中央企業工委) from February 1991 to June 2003. From June 2003 to August 2011, He successively served as a researcher, a deputy director (department level) and a director of Second Bureau for the Administration of Corporate Executive of SASAC (國資委企幹二局) as well as, a director and a member of the Preparatory Committee of China Reform Holdings Corporation Ltd (中國國新控股公司). From August 2011 to June 2017, he successively served as the head of human resources department of the Company (cadre department of the communist party committee), the assistant to the president and the head of human resources department of the Company (cadre department of the communist party committee). He served as the member of the standing committee of the communist party committee and the vice president of the Company, as well as the member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. from June 2017 to December 2018.
YU Xingxi	Mr. YU joined workforce in 1976 and served as the manager of the investment division of China Railway Construction Corporation from November 2001 to December 2005 and head of the finance division of China Railway Construction Corporation from December 2005 to November 2007. He was the head of the finance division of the Company from November 2007 to October 2010 and the secretary to the Board and Joint Company Secretary of the Company from October 2010 to May 2018.
ZHANG Liangcai	Mr. ZHANG joined workforce in 1978 and served as the manager of the Bridge Engineering Branch of China Railway Bridge Construction Company (中鐵建造橋工程分公司), secretary to the communist party committee of Research & Design Institute of Railway Construction (鐵道建築研究設計院) and the head of the organization department of the communist party committee of China Railway Construction Corporation. He served as the head of the organization department of the communist party committee of the Company from July 2008 to May 2018 and as the employee representative supervisor of the Supervisory Committee of the Company from May 2011 to September 2018.

Explanation for other matters

Applicable Not Applicable

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

Applicable Not Applicable

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

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

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

1. Directors

Mr. CHEN Fenjian, aged 56, a Chinese with no right of abode overseas, is currently the chairman, executive director, the secretary to the Party Committee of the Company and the chairman and the secretary to the Party Committee of China Railway Construction Group Co., Ltd. From August 1983 to August 1997, Mr. CHEN held various positions in Fourth Navigational Engineering Bureau under the Ministry of Communications and its subsidiaries. From August 1997 to August 2005, he was the manager of a subsidiary of Fourth Navigational Engineering Bureau of China Harbor Engineering Company (Group) and the deputy director, director and deputy secretary to the Party Committee of Fourth Navigational Engineering Bureau. From August 2005 to August 2006, he served as the deputy general manager of China Communications Construction Group (Limited). From August 2006 to November 2006, he served as the director of China Communications Construction Group (Limited) and the deputy general manager of China Communications Construction Company Limited. From November 2006 to April 2007, he served as a temporary Party Committee member of China Communications Construction Group (Limited) and the deputy general manager and a temporary Party Committee member of China Communications Construction Company Limited. From April 2007 to January 2014, he served as a standing committee member of the Party Committee of China Communications Construction Group (Limited), the deputy general manager and a standing committee member of the Party Committee of China Communications Construction Company Limited, the chairman and legal representative of China Harbour Engineering Company Limited, and the chairman and legal representative of CCCC Investment Company Limited. From January 2014 to September 2016, he served as the secretary to the Party Committee and a director of China Communications Construction Group (Limited) and executive director, general manager and deputy secretary to the Party Committee of China Communications Construction Company Limited. From September 2016 to November 2016, he served as the vice chairman, general manager and deputy secretary to the Party Committee of China Communications Construction Group (Limited) and executive director, general manager and deputy secretary to the Party Committee of China Communications Construction Company Limited. From November 2016 to June 2018, he served as the vice chairman, general manager and deputy secretary to the Party Committee of China Communications Construction Group (Limited) and the vice chairman, general manager and deputy secretary to the Party Committee of China Communications Construction Company Limited. Since June 2018, he served as the chairman and secretary to the Party Committee of China Railway Construction Group Co., Ltd. Since July 2018, he served as the secretary to the Party Committee of the Company. Since September 2018, he served as the chairman of the Company. Mr. CHEN graduated from the civil engineering department of Changsha Communications University, majoring in harbour and channel engineering. He obtained a master's degree in business administration for senior management from Guanghua School of Management of Peking University. Mr. CHEN is a professor equivalent senior engineer and is entitled to special government allowances granted by the State Council.

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

Mr. ZHUANG Shangbiao, aged 56, a Chinese with no right of abode overseas, is currently the president and executive director of the Company and deputy secretary to the communist party committee, as well as general manager, a director and deputy secretary to the communist party committee of China Railway Construction Group Co., Ltd. Mr. ZHUANG has a deep insight of China's construction industry, great expertise in finance and extensive experience in corporate finance and financial management. Mr. ZHUANG joined China Railway Construction Corporation in 2005. He served as the deputy general manager of the finance department of China Road and Bridge Construction Corporation from February 1992 to March 1994, the deputy general manager and executive deputy general manager of China Road and Bridge Group (H.K.) Limited from March 1994 to March 2001, the chief accountant of China Road and Bridge (Group) Corporation from March 2001 to August 2005, the chief accountant of China Railway Construction Corporation from August 2005 to November 2007, the general legal counsel of China Railway Construction Corporation from April 2006 to November 2007. He has been a member of the standing committee of the communist party committee of China Railway Construction Corporation from May 2007 to December 2015. He has been serving as the chief accountant of the Company from November 2007 to April 2014 and the general legal counsel of the Company since November 2007. He served as the vice president of the Company since April 2008 and an executive director of the Company since October 2014. He began to chair the management of the Company since July 2015. He has served as the president of the Company and deputy secretary to the communist party committee, and secretary to the communist party committee and a director of China Railway Construction Corporation since December 2015. He no longer served as the general legal counsel of the Company since May 2016. Since November 2016, he has served as general manager and deputy secretary to the communist party committee of China Railway Construction Corporation, and no longer served as secretary to the communist party committee. Since December 2017, he serves as the president and executive director of fourth session of the Board, deputy secretary to the communist party committee of the Company as well as general manager, a director and deputy secretary to the communist party committee of China Railway Construction Co., Ltd. Mr. ZHUANG graduated from Changsha Communications University, majoring in engineering and financial accounting and obtained a bachelor's degree in engineering. He is a senior accountant and is granted special allowance by the State Council.

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

Mr. LIU Ruchen, aged 55, a Chinese with no right of abode overseas, is currently an executive director and a member of the standing committee of the communist party committee of the Company, as well as a member of the standing committee of the communist party committee of China Railway Construction Group Co., Ltd. Mr. LIU has a deep insight of China's construction industry, great expertise and extensive experience in operation management. Mr. LIU joined CRCCG Group in 1981. He served as the deputy head of the 19th Engineering Bureau of the Ministry of Railways (the predecessor of China Railway 19th Bureau Group Company Limited) since August 1998. He served as the deputy head, vice chairman, general manager and deputy secretary to the communist party committee of China Railway 19th Bureau Group Company Limited from December 1999 to January 2005. He served as the chairman and deputy secretary to the communist party committee of China Railway 16th Bureau Group Company Limited from January 2005 to July 2008. He served as the vice chairman (in charge of the work of the board of directors) and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from July 2008 to December 2008. He served as the chairman and deputy secretary to communist party committee of China Railway 16th Bureau Group Company Limited from December 2008 to April 2009. He has been serving as the vice president of the Company since April 2009. Since December 2017, he serves as an executive director of fourth session of the Board and a member of the standing committee of the communist party committee of the Company as well as a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. Mr. LIU graduated from Southwest Jiaotong University with a master's degree in Management Science and Engineering and is a professor-level senior engineer.

Mr. GE Fuxing, aged 62, a Chinese with no right of abode overseas, was graduated from the Party School of the Central Committee of CPC and is currently a non-executive director of the Company. Mr. GE once served as the deputy director of the Division of Cadres of the Political Department of Beijing PAP Corps, and the head of Division of Personnel II and III, assistant government affairs commissioner, inspector and deputy head, and head of the General Office of the State Council. He is currently a full-time external director of a central enterprise and he is familiar with human resources management and macroeconomic policy. He used to serve as an external director of Sinolight Corporation. He currently serves as an external director of China International Intellectech Corporation and an external director of China Aerospace Science & Industry Corporation.

Mr. WANG Huacheng, aged 55, a Chinese with no right of abode overseas, holds a doctorate and is currently an independent non-executive director of the Company. He once served as the deputy director of the Department of Accounting, deputy dean of the School of Business of Renmin University of China and secretary-general of China National MPAcc Education Steering Committee. He is currently a professor and doctoral supervisor of the School of Business of Renmin University of China. He is familiar with financial management and served as an independent director of CAMCE and an external director of Sinotrans & CSC Holdings Co., Ltd. He is an independent director of Hua Xia Bank and BOE.

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

Mr. Patrick SUN, aged 60, is a Hong Kong citizen with the right of abode in the European Union countries, and is currently an independent non-executive director of the Company. Mr. SUN acts as independent non-executive directors of Trinity Limited, Sihuan Pharmaceutical Holding Group Ltd., China NT Pharma Group and Kunlun Energy Company Limited (all of them are listed in Hong Kong). Mr. SUN also serves as an independent non-executive director of CRRC Corporation Limited, which is listed in Shanghai and Hong Kong stock exchanges. Now Mr. SUN is vice chairman of Chamber of Commerce of Hong Kong-listed Company after acting as chairman (during 2013–2015) and Honorary director-general of the chamber. He once acted as senior regional director and head of Hong Kong Investment Bank Business of JP Morgan Chase Hong Kong; executive director and head of Greater China Investment Bank Business of Fleming Holdings Limited, and an independent non-executive director of China Railway Signal & Communication Corporation. In addition, Mr. SUN was a member of Takeovers and Mergers Panel and Takeovers Appeal Committee of The Securities and Futures Commission (SFC), Co-convenor of Listing Committee and member of Council of the Stock Exchange of Hong Kong Limited. Mr. SUN graduated from Wharton School, University of Pennsylvania in 1981, holding Bachelor of Science Degree in Economics. In 2000, he completed the Stanford Executive Program offered by Stanford Graduate School of Business. He is a senior member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Mr. CHENG Wen, aged 66, a Chinese with no right of abode overseas, holds a doctorate in management and is a researcher, is currently an independent non-executive director of the Company. He was once the assistant to the director and the deputy director of Institute No. 31 of the Third Academy under China Aerospace Industry Corporation (中國航天工業總公司三院31所), vice president of the Third Academy under China Aerospace Industry Corporation (中國航天工業總公司三院), vice president of the Third Academy under China Aerospace Electromechanical Group Corporation (中國航天機電集團公司三院), assistant to the general manager and deputy general manager and a member of the communist party committee of China Aerospace Electromechanical Group Corporation, and deputy general manager, a member of the communist party committee and deputy director of the science and technology committee of China Aerospace Science and Industry Corporation. He is currently an external director of China North Industries Group Corporation. He is familiar with business management, technological innovation and quality Management.

Ms. Amanda Xiao Qiang LU, aged 64, a Canadian with the right of abode in Hong Kong, received her PhD in economics in Canada, is currently an independent non-executive director of the Company. She was once a teacher in the University of International Business and Economics in the PRC and a staff in Corporate Banking of CIBC and Corporate Banking of the Royal Bank of Canada, respectively. She also worked as the vice president and a director of Investment Banking for Asia of BNP, the vice president and a director of Investment Banking for Asia of Merrill Lynch, a director of Corporate and Investment Banking for Asia of Citibank, and managing director and head of Corporate and Investment Banking for China and vice chairman of Corporate and Investment Banking for Greater China of Deutsche Bank, and successively worked as member the Asia-Pacific and Global Strategic Advisory Committee of British Standard Life, a director of the Asian board of directors of British Standard Life and an external director of the board of directors of China National Building Material Group Corporation. She is familiar with the domestic and overseas business acquisitions and financing, domestic and overseas listing rules, financial analysis, auditing, marketing and macroeconomics.

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

2. Supervisors

Mr. CAO Xirui, aged 49, a Chinese with no right of abode overseas, currently serves as the chairman of the Supervisory Committee. Mr. CAO joined workforce in July 1993. He once served as a trainee of the planning operation division for Dual Line of Lanzhou-Xinjiang Railway of the 20th Bureau of the Ministry of Railways, an assistant accountant, accountant, senior accountant and deputy head of the finance department of China Railway Construction Corporation. He served as the deputy head of the finance department (in charge of work) of the Company since August 2010 and the head of the finance department of the Company from December 2010 to April 2018, and acted concurrently as executive director of CRCC Assets Management Co., Ltd. from March 2016 to November 2018. He served as the chairman of the Supervisory Committee of the Company since December 2017. Mr. CAO graduated from University of International Business and Economics with a professional master's degree of international trade, is qualified as a senior accountant and elected as a member of the national training programme for leaders in the accounting profession.

Mr. LIU Zhengchang, aged 50, a Chinese with no right of abode overseas, currently serves as a supervisor and chief auditor of the Company, the chief of audit and supervision bureau of the Company. Mr. LIU joined workforce in July 1989. He once served as a trainee, a statistician, an accounting staff, head of the financial division, assistant accountant of the 1st department of the 19th Bureau of the Ministry of Railways, as well as chief accountant and section chief of the financial section of the 7th branch of the Company and chief accountant of the 5th department, the director of the audit department and the head of the finance department of China Railway 19th Bureau Group Co., Ltd., a member of the communist party committee, the deputy general manager and the chief accountant of China Railway 15th Bureau Group Co., Ltd. He has been serving as a member of the communist party committee, the deputy general manager and the chief accountant of China Railway 16th Bureau Group Co., Ltd. since January 2015 and the chief of the audit and supervision bureau of the Company since May 2016. He has been serving as a supervisor of the Supervisory Committee of the Company since December 2017. Mr. LIU graduated from Dongbei University of Finance and Economics with major in business administration (master's degree), is a senior accountant and elected as a member of the national training programme for leaders in the accounting profession.

Mr. KANG Fuxiang, aged 50, a Chinese with no right of abode overseas, is currently an employee representative supervisor of the Company, and serves concurrently as the head of Organization Department of Party Committee (Department of Cadres of Party Committee, Office of United Front of Party Committee) of the Company. Mr. KANG joined workforce in July 1990, and served as the deputy head and head of Human Resources Department (Department of Cadres of Party Committee) of China Railway 14th Bureau Group Co., Ltd., a Class-A(1) file clerk, the director of Leading Cadres Department, the deputy head of Human Resources Department (Department of Cadres of Party Committee), and the deputy head of Organization Department of Party Committee (Department of Cadres of Party Committee) of China Railway Construction Corporation Limited. He has been serving as the head of Organization Department of Party Committee (Department of Cadres of Party Committee, Office of United Front of Party Committee) of the Company since June 2018. He has been acting as an employee representative supervisor of the supervisory committee of the Company since September 2018. Mr. KANG graduated from Suzhou Railway Normal College, majoring in Chinese Language and Literature Education (bachelor's degree). He is a senior economist.

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

3. Senior management

For biographies of Mr. ZHUANG Shangbiao, please refer to “Directors”.

Mr. WANG Xiuming, aged 55, a Chinese with no right of abode overseas, is currently the member of the standing committee of the communist party committee, the chief accountant and the general legal counsel of the Company. He concurrently serves as the member of the standing committee of the communist party committee of China Railway Construction Group Co., Ltd. and the chairman of CRCC Finance Company Limited, the Chairman of CRCC Financial Leasing Co., Ltd. and the chairman of China Railway Construction Asset Management Co., Ltd. Mr. WANG has great expertise in finance and audit, and extensive experience in finance and audit management. From July 1986 to July 2000, Mr. WANG held various positions in the National Audit Office. From July 2000 to April 2002, Mr. WANG successively served as the deputy director of the Auditing Bureau of Tianjin City, a member of the communist party committee and the deputy commissioner of the Special Commissioner’s Office for Beijing, Tianjin and Hebei of the National Audit Office. From April 2002 to March 2014, He successively served as the deputy director of the General Office, the director of the Policy Study Office, deputy head and head of the Legal Department (now renamed as “Department of Policies, Laws and Regulations”), the director of Audit Scientific and Research Institute, the curator of Audit Museum, as well as the commissioner and secretary to the communist party committee of Shenzhen Special Commissioner’s Office of the National Audit Office. Mr. WANG has served as the member of the standing committee of the communist party committee of China Railway Construction Corporation since March 2014, the chief accountant of the Company since April 2014, the chairman of CRCC Finance Company Limited since July 2015, the chairman of CRCC Financial Leasing Co., Ltd. since July 2016, the chairman of China Railway Construction Asset Management Co., Ltd. since November 2018, the general legal counsel of the Company since May 2016, and the member of the standing committee of the communist party committee of China Railway Construction Co., Ltd. since December 2017. Mr. WANG graduated from the Finance Department of Anhui University of Finance & Economics (bachelor’s degree), majoring in Finance. Mr. WANG is a senior auditor.

Mr. LI Ning, aged 56, a Chinese with no right of abode overseas, is currently a member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of China Railway Construction Group Co., Ltd. Mr. LI has a deep insight of China’s construction industry, great expertise in survey and design, investment and financing and extensive experience in operation management. From July 1982 to May 2007, he successively served as the deputy head of institute, assistant to the director, deputy director, director, the deputy chief economist and the head of the construction operation department and the deputy dean of Survey & Design Institute of the MOR (鐵道部第一勘察設計院) and China Railway First Survey & Design Institute Group Co, Ltd (FSDI) (中鐵第一勘察設計院集團有限公司). From May 2007 to March 2011, he successively served as a director, the general manager, the deputy secretary to the communist party committee, the chairman, the general manager and the deputy secretary to the communist party committee of China Railway 21th Bureau Group Co., Ltd. From March 2011 to June 2017, he successively served as a director, the secretary to the communist party committee, the general manager, the chairman and secretary to the communist party committee of China Railway Construction Investment Group Co., Ltd. He has served as a member of the standing committee of the communist party committee and the vice president of the Company since June 2017, and a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd.. Mr. LI graduated from Beijing Jiaotong University with a doctoral degree in engineering, majoring in highway and railway engineering. Mr. LI is a professor-level senior engineer.

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

Mr. WANG Wenzhong, aged 55, a Chinese with no right of abode overseas, is currently a member of the standing committee of the communist party committee and the vice president of the Company. He concurrently serves as a member of the standing committee of the communist party committee of China Railway Construction Group Co., Ltd. Mr. WANG has a deep insight of China's construction industry, great expertise and extensive experience in operation management. From July 1985 to April 1999, he successively held positions in Signal & Communication Engineering Company of the MOR (鐵道部通信信號公司), Construction Engineering Section of the Project Directing Department of the MOR (鐵道部工程指揮部建工處) and Beijing China Railway Construction Engineering Corporation (北京中鐵建築工程公司). He served as the deputy secretary to the communist party committee and manager of Beijing Tiecheng Engineering Co., Ltd. (北京鐵城工程公司) and the deputy manager of Beijing China Railway Construction Engineering Corporation (北京中鐵建築工程公司) from April 1999 to August 2001. From August 2001 to December 2003, he successively served as the vice chairman, the general manager, and deputy secretary to the communist party committee, the vice chairman and the general manager of Beijing China Railway Construction Ltd. (北京中鐵建設有限公司). From December 2003 to June 2017, he successively served as the deputy secretary to the communist party committee, the vice chairman, the general manager, the chairman and secretary to the communist party committee of China Railway Construction Group Ltd. (中鐵建設集團有限公司). He has served as a member of the standing committee of the communist party committee and the vice president of our Company since June 2017, and a member of the standing committee of the communist party committee of China Railway Construction Co., Ltd.. Mr. WANG graduated from North Jiaotong University with a doctoral degree in engineering, majoring in management science and engineering. Mr. WANG is a professor-level senior engineer.

Mr. LIU Chengjun, aged 55, a Chinese with no right of abode overseas, is currently a vice president of the Company. Mr. LIU served as a trainee, technician, assistant engineer, engineer, technical director of infrastructure project of the Third Survey & Design Group Co. Ltd. of the Ministry of Railway (鐵道部第三勘測設計院), project director and technical director of China Railway Construction Development Center of the Ministry of Railways (鐵道部中鐵建設開發中心), senior engineer (deputy department director level) of the Third Survey of Design Group Co., Ltd., deputy head and head of Engineering Department of Neijiang-Kunming Railway Headquarters of China Railway Engineering Corporation (中國鐵路工程總公司), deputy head (presiding over work) and shareholders' representative, vice chairman, head of Design Department, general manager of Design and Consultancy Branch of China Railway Eryuan Engineering Group Co., Ltd. (中鐵二院工程集團有限公司), general secretary of Committee of Experts of China Railway Engineering Corporation, the chairman of Supervisory Committee of China Railway Construction Investment Group Co., Ltd. (中鐵南方投資公司), deputy chief engineer, head of Technology Design Department, general manager of Design and Consultancy Branch of China Railway Group Limited (中國中鐵股份有限公司), the Chairman of China Railway Southwest Science Research Institute Co., Ltd. (中鐵西北科學研究院有限公司), general secretary of Committee of Experts of China Railway Engineering Corporation, the chairman of supervisory committee of China Railway Construction South Investment Group Co., Ltd. (中鐵南方投資公司), the chairman of China Railway Major Bridge Reconnaissance & Design Institute Co., Ltd. (中鐵大橋院), and the chairman of Supervisory Committee of China Railway Group Limited. Mr. LIU served as vice president of the Company since June 2018. He graduated from Southwest Jiaotong University with a master's degree of engineering, majoring in Architectural and Civil Engineering, and is a professor-level senior engineer.

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

Mr. WANG Lixin, aged 48, a Chinese with no right of abode overseas, is currently a vice president and chief safety officer of the Company. He served as a trainee of Traffic Engineering Repair Institute, assistant engineer of Science and Technology Department, engineer, deputy general manager, manager of Bridge Construction Company, manager of Bridge Company of Railway Construction Research and Design Institute (鐵道建築研究設計院), deputy general economist of Railway Construction Research and Design Institute and manager of Road and Bridge Company, deputy general economist and president and deputy secretary of Party Committee of Harbin Branch, assistant to president and president, deputy secretary of Party Committee, vice president, director, president, deputy secretary of the Party Committee, chairman of the Board and secretary of the Party Committee of Northeast Branch (Northeast Survey and Design Institute) (東北勘察設計院) of China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司), the chairman, general manager and deputy secretary of Party Committee of China Railway 24th Bureau Group Co., Ltd. He served as vice president of the Company since June 2018 and chief safety office of the Company since August 2018. Mr. WANG graduated from Southwest Jiaotong University with a bachelor's degree of Engineering, majoring in Bridge Engineering, and obtained a postgraduate degree in Economic Management of Party School of the Central Committee of C.P.C. He is a professor-level senior engineer.

Mr. NI Zhen, aged 47, a Chinese with no right of abode overseas, is currently a vice president of the Company. He served as a trainee, assistant engineer, project manager of Shilihe Integrated Building Engineering of Equipment Installation Branch, director of Business Department and manager of Equipment Installation Branch of Beijing China Railway Construction Co., Ltd. (北京中鐵建築工程公司), deputy manager of Equipment Installation Company, deputy manager and acting manager of Marketing and Bidding Division I, manager of Equipment Installation Manager of Beijing China Railway Construction Company (北京中鐵建設公司), deputy general manager of China Railway Construction Group Co., Ltd., director, general manager and deputy secretary of Party Committee of China Railway Urban Construction Group Co., Ltd. (中鐵城建集團有限公司), the director, general manager and deputy secretary of Party Committee of China Railway Real Estate Group Corporation Co., Ltd. (中國鐵建房地產集團有限公司). He served as vice president of the Company since June 2018. Mr. NI graduated from Beijing University of Technology with a doctor's degree, majoring in Civil Engineering, and is a professor-level senior engineer.

4. Secretary to the Board

Mr. ZHAO Dengshan, aged 57, a Chinese with no right of abode overseas, is currently the Secretary to the Board and Joint Company Secretary of the Company. He served as secretary of the Office of Construction Engineering Division, director of Section I Machinery Office, director of Mechanical Equipment Division of Engineering Headquarters of the Ministry of Railways, secretary, deputy director, and director of Party Committee Office of China Railway Construction Corporation (中國鐵道建築總公司), deputy director of President Office (director of the department), director of Party Committee Office, deputy general economist, secretary of Party Committee of Direct-affiliated Departments of the Company. He served as the Secretary to the Board and Joint Company Secretary of the Company since May 2018. Mr. ZHAO graduated from China PLA Railway Corps Academy (中國人民解放軍鐵道兵學院), majoring in logistical commanding. He obtained a postgraduate degree in Economic Management of the Party School of the Central Committee of C.P.C through on-the-job program. He is a senior political engineer.

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

(II) Occupations in shareholder entities

Applicable Not Applicable

Name of the employee	Name of shareholder entities	Positions in shareholder entities	Initial date	End date
CHEN Fenjian	China Railway Construction Group Co., Ltd.	Chairman and secretary of the communist party committee	June 2018	
MENG Fengchao	China Railway Construction Group Co., Ltd.	Chairman and secretary of the communist party committee	December 2017	June 2018
ZHUANG Shangbiao	China Railway Construction Group Co., Ltd.	General manager, director, deputy secretary of the communist party committee	December 2017	
XIA Guobin	China Railway Construction Group Co., Ltd.	Employee representative director and deputy secretary of the communist party committee	December 2017	November 2018
LIU Ruchen	China Railway Construction Group Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
WANG Xiuming	China Railway Construction Group Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
LU Bin	China Railway Construction Group Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	November 2018
LI Ning	China Railway Construction Group Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
WANG Wenzhong	China Railway Construction Group Co., Ltd.	Member of the standing committee of the communist party committee	December 2017	
Description on the position in shareholder entity		Nil		

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

(III) Occupations in other entities

Applicable Not Applicable

Name of the employee	Name of shareholder entities	Positions in other entities	Initial date	End date
GE Fuxing	China International Intellectech Corporation China Aerospace Science & Industry Corporation	External director	June 2017 September 2018	May 2020 August 2021
WANG Huacheng	School of Business of Renmin University of China Hua Xia Bank	Professor and doctoral supervisor Independent director	June 2001 April 2014	
Patrick SUN	BOE Trinity Limited Sihuan Pharmaceutical Holding Group Ltd. China NT Pharma Group Company Limited CRRC Corporation Limited China Railway Signal & Communication Corporation Kunlun Energy Company Limited	Independent director Independent non-executive director Independent non-executive director Independent non-executive director Independent non-executive director Independent non-executive director Independent non-executive director	July 2015 October 2008 October 2010 March 2010 May 2015 May 2015	August 2018
CHENG Wen	China North Industries Group Corporation Limited	External director	February 2016 September 2014	
Amanda Xiao Qiang LU	Global Strategic Advisory Committee of British Standard Life	Council member	March 2016	December 2018
WANG Xiuming	CRCC Finance Company Limited CRCC Financial Leasing Co., Ltd. China Railway Construction Asset Management Co., Ltd.	Chairman Chairman Chairman	July 2015 July 2016 November 2018	
Description on position in other entities		Nil		

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

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not Applicable

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

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

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

2. Decision-making procedures for remuneration of senior management

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

Determination basis for remuneration of directors, supervisors and senior management

1. Determination basis for remuneration of directors

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

2. Determination basis for remuneration of Supervisors

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

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

3. Determination basis for remuneration of senior management

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

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

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

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

RMB12.8894 million

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

Applicable Not Applicable

On 30 May 2018, the Proposal in Relation to the Appointment of the Secretary to the Board of the Company was considered and approved at the seventh meeting of the fourth session of the Board of the Company. Mr. YU Xingxi ceased to serve as the secretary to the Board and a joint company secretary since he has reached the age of retirement. Mr. ZHAO Dengshan was appointed as the secretary to the Board and joint company secretary for a term of office from 30 May 2018 to 21 December 2020.

On 11 June 2018, the Proposal in Relation to the Appointment of Three Persons including LIU Chengjun as Vice Presidents of the Company was considered and approved at the eighth meeting of the fourth session of the Board of the Company. Mr. LIU Chengjun, Mr. WANG Lixin and Mr. NI Zhen were appointed as vice presidents of the Company for a term of office from 11 June 2018 to 21 December 2020.

On 20 July 2018, the Proposal in Relation to the Candidate for Executive Directors of the Company was considered and approved at the ninth meeting of the fourth session of the Company. For age related reasons, Mr. MENG Fengchao ceased to serve as the chairman, executive director and other relevant positions in the Board. As recommended by China Railway Construction Co., Ltd., the controlling shareholder of the Company and as considered and approved by the Nomination Committee of the Board of the Company, the Board nominated Mr. CHEN Fenjian as the candidate for the executive director of the Company. On 17 September 2018, as considered and approved at the 2018 First Extraordinary General Meeting of the Company, Mr. CHEN Fenjian was appointed as the executive director of the Company. On 17 September 2018, as considered and approved at the 11th meeting of the fourth session of the Board of the Company, Mr. CHEN Fenjian was elected as the chairman of the Company and was appointed as the chairman of Nomination Committee, for a term of office from the date of election to the expiry of the term of office of the fourth session of the Board.

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

On 6 September 2018, the Company convened an Employee Representatives General Meeting. For reaching the retirement age, Mr. ZHANG Liangcai ceased to serve as employee representative supervisor of the Company, and Mr. KANG Fuxiang was elected as employee representative supervisor of the fourth session of the Supervisory Committee of the Company, for a term of office from the date of election to the expiry of the term of office of the fourth session of the Supervisory Committee.

For age related reasons, Mr. XIA Guobin, an executive director of the Company, ceased to serve as executive director of the Company since 7 December 2018, and ceased to serve as the member of Nomination Committee of the Board.

Due to changes in job, Mr. LU Bin, a vice president of the Company, ceased to serve as vice president of the Company since 7 December 2018.

On 13 December 2018, the Proposal in Relation to Candidate for Executive Director of the Company was considered and approved at the 14th meeting of the fourth session of the Company. It was agreed to nominate Mr. CHEN Dayang as a candidate for executive director of the Company. Mr. CHEN Dayang's term of office will start from the date of election at the general meeting and is the same as the term of office of the fourth session of the Board. The Proposal is subject to submission to the general meeting of the Company for consideration and approval.

Name	Position held	Information on the change	Reason for change
CHEN Fenjian	Chairman	Elected	Work demand
	Secretary of the communist party committee	Appointed	Work demand
LIU Chengjun	Vice president	Appointed	Work demand
WANG Lixin	Vice president	Appointed	Work demand
NI Zhen	Vice president	Appointed	Work demand
KANG Fuxiang	Employee supervisor	Elected	Work demand
ZHAO Dengshan	Secretary to the Board and Joint Company Secretary	Appointed	Work demand
	Chairman	Resigned	Age related reason
MENG Fengchao	Secretary of the communist party committee	Resigned	Age related reason
	Executive director	Resigned	Retirement
XIA Guobin	Deputy secretary of the communist party committee	Resigned	Retirement
	Employee supervisor	Resigned	Retirement
ZHANG Liangcai	Employee supervisor	Resigned	Retirement
LU Bin	Vice president	Resigned	Work demand
YU Xingxi	Secretary to the Board and Joint Company Secretary	Resigned	Retirement

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

Applicable Not Applicable

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

VI EMPLOYEES OF THE PARENT AND THE MAJOR SUBSIDIARIES

(I) Employees

Number of existing employees of the parent	301
Number of existing employees of major subsidiaries	295,561
Total number of existing employees	295,862
Number of the resigned and retired staff in the parent company and its major subsidiaries	0

Professional composition

Category of professionals	Number of employees
Construction operations	246,583
Survey, design and consultancy	21,973
Manufacturing	8,116
Material circulation	3,340
Real estate development	7,444
Finance, investment	5,802
Others	2,604
Total	295,862

Educational level

Category of educational level	Number (person)
Master degree or above	10,855
Bachelor Degree	148,220
College degree	67,863
Technical secondary school education	23,911
High school and below	45,013
Total	295,862

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

(II) Remuneration policy

Applicable Not Applicable

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

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

(III) Training plan

Applicable Not Applicable

For the purpose of the training plan for 2019, the Company will be closely around enterprise development strategies and the “Thirteenth Five-Year Plan” human resources plan, center on developing “High-Quality CRCC”, further promote “All-staff Improvement Project”, develop high quality CRCC talent team, and build the “learning-oriented CRCC”. Adhering to the principles of overall planning, prioritizing the main aspects, hierarchical management and different levels holding different responsibilities, the Company will focus on carrying out the following training tasks: first, the Company will continue to strengthen leadership training, and hold training sessions by hierarchical classification for leaders at the bureau and department level. Training of leaders at department level will mainly involve personnel newly promoted in the recent years. Second, the Company will continue to strengthen training of overseas talents. In order to adapt to the needs of “priority for overseas” development strategy, the Company will strengthen training of international project managers, and personnel in internal business management, foreign language, foreign affairs, overseas compliant operation, etc. Third, the Company will continue to strengthen training of high-end talents in technology innovation, and focus on training of chief engineers at all levels, young designers and personnel in technical standards, intellectual property, BIM, etc. Fourth, the Company will strengthen training of operation management personnel in key positions in all areas. Focusing on optimizing the quality structure of talents, the Company will strengthen training on important business in key positions, including enterprise strategy, economic management, operation plan management, capital operation management, financial management, project management, safety and quality management, equipment management, real estate management, legal management, information management. Fifth, the Company will focus on post certificate training for emergency personnel in critical shortage. The Company will continue to organize the training for registered practice (occupation) qualification required for the production and operation, and post certificate training for special occupation (operation) personnel and management personnel on construction site.

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

(IV) Labor outsourcing

Applicable Not Applicable

Total working hours on labor outsourcing (<i>person</i>)	Approximately 6.24 billion working hours
Total payment for labor outsourcing	Approximately RMB160.8 billion

VII. OTHERS

Applicable Not Applicable

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

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

(II) Service Contracts of Directors and Supervisors

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

(III) Directors’ and Supervisors’ Interests in Contracts

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

Section X Corporate Governance (Corporate Governance Report)

I. BASIC INFORMATION OF CORPORATE GOVERNANCE OF THE COMPANY

Applicable Not Applicable

During the Reporting Period, in strict compliance with laws and regulations such as the Company Law, the Securities Law and the Guidelines for Corporate Governance of Listed Companies issued by CSRC and the relevant provisions and requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company constantly improved its corporate governance structure through strengthening strategic guidance, comprehensively deepening reforms, enhancing internal control and risk management so as to maintain sustainable and healthy development and safeguarded the interests of all shareholders of the Company. There was no substantial difference between the actual situation of corporate governance structure of the Company and the provisions and requirements of relevant documents of CSRC. The Company also complied with the code provisions of the Corporate Governance Code published by the Hong Kong Stock Exchange.

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

1. Strengthened corporate governance for standardized operation. The General Meetings were held in strict accordance with the Articles of Association and the Rules of Procedure of General Meetings. We enabled the exercise of shareholders' rights according to laws and earnestly safeguarded the interests of shareholders. The Board and its special committees operated in strict compliance with the Articles of Association, the Rules of Procedure of the Board and detailed rules of special committees of the Board and made prudent decisions. The Supervisory Committee performed its duties earnestly in accordance with the Articles of Association and the Rules of Procedure of the Supervisory Committee in order to supervise the financial affairs, internal control system building and duty performance of directors and senior management. President and other senior management carried out activities in relation to production, operation and management in strict compliance with the Articles of Association and the Working Rules for the President and other provisions, and implemented the resolutions made by the Board under the supervision of the Supervisory Committee.
2. Continued to perfect the corporate governance system. In 2018, the Company amended the Articles of Association of China Railway Construction Corporation Limited, the Rules of Procedure for the Board of Directors of China Railway Construction Corporation Limited, the Working Rules for the President of China Railway Construction Corporation Limited, the Guidance for Standard Operation of the Board of Directors of Each Secondary Company of China Railway Construction Corporation Limited and the Interim Measures for Assessment and Evaluation of Standard Operation of the Board of Directors of Each Secondary Company of China Railway Construction Corporation Limited, in accordance with requirements of regulatory authorities and with reference to its conditions, and continued to strengthen the construction of company system.
3. Enhanced management of information disclosure constantly. The Company disclosed information in a true, accurate, complete, timely and fair manner in strict compliance with the requirements of the listing rules of the stock exchanges where the Company's shares are listed and kept improving its information disclosure. In 2018, the Company adhered to the principle of combining statutory information disclosure and proactive information disclosure and continuously enhanced the pertinence and practicality of periodic reports, preparing and disclosing the annual report, interim report and quarterly reports with high quality. In the whole year, 394 documents in English and Chinese were disclosed in total, including 147 documents disclosed on the Shanghai Stock Exchange, 150 Chinese documents and 97 English documents disclosed on the Hong Kong Stock Exchange.

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

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

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

Applicable Not Applicable

II. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

(I) Compliance with laws and regulations that have material impact on the Company and the Corporate Governance Code

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

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

(II) Risk Management and Internal Control of the Company

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

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

(III) Procedures and Internal Control Measures for the Handling and Dissemination of Inside Information

The Company formulated the Management Rules for Insiders and the Management System for Information Disclosure Deferral and Exemption, which set out the detailed rules for the handing, dissemination and internal control of inside information. In 2018, the Company strictly implemented the abovementioned policies, further strengthened the identification and evaluation work for inside information and narrowed down the scope of insiders as far as possible. Besides, before the disclosure of inside information in accordance with law, the Company conducted strict registration for and management over the insiders. In case of major events which require deferral or exemption of disclosure, in addition to the registration of the insiders involved in the events, the Company also required the relevant insiders to sign the liability notification, so as to ensure the relevant insiders to fulfill their confidentiality obligation, and effectively prevent the leak of the information which is deferred or exempted from disclosing.

III. BRIEF INTRODUCTION OF GENERAL MEETINGS

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

Session of the meeting	Date	Inquiry index at designated website for which the resolutions were published	Disclosure date of the resolutions published
2017 Annual General Meeting	11 June 2018	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	12 June 2018
2018 First Extraordinary General Meeting	17 September 2018	The website of the Shanghai Stock Exchange (www.sse.com.cn) and the website of the Hong Kong Stock Exchange (www.hkex.com.hk)	18 September 2018

Explanation for General Meeting

Applicable Not Applicable

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

IV. SHAREHOLDER RIGHTS

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

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

Contact details of the Company:

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

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

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

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

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

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

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

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

V. THE BOARD OF DIRECTORS

(I) Overview of the Board

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

At the beginning of the Reporting Period, the fourth session of the Board comprised nine members, including Mr. MENG Fengchao, Mr. ZHUANG Shangbiao, Mr. XIA Guobin and Mr. LIU Ruchen as executive directors, Mr. GE Fuxing as non-executive director, and Mr. WANG Huacheng, Mr. Patrick Sun, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU as independent non-executive directors. Mr. MENG Fengchao served as the chairman, and Mr. ZHUANG Shangbiao acted as the president.

On 20 July 2018, Mr. MENG Fengchao ceased to be a director and the chairman of the Board in light of his age. On 17 September 2018, Mr. CHEN Fenjian was appointed as an executive director of the Company as considered and approved at the 2018 first extraordinary general meeting of the Company, and was elected as the chairman of the Board at the 11th meeting of the fourth session of the Board. Mr. XIA Guobin ceased to be executive director of the Company in light of his age on 7 December 2018.

As at the end of the Reporting Period, the fourth session of the Board of the Company consisted of eight directors, including Mr. CHEN Fenjian, Mr. ZHUANG Shangbiao and Mr. LIU Ruchen as executive directors, Mr. GE Fuxing as non-executive director, and Mr. WANG Huacheng, Mr. Patrick Sun, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU as independent non-executive directors. Mr. CHEN Fenjian served as the chairman of the Board of the Company, and Mr. ZHUANG Shangbiao served as the president of the Company.

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

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

During the Reporting Period, the Board held 13 meetings.

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

(II) The Board and the management

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

1. The Board

The Board shall exercise the following functions and duties: to convene the General Meetings and report on its work thereat, and to carry out the resolutions passed at the General Meetings; to decide on the operation plans and annual business objectives of the Company; to decide on the Company's annual financing plans and its annual guarantee plans for subordinate units, to review and approve investment in third parties (including entrust financing, entrust loans, etc.) with authorization of the General Meeting according to the provisions of the laws and the Articles of Association; to review and approve the Company's connected transactions according to the provisions of laws, the listing rules of the stock exchange at the place where the shares of the Company are listed and the Articles of Association; to authorize the President of the Company to decide on investment and financing plans, connected transactions and annual guarantee plans for subordinate units within certain limit; to formulate the Company's annual financial budgets, final accounts, and decide on the Company's donation and sponsorship plans; to formulate the profit distribution plans and plans for making up losses of the Company; to formulate the plans for increasing or reducing the Company's registered capital and issuance of bonds and other securities as well as its listing plan; to draft plans for major acquisitions of the Company and buyback of the Company's own shares or plans for the merger, division, dissolution or changes in the corporate forms of the Company; to formulate amendments to these Articles of Association; to appoint or dismiss the Company's president and Secretary to the Board; to appoint or dismiss the Company's senior management members such as the vice president(s), chief accountant, chief engineer and chief economist of the Company in accordance with the nominations by the president, and decide on matters relating to their remuneration, rewards and punishments; to determine the setting up of internal management institutes and the establishment and cancellation of branches of the Company; to formulate the basic management systems of the Company; to formulate development strategies, long and medium-term development plans and corporate culture development plans, and to monitor the implementation of such plans; to decide on the Company's risk management system, including risk evaluation, financial control, internal audit and legal risk control, and to monitor the implementation of such systems; to manage the information disclosure of the Company; to propose at General Meetings the appointment or change of the accounting firm(s) as the Company's auditors; to listen to the work reports of the president of the Company and inspect his/her work, and to supervise inspection of the execution of the resolutions of the Board; and other functions and powers provided for in laws, the listing rules of the stock exchange at the place where the shares of the Company are listed and the Articles of Association.

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

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

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

During the Reporting Period, all members of the Board diligently fulfilled their duties and carried out their work in accordance with the Articles of Association, the Rules of Procedure of the Board of Directors and terms of reference for each special committee. On 13 December 2018 after the conclusion of the 14th meeting of the fourth session of the Board of the Company, Mr. CHEN Fenjian, chairman of the Company, and Mr. WANG Huacheng, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU, four independent non-executive directors, held a meeting without the attendance of other directors according to the requirements of the Corporate Governance Code of the Hong Kong Stock Exchange.

2. The management

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

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

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

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

VI. PERFORMANCE OF DUTIES OF DIRECTORS

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

Name of directors	Independent director or not	Required attendance for the year	Attendance at the Board meetings				Two consecutive absences from the Board meeting	Attendance at the General Meetings		
			Attendance in person	Attendance by communication	Attendance by proxy	Absence		Attendance	Number of attendance	Attendance
CHEN Fenjian	No	4	3	1	0	0	No	100%	1	100%
ZHUANG Shangbiao	No	13	10	3	0	0	No	100%	2	100%
LIU Ruchen	No	13	7	3	3	0	Yes	76.9%	1	50.0%
GE Fuxing	No	13	10	3	0	0	No	100%	2	100%
WANG Huacheng	Yes	13	8	3	2	0	No	84.6%	1	50.0%
Patrick SUN	Yes	13	5	3	5	0	Yes	61.5%	0	0
CHENG Wen	Yes	13	10	3	0	0	No	100%	2	100%
Amanda Xiao Qiang LU	Yes	13	10	3	0	0	No	100%	2	100%
MENG Fengchao	No	8	6	2	0	0	No	100%	1	100%
XIA Guobin	No	12	8	3	1	0	No	91.7%	2	100%

Notes on the two consecutive absences from the Board meeting

Applicable Not Applicable

Mr. LIU Ruchen failed to attend the 11th meeting and the 12th meeting of the fourth session of the Board due to business arrangement and entrusted other directors to attend and vote on his behalf, respectively;

Mr. Patrick SUN failed to attend the eighth meeting and the ninth meeting of the fourth session of the Board due to business arrangement and entrusted other directors to attend and vote on his behalf, respectively.

Number of the Board meetings within the year	13
Among which: Number of meetings held on site	10
Number of meetings held by communication	3
Number of meetings held on site in combination with communication	0

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

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

Applicable Not Applicable

(III) Others

Applicable Not Applicable

1. Training of directors

In September 2019, Mr. CHEN Fenjian, the Chairman, attended the training organised by Baker & McKenzie in relation to duties and responsibilities of directors of Hong Kong listed companies.

Mr. ZHUANG Shangbiao attended the rotational training course on conference spirit of the 19th CPC National Congress from 16 to 20 April 2018; and attended the trainings course for directors and supervisors of listed companies in Beijing on 17 October 2018.

Mr. LIU Ruchen attended the Singapore Temasek Board Operational Training Course from 10 to 16 August 2018.

Mr. GE Fuxing attended the training course for full-time external directors and leading cadres of the Party committee from 14 to 18 January 2018; attended the rotational course on conference spirit of the 19th CPC National Congress from 9 to 13 April 2018; attended the training lectures on national new economy on 6 July 2018; attended the 2018 first session of seminar on training and duty-performance capacity improvement of audit committee of listed companies on 13 July 2018; attended the 2018 special training course for directors and supervisors of listed companies in Beijing on 15 August 2018; attended the SASAC 2018 training course for external directors of central enterprises (second session) from 21 to 24 August 2018; and attended the training course on learning of XI Jinping's Thought on Economy and deepening the reform and development of state-owned enterprises from 29 October to 3 November 2018.

Mr. WANG Huacheng attended the fourth session of follow-up training course for independent directors of listed companies for the year of 2018 from 12 to 14 November 2018.

Mr. Patrick SUN attended the training for directors on corporate governance-role of directors and company secretary and directors' responsibilities in respect of initial public offering on 21 February 2018; attended the training for directors-latest information on regulations in Hong Kong on 17 May 2018; attended the preview conference on the business results of Trinity Limited on 8 June 2018, attended the training course on guidance for boards and directors on 8 August 2018 and attended the seminar on the development strategy of Trinity Limited on 19 December 2018.

Mr. CHENG Wen attended the SASAC training course for external directors of central enterprises (first session) from 5 to 8 February 2018; attended the SASAC 2018 first session of seminar on training and duty-performance capacity improvement of audit committee of listed companies on 13 July 2018; and attended the SASAC training course for external directors of central enterprises (second session) from 21 to 24 August 2018.

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

Ms. Amanda Xiao Qiang LU attended the SASAC training course for external directors of central enterprises (second session) from 21 to 24 August 2018.

Mr. MENG Fengchao attended the rotational training course on conference spirit of the 19th CPC National Congress from 26 to 30 March 2018.

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

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

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

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

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

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

3. The independence of independent non-executive directors

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

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

VII. CHAIRMAN AND PRESIDENT

(I) Chairman of the Board

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

(II) President

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

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

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

Applicable Not Applicable

(I) Nomination Committee

During the Reporting Period and before 20 July 2018, the Nomination Committee of the fourth session of the Board consisted of Mr. MENG Fengchao (chairman), Mr. XIA Guobin (executive director), Mr. WANG Huacheng, Mr. Patrick SUN and Mr. CHENG Wen (independent non-executive directors) with Mr. MENG Fengchao serving as the chairman. On 20 July 2018, Mr. MENG Fengchao ceased to hold the positions as the chairman and an executive director of the Company and other relevant positions of the Board in light of his age. On 17 September 2018, Mr. CHEN Fenjian was elected as an executive director of the Company as considered and approved at 2018 first extraordinary general meeting, and as the chairman of the Company at the 11th meeting of the fourth session of the Board. He also served as the chairman of the Nomination Committee of the Board, with a term same as that of the fourth session of the Board. After 17 September 2018, the Nomination Committee of the fourth session of the Board consisted of Mr. CHEN Fenjian (chairman), Mr. XIA Guobin (executive director), Mr. WANG Huacheng, Mr. Patrick SUN and Mr. CHENG Wen (independent non-executive directors) with Mr. CHEN Fenjian serving as the chairman. Mr. XIA Guobin, an executive director, has ceased to hold the position as the executive director of the Company and a member of the Nomination Committee of the Board in light of his age since 7 December 2018. After 8 December 2018, the Nomination Committee of the fourth session of the Board consists of Mr. CHEN Fenjian (chairman), Mr. WANG Huacheng, Mr. Patrick SUN and Mr. CHENG Wen (independent non-executive directors) with Mr. CHEN Fenjian serving as the chairman.

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

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

The main duties and responsibilities of the Nomination Committee include the director nomination policy, which (as set out below) specifies major standards and principles on the nomination of directors of the Company and the measures to be adopted by the Nomination Committee for the implementation of such policy: 1. to examine the structure, number of members and composition (including professional skills, knowledge and expertise related aspects) of the Board at least once a year and provide recommendations to the Board on any changes proposed to complement the Company's strategies; 2. to consider the criteria and procedures for the selection of directors, and provide recommendations thereon to the Board; 3. to widely search for candidates that have the appropriate qualifications to serve as directors; 4. to examine candidates for director and provide recommendations; 5. to evaluate the independence of the independent non-executive directors; 6. to provide recommendations to the Board on matters relevant to the plans for the appointment or reappointment of directors and the plans for succession to the positions of directors; 7. to report to the Board its decisions or recommendations, except those which cannot be reported according to the laws or regulatory restrictions; and 8. when reviewing the scale and composition of the Board and searching for and proposing the candidates for the directors, the Nomination Committee will consider the diversity of the Board from various aspects based on the business mode and specific needs, including but not limited to the gender, age, education background or professional experience. During the Reporting Period, the Nomination Committee strictly followed the above nomination policy.

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

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

During the Reporting Period, the Nomination Committee performed its duties conscientiously pursuant to the requirements of the Company Law, the Articles of Association, Terms of Reference of the Nomination Committee and relevant laws and regulations and reviewed the structure, number of members and the composition (including skills, knowledge and experience) of the Board. The Nomination Committee held a total of 4 meetings, the details of which are as follows:

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The second meeting of the fourth session	26 April 2018	Considered the proposal in relation to the appointment of the secretary of the Board of the Company	Mr. MENG Fengchao, Mr. XIA Guobin, Mr. CHENG Wen, Mr. Patrick SUN were present at the meeting. Due to other business engagement, Mr. WANG Huacheng did not attend the meeting.
2	The third meeting of the fourth session	11 June 2018	Considered the proposal in relation to the appointment of three persons including LIU Chengjun as vice presidents of the Company.	Mr. MENG Fengchao, Mr. XIA Guobin, Mr. WANG Huacheng, Mr. CHENG Wen were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.
3	The fourth meeting of the fourth session	20 July 2018	Considered the proposal of candidates for executive directors.	Mr. MENG Fengchao, Mr. XIA Guobin, Mr. WANG Huacheng, Mr. CHENG Wen were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.
4	The fifth meeting of the fourth session	13 December 2018	Considered the proposal of candidates for executive directors.	Mr. CHEN Fenjian, Mr. WANG Huacheng, Mr. CHENG Wen were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.

(II) Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee of the fourth session of the Board consisted of Mr. ZHUANG Shangbiao (executive director), Mr. LIU Ruchen (executive director), Mr. GE Fuxing (non-executive director), Mr. WANG Huacheng and Mr. Patrick SUN (independent non-executive directors) with Mr. ZHUANG Shangbiao serving as the chairman.

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

The main duties of the Strategy and Investment Committee are to study and make recommendations for the development strategies and plans, significant investment decisions of the Company, etc. During the Reporting Period, in accordance with the requirements of the Company Law, the Articles of Association, the Terms of Reference for the Strategy and Investment Committee and other relevant laws and regulations, the Strategy and Investment Committee earnestly performed its duties and held a total of 12 meetings, the details of which are as follows:

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 1st meeting of the fourth session	1 February 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the implementation of the production and operation plan for 2017 and the production and operation plan for 2018; 2. Considered the proposal on the status of corporate investment in 2017 and the corporate investment plan for 2018; 3. Considered the proposal on additional investment in Wuhan Optics Valley hi-tech innovation base project by China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司); 4. Considered the proposal on the participation of China Civil Engineering Construction Co., Ltd. in a bid for the PPP project of Israel highway No. 16; 5. Considered the proposal on the participation of the Company in a bid for the PPP project of road engineering of Yuliangzhou section of east-west axis line of Xiangyang City, Hubei (湖北襄陽市東西軸線道路工程魚梁洲段); 6. Considered the proposal on the participation of the consortium formed by CRCC Chongqing Investment Group Co., Ltd., the China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司) and other entities in the bid for the PPP project of Chongqing Baiju Temple Yangtze River Bridge Engineering. 	<p>Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.</p>

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
2	The 2nd meeting of the fourth session	27 March 2018	Considered the proposal on the establishment of the Singapore branch of China Railway Construction Corporation Limited.	Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
3	The 3rd meeting of the fourth session	18 April 2018	Considered the proposal on the participation of the Company in the bid for the PPP project of Shijiazhuang Hutuo River ecological restoration engineering (Zhonghua Avenue to east urban area of Gaocheng).	Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.
4	The 4th meeting of the fourth session	26 April 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the change of registered address of China Railway (Russia) Co., Ltd; 2. Considered the proposal on the establishment of CRCC Cyber Information Technology Co., Ltd (中鐵建網絡信息科技有限公司) through restructuring; 3. Considered the proposal on the participation of the consortium formed by China Railway 14th Bureau Group Co., Ltd., China Railway Fifth Survey and Design Institute Group Co., Ltd. and other entities in the bid for the PPP project of the west outer ring expressway of Guigang City, Guangxi (廣西貴港市西外環高速公路PPP項目); 4. Considered the proposal on the participation of the consortium formed by CRCC Kunlun Investment Group Co., Ltd. and other entities in the bid for the PPP project of Daozhen-Wuchuan expressway of Zunyi, Guizhou (貴州遵義道真至務川高速公路PPP項目); 5. Listened to the report made by CRCC Heavy Industry Group Co., Ltd on the project of constructing new-type rail transit equipment industrial park and pilot line in Changsha. 	Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. Patrick SUN were present at the meeting. Due to other business engagement, Mr. WANG Huacheng did not attend the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
5	The 5th meeting of the fourth session	14 May 2018	<p>Considered the proposal on the participation of the consortium formed by China Railway 18th Bureau Group Co., Ltd., China Railway First Survey and Design Institute Group Co., Ltd. and other entities in the bid for the demonstration section of fast channel project from Middle Shide to Dezhong of Deyang City.</p>	<p>Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.</p>
6	The sixth meeting of the fourth session	30 May 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the participation of the consortium formed by China Railway Construction Investment Group Co., Ltd., China Civil Engineering Construction Co., Ltd. and other entities in the bid for the Guangdong Jiangmen Talents Island Development and Construction Project (廣東江門人才島全島開發建設項目); 2. Considered the proposal on the participation of the consortium formed by China Railway Construction Investment Group Co., Ltd., China Railway 16th Bureau Group Co., Ltd. and other entities in the bid for the land development project for the rundown urban areas of Taiziyu village, Changxindian Town, Fengtai District, Beijing (北京市豐台區長辛店鎮太子峪村棚戶區改造土地開發項目); 3. Considered the proposal on the participation of the consortium formed by China Railway Xibei Investment and Construction Co, Ltd (中鐵建西北投資建設有限公司), China Railway 15th Bureau Group Co., Ltd., China Railway First Survey and Design Institute Group Co., Ltd. and other entities in the bid for the BOT project of Chengcheng-Weizhuang provincial expressway of Shaanxi Province (陝西省省級高速公路澄城至韋莊高速公路BOT項目); 4. Listened to the report on the adjustment to the capital contribution plan in relation to the PPP projects of Kunming rail transit line 5 and Mojiang-Lincang expressway in Yunnan (調整昆明軌道交通5號綫、雲南墨江至臨滄高速公路PPP項目出資方案). 	<p>Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.</p>

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
7	The 7th meeting of the fourth session	11 June 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the overseas initial public offering of shares and listing of China Railway Construction Heavy Industry Co., Ltd.; 2. Considered the proposal on the compliance of the overseas listing of the To-be-listed Entity with the Circular on Issues in Relation to Regulating Overseas Listing of Subsidiaries of Domestic Listed Companies issued by China Securities Regulatory Commission (《中國證券監督管理委員會關於規範境內上市公司所屬企業到境外上市有關問題的通知》); 3. Considered the proposal on the undertaking of maintaining independent listing status of the Company; 4. Considered the proposal on the explanations on the sustainable profitability statement and prospects of the Company; 5. Considered the proposal on the authorisation to the Board and its authorised persons to deal with matters relating to the overseas listing of the To-be-listed Entity at their full discretion. 	Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
8	The 8th meeting of the fourth session	29 August 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the contribution of registered capital to CRCC Kunlun Investment Group Co., Ltd.; 2. Considered the proposal on the increase of the investment in negotiable securities of CRCC Finance Company Limited; 3. Considered the proposal on the participation of CRCC Chongqing Investment Group Co., Ltd. in the bid for the projects of Chongqing Dazu-Sichuan Neijiang Expressway (Chongqing Section) (重慶大足至四川內江高速公路重慶段) and the Expansion Project for Chongqing Yusui Expressway (Beibei-Tongliang Section) (重慶渝遂高速公路擴能北碚至銅梁段); 4. Considered the proposal on the equity participation of China Railway 16th Bureau Group Co., Ltd. in Orient Anzhen (Beijing) Hospital Management Co., Ltd. (東方安貞(北京)醫院管理有限公司) in the mode of "equity investment + construction". 	<p>Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.</p>

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
9	The 9th meeting of the fourth session	17 September 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the participation of China Railway Construction Investment Group Co., Ltd. in the bid for the rebuilding project of rundown urban areas in the downtown of Langu, Qingdao (青島藍谷核心區棚戶區改造項目); 2. Considered the proposal on the participation of China Railway Construction Investment Group Co., Ltd. in the bid for the rebuilding project of rundown urban areas of Yinghuayuan, Liqiao Town, Shunyi District, Beijing (北京市順義區李橋鎮櫻花園棚戶區改造項目). 	Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.
10	The 10th meeting of the fourth session	29 October 2018	Considered the proposal on the participation of the consortium formed by China Railway Construction Investment Group Co., Ltd. in the investment and construction project of the high-speed railway new area of Jiande City, Hangzhou (杭州建德市高鐵新區PPP項目).	Mr. ZHUANG Shangbiao, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting. Due to other business engagement, Mr. LIU Ruchen did not attend the meeting.
11	The 11th meeting of the fourth session	9 November 2018	Considered the proposal on the participation of China Railway Construction Corporation Limited in the bid for the high-speed rail way project connecting the east economic corridor with the three airports of Thailand (泰國東部經濟走廊(EEC)連接三機場高速鐵路項目).	Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng, Mr. Patrick SUN were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
12	The 12th meeting of the fourth session	12 December 2018	<ol style="list-style-type: none"> 1. Considered the proposal on the adjustment of regional business agencies and the establishment of the CRCC Northeast Regional Investment Platform Company, the CRCC Central China Regional Investment Platform Company and the CRCC East China Investment Platform Company; 2. Considered the proposal on the participation of the consortium formed by China Railway Construction Investment Group Co., Ltd. and other entities in the bid for the PPP project of the Xuzhou-Nanjing intercity railway (Xuzhou section) (Phase I) Engineering (滁州至南京城際鐵路(滁州段)一期工程PPP項目); 3. Considered the proposal on the participation of the consortium formed by China Railway Construction Investment Group Co., Ltd., China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司) and other entities in the bid for the PPP project of Changchun-Taipingchuan expressway (長春至太平川高速公路PPP項目); 4. Considered the proposal on the participation of the consortium formed by China Railway Construction Investment Group Co., Ltd., China Railway Xibei Investment and Construction Co, Ltd (中鐵建西北投資建設有限公司) and other entities in the bid for the PPP project of Meixian-Taibai highway of Shaanxi (陝西眉縣至太白公路PPP項目); 5. Considered the proposal on the participation of China Railway Construction Investment Group Co., Ltd. in the investment and construction of the comprehensive development project of ecological smart city of Haiying Area, Xinyang (信陽海營生態智慧城市片區綜合開發項目); 	<p>Mr. ZHUANG Shangbiao, Mr. LIU Ruchen, Mr. GE Fuxing, Mr. WANG Huacheng were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the meeting.</p>

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
			6. Considered the proposal on the participation of China Railway Construction Corporation Limited in the bid for the PPP project of Nanjing Metro Line 4 (Phase II) and Line 11 (Phase II) Engineering (南京地鐵4號線二期、11號線一期工程PPP項目);	
			7. Considered the proposal on the participation of the consortium formed by China Civil Engineering Construction Co., Ltd., China Railway 14th Bureau Group Co., Ltd., China Railway 20th Bureau Group Co., Ltd. and other entities in the bid for the EMU section and the locomotive assembly factory of the high-speed rail project of Egypt (埃及高鐵項目動車段和機車車輛組裝廠);	
			8. Considered the proposal on the participation of China Railway 20th Bureau Group Co., Ltd. in the investment and construction of the system engineering of Qinhan Avenue of Xi'an City (西安市秦漢大道系統工程);	
			9. Considered the proposal on the Administration on Overseas Investment of China Railway Construction Corporation Limited.	

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

(III) Remuneration and Evaluation Committee

During the Reporting Period, the Remuneration and Evaluation Committee of the fourth session of the Board consisted of Mr. CHENG Wen (independent non-executive director), Mr. GE Fuxing (non-executive director) and Ms. Amanda Xiao Qiang LU (independent non-executive director), with Mr. CHENG Wen serving as the chairman.

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

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

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 1st meeting of the fourth session	27 March 2018	<ol style="list-style-type: none"> 1. Considered the proposal in relation to the remuneration of directors and supervisors of 2017; 2. Heard the report on remuneration management by person-in-charge of subsidiaries; 3. Heard the report on SASAC conference on 2018 central enterprises assessment and work assignment. 	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting
2	The 2nd meeting of the fourth session	26 April 2018	<ol style="list-style-type: none"> 1. Considered the proposal in relation to the results of the performance review by the Board on the president for 2017; 2. Considered the proposal in relation to the plan of the performance review by the Board on the president for 2018. 	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting
3	The 3rd meeting of the fourth session	29 October 2018	<ol style="list-style-type: none"> 1. Considered the proposal in relation to the 2017 remuneration realization plan for the officers of the Company; 2. Heard the report on the Company's total remuneration in 2017 and 2018. 	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting
4	The 4th meeting of the fourth session	12 December 2018	Considered the proposal in relation to adjustment of the Company's supplementary pension insurance plan and terms of its implementation rules.	Mr. CHENG Wen, Mr. GE Fuxing and Ms. Amanda Xiao Qiang LU were present at the meeting

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

(IV) Audit and Risk Management Committee

During the Reporting Period, the Audit and Risk Management Committee of the fourth session of the Board consisted of Mr. WANG Huacheng (independent non-executive director), Mr. GE Fuxing (non-executive director), Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU (independent non-executive directors), with Mr. WANG Huacheng serving as the chairman.

The Audit and Risk Management Committee is mainly responsible for making recommendations on the appointment and change of the external auditors of the Company; the supervision of the internal audit system of the Company; the coordination, supervision and inspection of internal and external audits of the Company; the review of financial information and disclosure thereof; the inspection of internal control systems; the formulation of the Company's risk management strategies and solutions, and the risk control, management, supervision and review of major decision-makings, major events and important business procedures.

During the Reporting Period, the Audit and Risk Management Committee earnestly performed their duties and held 7 meetings in 2018 in accordance with the requirements of the Company Law, the Articles of Association and the Terms of Reference for the Audit and Risk Management Committee and other relevant laws and regulations, the details of which are as follows:

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
1	The 1st meeting of the fourth session	1 February 2018	<ol style="list-style-type: none"> 1. Considered the proposal in relation to the audit thoughts and audit plan of 2018 of the Company; 2. Considered the proposal in relation to the risk management report of 2018 of the Company. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
2	The 2nd meeting of the fourth session	6 March 2018	Heard the progress report of Deloitte Touche Tohmatsu CPA LLP on financial statement audit and internal control audit of 2017 (second communication).	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.
3	The 3rd meeting of the fourth session	27 March 2018	<ol style="list-style-type: none"> 1. Heard the report of Deloitte Touche Tohmatsu CPA LLP on the audit of the Company's annual report of 2017 (third communication); 2. Considered the Proposal in relation to the Company's Annual Report of 2017; 3. Considered the 2017 Financial Statements of the Company; 4. Considered the proposal in relation to the plan of provision for asset impairment; 5. Considered the proposal in relation to the engagement of external auditors of 2018; 6. Heard the report on the progress of internal control evaluation of the Company for 2017; 7. Considered the report on the internal control evaluation of the Company for 2017; 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. Patrick SUN, did not attend the Meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
4	The 4th meeting of the fourth session	26 April 2018	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the First Quarter of 2018; 2. Considered the Proposal in relation to the Financial Report of the Company of 2018 of the First Quarter; 3. Considered the proposal in relation to changes in the accounting policies of the Company. 	Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. WANG Huacheng did not attend the Meeting.
5	The 5th meeting of the fourth session	29 August 2018	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the First Half of 2018; 2. Considered the Proposal in relation to the Interim Report of 2018 and the Summary; 3. Considered the proposal in relation to the Regulations on Internal Audit Management of China Railway Construction Corporation Limited; 4. Communicated with Deloitte Touche Tohmatsu CPA LLP about Review of Financial Report of the First Half of 2018. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the Meeting.
6	The 6th meeting of the fourth session	29 October 2018	<ol style="list-style-type: none"> 1. Heard the Report on Financial Accounting of the Company of the Third Quarter of 2018; 2. Considered the Proposal in relation to the Report of the Third Quarter of 2018 of the Company; 3. Considered the Proposal in relation to the Adjustments to the Caps for Continuing Related-party Transactions for 2018; 4. Considered the Proposal in Relation to the Implementation Plan of Internal Control Evaluation and Assessment of 2018. 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. Patrick SUN, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting.

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

No.	Name of the meeting	Date of meeting	Main proposals	Attendance
7	The 7th meeting of the fourth session	13 December 2018	<ol style="list-style-type: none"> 1. Considered the Proposal in Relation to the Renewal of the Financial Services Agreement and Determination of the Caps of Continuing Connected Transactions for 2019-2021; 2. Considered the Proposal in Relation to the Renewal of the Services Provision Framework Agreement and Determination of the Caps of Continuing Connected Transactions for 2019-2021; 3. Heard the Report of Deloitte Touche Tohmatsu CPA LLP in relation to the 2018 Audit Plan and the Report Summary of the first phase internal control test (first communication with Deloitte). 	Mr. WANG Huacheng, Mr. GE Fuxing, Mr. CHENG Wen and Ms. Amanda Xiao Qiang LU were present at the meeting. Due to other business engagement, Mr. Patrick SUN did not attend the Meeting.

During the Reporting Period, the Audit and Risk Management Committee held meetings at which they together reviewed the financial and accounting policies, internal control system and relevant financial matters, issued opinions on matters related to the engagement of external auditors and heard the external auditors' reporting on the audit and review of the 2017 Annual Report and 2018 Interim Report, so as to ensure the integrity, fairness and accuracy of the Company's financial statements, reports and other relevant data, and to establish and improve an effective internal control system.

IX. EXPLANATION ON THE SUPERVISORY COMMITTEE FINDING RISKS IN THE COMPANY

Applicable Not Applicable

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

X. EXPLANATION ON THE COMPANY'S INCAPABILITY TO MAINTAIN INDEPENDENCE AND INDEPENDENT OPERATING ABILITY IN ASPECTS OF BUSINESS, PERSONNEL, ASSETS, INSTITUTIONS AND FINANCE RELATIVE TO THE CONTROLLING SHAREHOLDER

Applicable Not Applicable

Measures, progress and follow-up plans of the Company to tackle with intra-industry competition

Applicable Not Applicable

The Company is strictly independent from the controlling shareholder in respect of business, employees, assets, organization and finance and there is no such case under which the Company and its controlling shareholders are not able to ensure their respective independence and maintain their capacity of independent operation.

On 4 December 2015, the Proposal in Relation to the Appointment of President of China Railway Construction Corporation Limited was considered and approved at the 20th meeting of the third session of the Board and Mr. ZHUANG Shangbiao was appointed as the president of the Company. In April 2017, the Company received the Letter on the Approval of Exempting ZHUANG Shangbiao, the President of China Railway Construction Corporation Limited, from Restriction on Concurrent Positions (Shang Shi Bu Han [2017] No. 323) (《關於同意豁免中國鐵建股份有限公司總裁莊尚標兼職限制的函》(上市部函(2017)323號)) issued by the supervisory department of listed company of CSRC, pursuant to which Mr. ZHUANG Shangbiao was approved to be exempted from the restriction on holding concurrent positions in senior management. On 22 December 2017, the Company convened the 2017 second extraordinary general meeting at which the re-election of members of the Board was conducted, and the first meeting of the 4th session of the Board at which Mr. ZHUANG Shangbiao was appointed as the president of the Company. The independent directors of the Company were of the view that: during the concurrent position period as the general manager of the controlling shareholder, ZHUANG Shangbiao, the president of the Company, strictly abided by the commitment of no intra-industry competition undertaken by China Railway Construction Corporation Limited, kept loyal, diligent and devoted, performed the duties of the president of the Company as first priority, focused on the promotion of operation, management, reform and development of the Company, dealt well with the relationship between the Company and the controlling shareholders, and effectively safeguarded the interests of the Company and the medium and small shareholders. Therefore, ZHUANG Shangbiao justified the confidence from the Board and shareholders of the Company. There were no activities that might impair the interests of the Company and the medium and small shareholders due to such concurrent position, which was in compliance with the independence requirements of staff of the listed company.

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

XI. THE ESTABLISHMENT AND IMPLEMENTATION OF THE EVALUATION MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

Applicable Not Applicable

In accordance with the provisions of the Company's performance method and remuneration management method for senior management members and according to the annual performance evaluation plans for senior management members of the Company considered and determined by the Board meeting, the Remuneration and Evaluation Committee implemented the evaluation for senior management members, of which the results were submitted to Board for consideration and approval and served as the main basis for the remuneration incentives for senior management members. The Remuneration and Evaluation Committee formulated the proposal on the remuneration of senior management members and materialized the annual performance remuneration for senior management members after submitting the proposal to the Board for consideration.

XII. SELF-ASSESSMENT REPORT ON INTERNAL CONTROL DISCLOSED

Applicable Not Applicable

The Company adhered to the working guideline of "Achieving Risk Management through Internal Control" (以風險管理為導向, 以內部控制為手段), standardized the implementation of the basic criteria and supporting guidelines for enterprise internal control, kept on improving the enterprise internal control system, and strengthened the ability and level of risk prevention and control. In accordance with the requirements of the regulation of listed companies, and in light of the development of internal control evaluation, the Internal Control Evaluation Report of 2018 was prepared. For details, please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Description on significant defects of the Internal Control during the Reporting Period

Applicable Not Applicable

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

XIII. RELEVANT ISSUE ON AUDIT REPORT ON INTERNAL CONTROL

Applicable Not Applicable

Deloitte Touche Tohmatsu CPA LLP was appointed by the Company to audit the effectiveness of our internal control for the year ended 31 December 2018, and issued an internal audit report with an unqualified audit opinion. Deloitte Touche Tohmatsu CPA LLP was of the view that, the Company maintained an efficient internal control on financial reporting at all material aspects according to Basic Standards for Corporate Internal Control and relevant requirements.

For details of the “Audit Report on Internal Control of the Company”, please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

Auditors’ Report on Internal Control disclosed: Yes

XIV. OTHERS

Applicable Not Applicable

(I) Securities Transactions of Directors, Supervisors and Relevant Employees

The Board has adopted the Model Code as the guidance for the securities transactions of directors, supervisors and relevant employees of the Company. After individual inquiry by the Company, all directors, supervisors and relevant employees (as defined in the Model Code) have confirmed that they have acted in compliance with the required standards set out in the guidance.

(II) Investor Relations

The Company implemented the spirit of the Circular on Further Strengthening the Management of Investor Relations of Listed Companies issued by Shanghai Stock Exchange and the Circular on Carrying out Centralized Publicity for Investor Protection issued by Beijing Securities Regulatory Bureau, and effectively commenced management on investor relations by strictly implementing the relevant provisions set forth in the Working Rules for Investor Relations of the Company.

The Company paid close attention to strengthening communication with investors, answering their questions timely through channels and means such as dedicated hotline and mail boxes for investor relations and the Shanghai Stock Exchange E-interactive Platform. In 2018, the Company arranged 80 face-to-face meetings and teleconferences with investors and analysts, receiving more than 395 visitors. The Company proactively participated in on-site communication activities held by domestic and overseas investment institutions, including 28 face-to-face meetings with investors and analysts and 88 investor receptions with 449 visitors received. To facilitate disclosure of periodic reports, the Company held 5 results presentations, and carried out 25 one-to-one and one-to-many meetings with 58 institutional investors received. Through various channels and means, the Company managed to improve investor relations management.

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

The Company organized a reverse roadshow with the theme of “Looking into the future from the perspective of design” in Wuhan, Hubei Province in July 2018. 66 people, including investors and analysts from over 50 domestic and overseas institutions and journalists, participated in the event. The site inspection enabled investors to be fully aware of the competitive advantages, development potentials and strategies of the survey, design and consultancy business of CRCC, especially China Railway Siyuan Survey and Design Group Ltd. (中鐵第四勘察設計院集團有限公司), have a deepened understanding of the development trends of the construction industry, be more confident in the Company’s development prospects and identify themselves better with the Company’s values. Therefore, the roadshow established and enhanced the good image of CRCC in the capital market.

In strict compliance with the requirements of the listing rules of the listing places, the Company carried out information disclosure in a true, accurate, complete, timely and fair manner, and improved information disclosure by constantly enhancing the pertinence and effectiveness of the contents disclosed. In 2018, the Company disclosed 394 documents of various kinds in Chinese and English on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, enabling the investors to keep abreast of the latest tendency of the industry, the Company’s production and operation conditions and its development prospects.

The Company’s active and effective work on investor relations has been recognized by investors and capital markets. In 2018, the Company won many awards in respect of brand building, standardized governance, information disclosure, investor relation and trustworthy business operation, etc. The Company was awarded “Listed Company with Best Investor Relations Management” at the “Golden Hong Kong Shares” award ceremony, and the prize of “Best Board of Directors” among all boards of directors of listed companies in the ceremony of the 14th Golden Round Table Award; ranked 18th among “Top 100 H-share Companies” and 6th among “Top 10 Revenue Earners” at the “Top 100 H-share Companies” award ceremony; was awarded the prize of “New Fortune Best IR H-share Company” at the 14th “New Fortune Award Ceremony”, the prizes of “Brand Enterprise with Best Investment Value among Chinese Listed Companies”, “Top 100 Chinese Listed Companies in terms of Core Competitiveness” and “Outstanding Enterprise in the Fortieth Year of Reform and Opening up among Chinese Listed Companies” at the 9th Investment and Exchange Conference for Chinese Listed Companies and Urban Chambers of Commerce, and another title of “Top 100 Chinese Listed Companies for Credibility” at the Seventh Credibility Summit Forum of Chinese Listed Company; and was honoured with the prize of “Investors’ Most Respected Listed Company” again at the ceremony co-hosted by China Association for Public Companies in cooperation with China Securities Investor Protection Fund, Shanghai Stock Exchange, Shenzhen Stock Exchange, Securities Association of China, Asset Management Association of China and China Securities Investor Services Center, the “Listed Company with Outstanding Contribution to China’s Forty Years of Reform and Opening up” at the 2018 Annual Meeting of China’s Listed Companies, and the “Listed Company with Outstanding Contribution to the Fortieth Anniversary of Reform and Opening up” in the 8th China Securities Golden Bauhinia Award.

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

(III) Amendments to the Articles of Association during the Reporting Period

During the Reporting Period, according to the applicable laws and regulations of the places where the shares of the Company are listed and the actual situation of the Company, the Articles of Association were amended once after the consideration and approval by the Board meeting and the General Meeting.

In order to further safeguard the interests of minority investors, the Company, in accordance with relevant requirements, taking into consideration the actual conditions of the Company and on a prudent, appropriate and necessary basis, made relevant amendments to the Articles of Association Relevant amendments, and the same were considered and approved at the 2018 Annual General Meeting of the Company held on 11 June 2018. The Articles of Association (amended) were published at the website of the Shanghai Stock Exchange (www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

(IV) Remuneration of Auditors

For relevant information on the remuneration of auditors, please refer to “VII Appointment and removal of auditors” of “Section VI Significant Events” in this report.

(V) Company Secretary

During the Reporting Period, the secretary of the Board and the joint company secretary of the Company had respectively completed relevant professional training of not less than 15 hours.

(VI) Directors’ Responsibilities Related to Financial Report (Disclosure Pursuant to the Requirements of the Hong Kong Listing Rules)

The Directors shall bear responsibility to supervise the preparation of financial reports. In terms of the annual financial statements for the year ended 31 December 2018, the Board of Directors has selected and used appropriate accounting policies to make prudent and reasonable judgments and estimates, in order to truly and fairly reflect the financial conditions, performance and cash flows of the Group during the financial year.

The statement of reporting responsibilities of the Company’s auditors has been contained in the “Audit report” of “Section XIII Financial Reports” of the report.

(VII) Dividend Distribution Policy of the Company

For details, please refer to “I. Ordinary share stock profit distribution plan or reserve-to-equity” of “Section VI Significant Events” in the report.

Section XI Environmental, Social and Governance Report

I. ENVIRONMENTAL

(I) Emissions

CRCC strictly complied with domestic laws and regulations related to air pollution and international conventions. While improving relevant management and integrating energy saving and emission reduction into the whole process of construction and production, CRCC increased investment to promote technological progress, eliminated backward capacity, and controlled energy consumption and pollutant emission from the source. Therefore, a better performance in this respect has been achieved.

The Company enhanced education and training about energy saving and emission reduction, immersed staffs in an energy-saving environment by posters, billboards and trainings, improved all staff's awareness, incorporated energy saving and emission reduction into all aspects of daily work, and realised green development. In 2018, the Company organised cadre environmental management trainings, with 6,300 trainees and a coverage of over 90%.

The Company adopted source control and eliminated outdated equipment to reduce emission, and applied advanced technologies and facilities to reduce waste. Emissions discharged by the Company in the course of operation were primarily carbon dioxide, and non-hazardous waste produced was construction waste. Due to the nature of the industry, the Company seldom produced hazardous waste. Therefore, relevant key performance indicators were not applicable to the Company. In accordance with environmental standards and requirements, the Company adopted comprehensive treatment on construction waste, conducted effective disposal and recycling to produce less waste.

Resources consumed in construction and production mainly included electricity, gasoline and diesel, which did not result in emission of oxynitride and oxysulfide. Therefore, relevant key performance indicators were not applicable to the Company. In 2018, the emission of carbon dioxide was 2.5211 million tons, and the discharge of construction waste was 27.7447 million tones.

(II) Use of resources

CRCC advocated work style, consumption model and life habits that are energy-saving, low-carbon and economical, promoted low carbon knowledge and energy saving approaches among staffs, improved staffs' awareness of energy and resource saving and environmental protection. The Company did not consume any package materials; therefore, relevant performance indicators were not applicable to the Company.

The Company enhanced water resource conservation and management, and encouraged subsidiaries to adopt measures to save water and improve utilisation efficiency. In 2018, the total water consumption of the Company was 228.4844 million cubic meter.

The Company improved resource utilisation efficiency and reduced resource consumption by phasing out backward capacity and promoting technology upgrade. In 2018, the total energy consumption of the Company was 5.1632 million tons of standard coal; comprehensive energy consumption per ten thousand of revenue (comparable) was 0.0864 ton of standard coal, representing a year-on-year decrease of 3.03% from the level of 2017.

Section XI Environmental, Social and Governance Report (continued)

Energy Consumption of 2018

Type	Consumption
Coal (<i>ten thousand tons</i>)	28.51
Electricity (<i>ten thousand kWh</i>)	873,324.19
Gasoline (<i>ten thousand tons</i>)	17.45
Diesel (<i>ten thousand tons</i>)	144.06
Fuel oil (<i>ten thousand tons</i>)	8.70
Natural gas (<i>ten thousand standard cubic meter</i>)	478.89

(III) Environment and Natural Resources

CRCC followed the concept that business operation should go with environmental protection, adhered to the model that environmental protection design and execution is fulfilled and realised in the course of construction and production, enhanced integrated control of environmental pollution, strengthened ecological protection and restoration, developed utilisation model that saves energy and adopts measures to protect the environment comprehensively in all regions and in the whole process of business operation.

The Company highly values the construction of ecological civilisation, and incorporates green construction concept into the whole process of construction and production with the "four savings and one protection (saving energy, land, water and materials, and protecting the environment)" objective. It specified environmental protection measures and performance appraisal requirements, and developed "Assessment Form of Environmental Factors" and "List of Key Environmental Factors". In the course of construction, the Company reduced dust pollution by site hardening, ventilation and watering; built settling tanks to reasonably dispose production waste water and domestic sewage; installed noise monitoring devices to monitor and control noise pollution in real time; adopted alternative energy and improved the service cycle of revolving materials; controlled soil erosion and prohibited dumping waste sand and gravel in rivers, lakes, reservoirs and trenches not designated; made reasonable site planning to minimise occupation of farmland and arable land, and greened the land for restoration and rehabilitation after the construction was completed, thereby producing less negative impact on the environment and delivering a green project.

Section XI Environmental, Social and Governance Report (continued)

II. SOCIAL

(I) Employment and labor practices

1. Employment

CRCC strictly followed Labour Law of the People's Republic of China, Labour Contract Law of People's Republic of China and relevant laws and regulations, adopted a performance-based compensation system, offered staffs competitive benefits in the industry and the local markets, and established a result sharing mechanism. In addition, CRCC made full contributions to social insurance for staffs in a timely manner, established a standard annuity and supplementary medical insurance system; encouraged staffs to take paid leaves, developed effective implementation plans to promote a flexible vacation system, and strictly executed national regulations about statutory holidays, marriage leave, bereavement leave and maternity leave.

Number of employees in 2018 (by personnel type)

Personnel type	Number	Proportion (%)
Management personnel	71,996	24.34
Professional and technical personnel	134,977	45.62
Skilled personnel	88,889	30.04
Total	295,862	100.00

Number of employees in 2018 (by educational background)

Educational background	Number	Proportion (%)
Master degree	10,855	3.67
Bachelor degree	148,220	50.10
Junior college	67,863	22.94
Secondary technical school	23,911	8.08
High school and below	45,013	15.21
Total	295,862	100.00

Section XI Environmental, Social and Governance Report (continued)

Number of employees in 2018 (by age group)

Age group	Number	Proportion (%)
35 and below	167,650	56.67
36–40	37,975	12.84
41–45	31,570	10.67
46–50	25,367	8.57
51–54	11,877	4.01
55 and above	21,423	7.24
Total	295,862	100.00

2. Health and safety

CRCC held firmly to the safe development concept and the philosophy that life and safety is the most important, enhanced the work safety accountability system, specified implementation plans in relation to indicators including safety guarantee responsibility, safety risk control and potential risk identification and rectification, and earnestly performed work safety management.

The Company regarded improving staffs' safety awareness and standardising their behaviours as the key task of work safety management, enhanced safety training and education, organised various safety education activities, thereby improving the safety awareness and operation skills of staffs, consolidating foundation for work safety and improving management.

With strict compliance with Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Company promoted source control in respect of occupational diseases, established and improved the occupational disease prevention system, launched promotion and education programmes on occupational health, organised staff to take regular and special health examination, and established occupational health records and arranged follow-up health examination, and protected the occupational health interest of staffs. It improved construction site management, upgraded facilities for dust prevention, noise reduction and safety guarantee, delivered labour protection articles in strict compliance with standards, improved the working environment of staffs and minimised occupational hazards.

3. Development and training

With the core of staff capability building and the focus of job skill training and knowledge accumulation, CRCC offered multi-level, multi-channel and multi-mode trainings in accordance with requirements of reasonable planning, priority to key issues, multi-layer management and multi-level responsibility, providing staffs with opportunities of all-round development and helping them grow stronger.

Section XI Environmental, Social and Governance Report (continued)

Employee training in 2018

Training type	Number of persons	Proportion (%)
Senior management	13,737	2.93
Operation management personnel	41,907	8.94
Professional and technical personnel	295,773	63.08
Party and mass relation management personnel	33,737	7.20
Skilled personnel	83,701	17.85
Total	468,855	100.00

4. Labour standards

According to labour laws and regulations, CRCC adhered to non-discrimination employment policies, i.e. equality of men and women, and equal pay for equal work. CRCC advocated diversity and equal opportunity, treated staffs of different nationality, race, gender, age, religion and cultural background fairly, respected customs of ethnic minorities, protected staffs' personal privacy strictly, prohibited and resisted employment of child labor in any form, and objected to forced labor of all forms.

(II) Operation practice

1. Supply chain management

CRCC attached great importance to development with suppliers, built the e-commerce platform, promoted centralised, standardised, digitalised and transparent management, and provided suppliers with an open and fair competition environment. It maintained long-term and stable cooperation relationship with strong and reputable suppliers, incorporated supplier social responsibility management into daily corporate management, conducted regular supplier performance appraisal, assisted suppliers in improving management and product quality, and strove for a win-win situation.

Section XI Environmental, Social and Governance Report (continued)

Domestic material suppliers in 2018

Region	Supplier (number)
Beijing Headquarters	238
Shanghai Headquarters	153
Guangzhou Headquarters	108
Wuhan Headquarters	151
Xi'an Headquarters	224
Total	874

Supplier access: Establish the level-by-level supplier approval system, and strictly regulate supplier access.

Supplier training: Offer suppliers responsibility performance trainings by discussion meetings and workshops, standardise suppliers' conducts and procure continuous product quality improvement.

Supplier assessment: Establish supplier performance appraisal system, adopt dynamic and quantitative ratings, maintain long-term and stable relationship with suppliers rated as excellent in the appraisal.

2. Product responsibility

CRCC attached great importance to quality development, strictly followed relevant quality standards, executed delicacy management, and vigorously promoted the project quality accountability mechanism. It strengthened the quality improvement awareness, advanced the project quality improvement initiative and the building of standardised construction site, improved brand image and provided clients with high-quality construction projects. In 2018, the Company obtained 10 National Construction Luban Prizes and 46 National High-Quality Project Awards.

The Company upheld the "customer-oriented" service concept, abided by business ethics and code of ethics, and provided clients with true, fair and complete service information. It actively built a rapport with clients, ensured clear channels for client feedback, resolutely fulfilled every commitment to clients, and enhanced clients' satisfaction and trust.

Section XI Environmental, Social and Governance Report (continued)

3. Anti-corruption

CRCC strictly followed laws and regulations released by the PRC authorities and countries and regions where overseas businesses were operated, and prohibited any corruption and bribery. The Company adhered to the guideline that any corruption and bribery will not be tolerated, and maintained a firm stance on anti-corruption. To strengthen corruption risk control, the Company developed “Implementation Opinions of China Railway Construction Corporation Limited on Strengthening Overseas Corruption Risk Control” (《中國鐵建股份有限公司關於進一步加強境外廉潔風險防控工作實施意見》) and “Implementation Opinions of China Railway Construction Corporation Limited on Strengthening Corruption Risk Control” (《中國鐵建股份有限公司關於進一步加強廉潔風險防控工作實施意見》). It issued “Work Rules of China Railway Construction Corporation Limited on Dealing with Corruption Clues (Interim)” (《中國鐵建股份有限公司線索處置工作細則(試行)》) to standardise disposal of corruption clues; released “Measures of China Railway Construction Corporation Limited on Management of Integrity Record of Leaders (Interim)” (《中國鐵建股份有限公司領導人廉潔檔案管理辦法(試行)》) to build integrity records of leaders and to enhance regular leader supervision and management.

By multiple supervision mode, which included discipline inspection report, inspection tour, audit of discipline execution, economic responsibility audit or special audit, assessment of internal control, supervision on compliance with laws and regulations, anti-fraud and overseas assets, and control of corruption risks, the Company raised the awareness of corruption risk and strengthened the accountability mechanism in key fields, stages and positions related to restructuring, property transaction, investment and acquisition, tendering and bidding, sub-contracting, material procurement, internationalization and human resource development. With such efforts, the Company effectively prevented any corruption behavior.

(III) Community

Community investment

CRCC regarded promoting social prosperity as a social responsibility commitment, launched a series of charity activities to support community construction, contributed to building harmonious relationship and promoting common development with local economy and community by its development and influence. In 2018, the Company made donations of RMB19.0252 million.

The Company promoted the standardisation and normalisation of volunteer services, and devoted itself to charity activities. It established about 1,200 volunteer service teams that offered regular, normalised and pair-up assistance, launched over 1,300 charity activities with targeted approaches, which included voluntary teaching, environmental protection, community services, support to those in urgent needs and extreme poverty, caring children, serving the elderly and policy promotion. Participation of volunteer services reached 32,000 person times.

Section XI Environmental, Social and Governance Report (continued)

The Company followed the deployment of the State Council Leading Group Office of Poverty Alleviation and Development and the SASAC and the working policy of “sincerely making great efforts on poverty alleviation, taking targeted measures to help people lift themselves out of poverty, achieving win-win results on poverty alleviation, making innovations on poverty alleviation and fighting against corruption during poverty alleviation process”. Based on its characteristics, CRCC adhered to the combination of government predominance and enterprise help, the combination of mutual benefit and poverty alleviation, the principle of combining whole advancement with key breakthroughs, cooperated with targeted assistance regions including Wanquan District and Shangyi County of Zhangjiakou, Hebei Province and Gande County, Qinghai Province, and promoted the work of taking targeted measures to help people lift themselves out of poverty. In 2018, the Company appointed 30 cadres for targeted poverty alleviation, made direct investment of RMB40.0360 million (including unit and individual donations and poverty alleviation funds) without demanding any return, and donated RMB40.7120 million worth of materials. In particular, poverty alleviation funds invested directly to the three targeted assistance regions amounted to RMB15.5958 million, and capital introduction reached RMB30.9675 million. 144 participants received trainings for grass-root cadres and professional and technical personnel, and 11 college graduates from pair-up assistance counties received assistance. The Company purchased RMB13.4919 million worth of industrial and light industrial products and RMB2.1826 million worth of farm produce from poverty-stricken regions, and procured farm produce sales of RMB1.4983 million.

III. OTHERS

For relevant information on the corporate governance, please refer to “Section X Corporate Governance (Corporate Governance Report)” in this report.

Section XII Particulars of Corporate Bonds

Applicable Not Applicable

I. BASIC INFORMATION OF CORPORATE BONDS

Unit: '000 Currency: RMB

Bond	Short name	Code	Date of issuance	Maturity date	Balance of the bond	Interest (%)	Method for payment of principal and interest	Exchange platform
CRCC 2016 renewable corporate bonds (first tranche)	16 CRCC Y1	136997	29 June 2016	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	7,992,104	3.53	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange
CRCC 2018 publicly issued renewable corporate bonds (first tranche)	18 CRCC Y1	143502	16 March 2018	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	2,996,935	5.56	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange
CRCC 2018 publicly issued renewable corporate bonds (second tranche)	18 CRCC Y2	143961	16 April 2018	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	1,997,877	5.23	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange
CRCC 2018 publicly issued renewable corporate bonds (third tranche)	18 CRCC Y3	143978	30 May 2018	The basic term of the bonds will be 3 years. At the end of the agreed basic term and the end of the cycle of each renewal period, the issuer is entitled to exercise the option to renew. The maturity date will extend one cycle (i.e. an extension of 3 years) when the issuer exercises the option to renew. The renewable corporate bonds will become due if the issuer decides not to exercise the option to renew and the full amount is repaid.	1,997,877	5.30	Bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.	Shanghai Stock Exchange

Section XII Particulars of Corporate Bonds (continued)

Interest payment status of corporate bonds

Applicable Not Applicable

The Company paid the interest of CRCC 2016 renewable corporate bonds (first tranche) from 29 June 2017 to 28 June 2018 on 29 June 2018. In accordance with the Announcements on the Nominal Interest Rate of CRCC 2016 Renewable Corporate Bonds (First Tranche), nominal interest rate of "16 CRCC Y1" was 3.53%. Interest of RMB35.30 (tax inclusive) was distributed for each lot of "16 CRCC Y1" with a nominal value of RMB1,000.

Additional situation statement of corporate bonds

Applicable Not Applicable

On 21 November 2018, the Company received "Approval to China Railway Construction Corporation Limited for Issue of Corporate Bonds to Qualified Investors" from the CSRC, which permitted the Company to issue corporate bonds with par value not exceeding RMB20 billion to qualified investors. As at the end of the Reporting Period, the Company has not issued any corporate bonds in accordance with the approval.

II. CONTACT PERSON, CONTACT INFORMATION OF CORPORATE BONDS TRUSTEE MANAGER AND CONTACT INFORMATION OF CREDIT RATING ORGANIZATION

Corporate Bond trustee manager	Name	CITIC Securities Co., Ltd.
	Office address	22nd floor, CITIC Securities Mansion, No. 48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact person	WANG Yanyan, ZHU Jun
Credit rating organization	Contact number	010-60833551, 60833585
	Name	China Chengxin Securities Rating Co., Ltd.(中誠信證券評估有限公司)
	Office address	8th floor, Anji Mansion, 760 Xizangnan Road, Huangpu District, Shanghai

Other Explanation

Applicable Not Applicable

III. UTILIZATION OF PROCEEDS FROM CORPORATE BONDS

Applicable Not Applicable

The application, performance procedure, and the operation of the special account of the proceeds raised from the CRCC 2016 renewable corporate bonds (first tranche) and the CRCC 2018 publicly issued renewable corporate bonds (first, second and third tranche) were in strict compliance with the prospectus and Administrative Measures of the Proceeds Raised by CRCC. Upon the deduction of the issuance fees, all of the proceeds were used for the replenishment of the working capital. At the end of the Reporting Period, the proceeds have been fully utilized.

Section XII Particulars of Corporate Bonds (continued)

IV. RATING OF CORPORATE BONDS

Applicable Not Applicable

China Chengxin Securities Rating Co., Ltd. issued a credit rating report for the issuance of the CRCC 2016 renewable corporate bonds (first tranche) and the CRCC 2018 publicly issued renewable corporate bonds (first, second and third tranche), assigning an AAA rating to the issuer of the bonds and an AAA rating to the bonds. China Chengxin Securities Rating Co., Ltd. issued the report in May 2018 on the ongoing credit rating of the 2016 renewable corporate bonds (first tranche) and 2018 publicly issued renewable corporate bonds (first and second tranche) of the Company, pursuant to which the ongoing credit rating of the subject is maintained at AAA, the credit rating outlook is stable; the credit rating of the current bonds is maintained at AAA. For details, please refer to the announcements of the Company dated 24 May 2018 published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn), the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

V. CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT SCHEME AND OTHER RELEVANT INFORMATION OF CORPORATE BONDS DURING THE REPORTING PERIOD

Applicable Not Applicable

No guarantee has been made for the CRCC 2016 renewable corporate bonds (first tranche) and the CRCC 2018 publicly issued renewable corporate bonds (first, second and third tranche). The debt repayment scheme is that the bond interest will be paid once a year if the Company does not exercise the option of deferred interest payment.

VI. CONVENING OF THE MEETING OF BONDHOLDERS

Applicable Not Applicable

VII. PERFORMANCE OF CORPORATE BONDS TRUSTEE MANAGER

Applicable Not Applicable

During the Reporting Period, CITIC Securities Co., Ltd., as the bonds trustee manager of the “16 CRCC Y1”, “18 CRCC Y1”, “18 CRCC Y2” and “18 CRCC Y3”, was continuously aware of the operations, financial conditions and credit standing of the Company and performed its duties as the trustee manager in strict compliance with the stipulations under the Bonds Trustee Management Agreement (《債券受托管理人協議》).

Section XII Particulars of Corporate Bonds (continued)

In June 2017, CITIC Securities Co., Ltd. issued the Report on Trustee Manager for 2016 Corporate Bonds of CRCC (2016); in November 2017, CITIC Securities Co., Ltd. issued the Interim Report on Trusted Management Affairs for the Public Issuance of 2016 Renewable Corporate Bonds of CRCC; in June 2018, CITIC Securities Co., Ltd. issued the Report on Trustee Manager for 2016 and 2018 Corporate Bonds of CRCC (2017); in October 2018, CITIC Securities Co., Ltd. issued the Interim Report on Trusted Management Affairs for the Public Issuance of 2016 and 2018 Renewable Corporate Bonds of CRCC. For details, please refer to the announcements of the Company dated 3 June 2017, 3 November 2017, 29 June 2018, 1 November 2018 respectively published on China Securities Journal, Shanghai Securities News, Securities Daily, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn), the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the website of the Company (www.crcc.cn).

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD FOR THE LAST TWO YEARS

Applicable Not Applicable

Unit: '000 Currency: RMB

Key indicators	2018	2017	Increase or decrease at this year as compared with the end of last year (%)	Reasons of change
Earnings before interest, tax, depreciation and amortization (EBITDA)	45,536,082	39,611,162	14.96	
Liquidity ratio	1.09	1.20	-9.17	
Quick ratio	0.61	0.71	-14.08	
Debt to assets ratio (%)	77.41	78.26	-0.85	
Total debt ratio of EBITDA	15.60	16.24	-3.94	
Interest coverage ratio	3.29	2.82	16.67	
Cash flow interest coverage	2.29	4.13	-44.55	Mainly due to the increase in the cash paid for the purchase of goods and the receipt of labor services.
Interest coverage multiples EBITDA	4.73	4.10	15.37	
Loan repayment ratio (%)	100.00	100.00	0.00	
Interest repayment ratio (%)	100.00	100.00	0.00	

Section XII Particulars of Corporate Bonds (continued)

IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Applicable Not Applicable

The principal and interest on other existing bonds and debt financing instruments of the Company have been repaid in a timely manner, and there has been no default so far.

X. BANKING FACILITIES DURING THE REPORTING PERIOD

Applicable Not Applicable

The Group has already obtained banking facilities from several PRC banks of up to RMB1,187,370.3 million as at 31 December 2018, of which an amount of RMB465,491.6 million has been utilized.

XI. FULFILLMENT OF STIPULATIONS OR COMMITMENT IN THE COMPANY'S PROSPECTUS DURING THE REPORTING PERIOD

Applicable Not Applicable

During the Reporting Period, the Company strictly complied with and fulfilled the relevant agreements and commitments in the prospectus of the CRCC 2016 renewable corporate bonds (first tranche), 2018 publicly issued renewable corporate bonds (first, second and third tranches) and there had been no default in this regard.

XII. IMPACT OF MAJOR EVENTS ON OPERATING STATUS AND SOLVENCY OF THE COMPANY

Applicable Not Applicable

Section XIII Financial Reports

Applicable Not Applicable

Independent Auditor's Report

De Shi Bao (Shen) Zi (19) No P01768

To the shareholders of China Railway Construction Corporation Limited

I. OPINION

We have audited the financial statements of China Railway Construction Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and company statement of financial position as at 31 December 2018, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of China Railway Construction Corporation Limited give a true and fair view, in all material respects, of the consolidated and company financial position as of 31 December 2018, and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The followings are key audit matters that we have determined to communicate in the independent auditor's report.

Independent Auditor's Report (continued)

III. KEY AUDIT MATTERS (CONTINUED)

1. Revenue from construction operations

1.1 Description

As disclosed in Note V.44 to the consolidated financial statements, the revenue of the Group mainly are derived from construction operations, which has significance to the consolidated financial statements. As stated in Note III.19 to the consolidated financial statements, for most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group's management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction operations and, through regular review, revises the estimates when the Group management considers there are changes in the assumptions in deriving the estimates throughout the contract period. We identified the revenue from construction operations as a key audit matter due to the fact that the accounting treatments of which require significant estimations and judgments.

1.2 Audit Response

Our procedures in relation to recognition of revenue from construction operations mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls in place on budget preparation and revenue recognition of the construction operations;
- (2) Reviewing construction contracts on a sample basis from construction contract ledger to evaluate the appropriateness of management's judgment on performance obligation performed over time or at a certain point in time and management's assessment on transaction prices and variable considerations;
- (3) Evaluating the basis in determining total revenue and expected total costs and checking to the construction contracts and related budgets on a sample basis;
- (4) Checking construction costs incurred during the year by tracing to support documentation on a sample basis;
- (5) Recalculating the calculation accuracy on performance progress of construction operations by reference to construction contract ledger on a sample basis; and
- (6) Visiting the selected sites of material construction projects to observe the progress of the construction work, discussing with the site project managers the extent to which the construction work was completed and investigating for unusual deviations compared to the performance progress in record.

Independent Auditor's Report (continued)

III. KEY AUDIT MATTERS (CONTINUED)

2. Impairment of trade receivables and contract assets

2.1 Description

As stated in Note III.32 "Impairment of trade receivables and contract assets" to the consolidated financial statements, the Group measures loss allowances for trade receivables and contract assets based on lifetime expected credit losses. For trade receivables and contract assets which are individually significant and credit-impaired, the Group's management assesses credit losses individually by estimating the contractual cash flow expected to receive, based on the evidence of credit-impairment and forward-looking information. Except for trade receivables and contract assets which are individually significant and credit-impaired, the Group's management uses provision matrix to assess expected credit losses, which is based on collective credit risk characteristics. The provision rates are based on the Group's historical loss rates, taking into consideration forward-looking information. We identified the impairment of trade receivables and contract assets as a key audit matter due to its significance to the consolidated financial statements and its involvement of management's significant accounting estimations and judgements.

2.2 Audit response

Our procedures in relation to the impairment of trade receivables and contract assets mainly included:

- (1) Testing and evaluating the effectiveness of the key internal controls relating to the management and impairment test of trade receivables and contract assets;
- (2) Corroborating the relevant consideration and objective evidences used by the management in assessing the expected credit losses of trade receivables and contract assets;
- (3) For trade receivables and contract assets individually assessed for expected credit losses, reviewing the supporting documentation and its reasonableness for the estimated future cash flows on a sample basis; and
- (4) For trade receivables and contract assets assessed by provision matrix based on collective credit risk characteristics for expected credit losses, checking the appropriateness of classification in the provision matrix on a sample basis and assessing the reasonableness of the provision rate taking into consideration of historical loss rates and forward-looking information.

Independent Auditor's Report (continued)

IV. OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the 2018 Annual Report, but does not include the financial statements and our independent auditor's report thereon.

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

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

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

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report (continued)

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report (continued)

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Deloitte Touche Tohmatsu CPA LLP
Shanghai China

Chinese Certified Public Accountant
Ma Yanmei (Engagement Partner)

Chinese Certified Public Accountant
Xie Yanfeng (Engagement Partner)

29 March 2019

This independent auditor's report of the financial statements and the accompanying financial statements are English translations of the independent auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Statement of Financial Position

As at 31 December 2018

RMB'000

ASSETS	Note V	31 December 2018	31 December 2017
Current assets			
Cash and bank balances	1	143,801,598	141,206,185
Financial assets at fair value through profit or loss	2	/	489,712
Held-for-trading financial assets	3	3,344,458	/
Bills receivable and trade receivables	4	109,162,550	153,528,817
Advances to suppliers	5	18,591,945	18,784,004
Other receivables	6	63,474,288	55,278,965
Inventories	7	159,891,368	266,604,158
Contract assets	8	123,938,151	/
Current portion of non-current assets	11,20	10,836,740	8,591,799
Other current assets	9	17,236,252	8,414,479
Total current assets		650,277,350	652,898,119
Non-current assets			
Loans and advances to customers	10	2,145,000	1,683,000
Long-term receivables	11	54,442,045	40,662,087
Long-term equity investments	12	28,978,555	17,869,525
Held-to-maturity investments		/	41
Debt investments		41	/
Other debt investments		100,513	/
Other non-current financial assets		779,049	/
Available-for-sale financial assets	13	/	8,382,301
Other equity instrument investments	13	8,268,378	/
Investment properties	14	5,644,080	3,646,745
Fixed assets	15	50,300,597	45,981,850
Construction in progress	16	4,428,384	3,863,578
Intangible assets	17	50,667,006	40,155,864
Goodwill	18	228,713	200,506
Long-term prepayments		384,745	322,482
Deferred tax assets	19	4,916,848	3,577,034
Other non-current assets	20	56,109,278	2,644,327
Total non-current assets		267,393,232	168,989,340
TOTAL ASSETS		917,670,582	821,887,459

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2018	31 December 2017
Current liabilities			
Short-term loans	21	61,781,084	29,499,098
Due to customers	22	5,881,497	804,834
Bills payable and trade payables	23	334,707,334	323,491,509
Advances from customers	24	64,390	85,682,565
Contract liabilities	25	89,276,585	/
Employee benefits payable	26	11,280,571	10,159,506
Taxes payable	27	6,948,114	5,964,383
Other payables	28	55,429,042	49,797,546
Current portion of non-current liabilities	29	19,538,674	30,201,473
Other current liabilities	30	12,434,964	8,053,925
Total current liabilities		597,342,255	543,654,839
Non-current liabilities			
Long-term loans	31	69,840,477	58,826,793
Bonds payable	32	37,458,422	35,677,923
Long-term payables	33	1,561,848	2,566,236
Long-term employee benefits payable	34	407,145	604,068
Provisions		145,810	-
Deferred income	35	2,263,783	831,482
Deferred tax liabilities	19	233,522	289,431
Other non-current liabilities	36	1,082,465	787,842
Total non-current liabilities		112,993,472	99,583,775
Total liabilities		710,335,727	643,238,614

Consolidated Statement of Financial Position (continued)

As at 31 December 2018

RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2018	31 December 2017
Shareholders' equity			
Share capital	37	13,579,542	13,579,542
Other equity instruments	38	20,392,922	13,400,233
Capital reserve	39	40,434,270	40,428,564
Other comprehensive income	40	(515,059)	(92,447)
Special reserve	41	–	–
Surplus reserve	42	3,229,881	2,891,462
Retained earnings	43	92,768,356	79,204,629
Total equity attributable to owners of the Company		169,889,912	149,411,983
Non-controlling interests		37,444,943	29,236,862
Total shareholders' equity		207,334,855	178,648,845
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		917,670,582	821,887,459

The accompanying notes form part of the financial statements.

The financial statements have been signed by:

Legal Representative:
CHEN Fenjian

CFO:
WANG Xiuming

Head of the Finance Department
QIAO Guoying

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

RMB'000

ITEM	Note V	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue	44	730,123,045	680,981,127
Less: Cost of sales	44	658,711,266	618,059,386
Taxes and surcharges	45	4,805,880	4,950,483
Selling and distribution expenses	46	4,431,330	4,530,901
General and administrative expenses	47	17,235,632	15,660,246
Research and development expenses	48	11,571,783	10,397,720
Finance costs	49	5,537,724	2,875,908
Including: Interest expenses		6,610,716	5,935,660
Interest income		3,077,852	3,290,583
Impairment losses on assets	50	179,635	4,469,500
Impairment of credit losses	51	4,292,765	/
Add: Other income	52	260,140	152,158
Investment income/(losses)	53	1,401,160	337,004
Including: Share of profits/(losses) of associates and joint ventures		1,257,184	280,711
(Losses)/Gains on fair value changes	54	(226,347)	367,903
Gains/(Losses) on disposal of assets		529,783	15,756
Operating profit		25,321,766	20,909,804
Add: Non-operating income	55	1,096,998	1,090,270
Less: Non-operating expenses	56	1,313,502	744,310
Profit before tax		25,105,262	21,255,764
Less: Income tax expenses	58	5,266,854	4,336,574
Net profit		19,838,408	16,919,190
Classified by the continuity of operation			
Profit or loss for the year from continuing operations		19,838,408	16,919,190
Profit or loss for the year from discontinued operations		-	-
Classified by the ownership			
Profit or loss attributable to owners of the Company		17,935,281	16,057,235
Profit or loss attributable to non-controlling interests		1,903,127	861,955

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 December 2018

RMB'000

ITEM	Note V	For the year ended 31 December 2018	For the year ended 31 December 2017
Other comprehensive income/(expense), net of tax	40		
Other comprehensive income/(expense) attributable to owners of the Company, net of tax		(338,677)	(375,391)
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit, net of tax		48,750	75,799
Losses from changes in fair value of other equity instrument investments		(380,451)	/
Other comprehensive income/(expense) to be reclassified to profit or loss			
Shares of other comprehensive income/ (expense) that will be reclassified subsequently into profit or loss by the investee under equity method		13,550	(75,943)
Gains from changes in fair value of other debt investments		513	/
Losses from changes in fair value of available-for-sale financial assets		/	(151,315)
Exchange differences on translation of foreign operations		(21,039)	(223,932)
Other comprehensive income/(expense) attributable to non-controlling interests, net of tax		(11,579)	13,442
Total comprehensive income		19,488,152	16,557,241
Including:			
Total comprehensive income attributable to owners of the Company		17,596,604	15,681,844
Total comprehensive income attributable to non-controlling interests		1,891,548	875,397
Earnings per share:			
Basic earnings per share (<i>RMB/share</i>)	59	1.26	1.16
Diluted earnings per share (<i>RMB/share</i>)	59	1.23	1.09

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

RMB'000

ITEM	Note V	For the year ended 31 December 2018	For the year ended 31 December 2017
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		738,836,489	684,183,754
Refunds of tax		536,999	393,839
Net decrease in loans and advances to customers		–	2,266,000
Net increase in due to customers		5,076,663	–
Cash received from other operating activities	60(1)	13,280,074	11,191,838
Subtotal of cash inflows from operating activities		757,730,225	698,035,431
Cash paid for goods and services		657,105,765	587,113,314
Net increase in loans and advances to customers		500,000	–
Net decrease in due to customers and due to banks		–	675,930
Net increase in balances with the central bank		1,090,359	237,427
Cash paid to and on behalf of employees		57,431,142	52,445,302
Cash paid for all taxes		25,592,749	25,298,250
Cash paid for other operating activities	60(2)	10,562,349	6,861,030
Subtotal of cash outflows from operating activities		752,282,364	672,631,253
Net cash flows generated from/(used in) operating activities	61(1)	5,447,861	25,404,178

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

RMB'000

ITEM	Note V	For the year ended 31 December 2018	For the year ended 31 December 2017
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		3,456,819	179,224
Cash received from investment income		174,571	205,184
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,834,570	1,396,462
Net cash received from disposals of subsidiaries		23,619	2,661,662
Cash received from other investing activities		659,233	119,219
Subtotal of cash inflows from investing activities		6,148,812	4,561,751
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		32,338,988	30,231,006
Cash paid for acquisition of investments		21,044,766	8,956,356
Net increase in cash and bank balances with title restrictions		810,057	408,066
Net cash paid for acquisitions of subsidiaries		17,534	32,298
Cash paid for other investing activities		1,181,693	1,621,675
Subtotal of cash outflows from investing activities		55,393,038	41,249,401
Net cash flows generated from/(used in) investing activities		(49,244,226)	(36,687,650)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

RMB'000

ITEM	Note V	For the year ended 31 December 2018	For the year ended 31 December 2017
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		14,945,566	16,819,530
Including: Cash received from non-controlling shareholders of subsidiaries		7,952,877	11,819,530
Cash received from issuing bonds		2,200,000	960,000
Cash received from borrowings		118,980,818	79,359,099
Cash received from other financing activities		4,700,000	–
Subtotal of cash inflows from financing activities		140,826,384	97,138,629
Cash repayments for borrowings		82,808,194	60,499,480
Cash paid for distribution of dividends or profits and for interest expenses		14,106,213	12,863,833
Including: Cash paid to non-controlling shareholders for distribution of dividends by subsidiaries		1,456,459	1,092,819
Subtotal of cash outflows from financing activities		96,914,407	73,363,313
Net cash flows generated from/(used in) financing activities		43,911,977	23,775,316
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			
		579,385	(633,146)
5. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		694,997	11,858,698
Add: Cash and cash equivalents at beginning of the year	61(2)	129,392,720	117,534,022
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	61(2)	130,087,717	129,392,720

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

RMB'000

ITEM	For the year ended 31 December 2018									
	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal		
I. As at 1 January 2018	13,579,542	13,400,233	40,428,564	(92,447)	-	2,891,462	79,204,629	149,411,983	29,236,862	178,648,845
(I) Changes in accounting policies (Note III. 33)	-	-	-	(83,432)	-	(1,025)	(721,313)	(805,770)	-	(805,770)
II. Opening balance for the year	13,579,542	13,400,233	40,428,564	(175,879)	-	2,890,437	78,483,316	148,606,213	29,236,862	177,843,075
III. Increase/(decrease) during the year	-	6,992,689	5,706	(339,180)	-	339,444	14,285,040	21,283,699	8,208,081	29,491,780
(I) Total comprehensive income	-	-	-	(338,677)	-	-	17,935,281	17,596,604	1,891,548	19,488,152
(II) Capital contributions and withdrawals by shareholders	-	6,992,689	-	-	-	-	-	6,992,689	8,067,162	15,059,851
1. Capital contributions by shareholders (Note V. 38 (Note 4))	-	6,992,689	-	-	-	-	-	6,992,689	8,067,162	15,059,851
(III) Profit distribution	-	-	-	-	-	339,444	(3,650,744)	(3,311,300)	(1,744,923)	(5,056,223)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	339,444	(339,444)	-	-	-
2. Distribution to shareholders (Note V. 43)	-	-	-	-	-	-	(3,311,300)	(3,311,300)	(1,744,923)	(5,056,223)
(IV) Special reserve (Note V. 41)	-	-	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	9,164,297	-	-	9,164,297	-	9,164,297
2. Used in current year	-	-	-	-	(9,164,297)	-	-	(9,164,297)	-	(9,164,297)
(V) Others	-	-	5,706	(503)	-	-	503	5,706	(5,706)	-
1. Others	-	-	5,706	(503)	-	-	503	5,706	(5,706)	-
IV. As at 31 December 2018	13,579,542	20,392,922	40,434,270	(515,059)	-	3,229,881	92,768,356	169,889,912	37,444,943	207,334,855

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2018

RMB'000

ITEM	For the year ended 31 December 2017									
	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
I. As at 1 January 2017	13,579,542	8,400,233	40,430,370	282,944	-	2,394,128	66,099,855	131,187,072	17,528,914	148,715,986
II. Increase/(decrease) during the year	-	5,000,000	(1,806)	(375,391)	-	497,334	13,104,774	18,224,911	11,707,948	29,932,859
(I) Total comprehensive income	-	-	-	(375,391)	-	-	16,057,235	15,681,844	875,397	16,557,241
(II) Capital contributions and withdrawals by shareholders	-	5,000,000	-	-	-	-	-	5,000,000	11,819,530	16,819,530
1. Capital contributions by shareholders (Note V.38, Note 3)	-	5,000,000	-	-	-	-	-	5,000,000	11,819,530	16,819,530
(III) Profit distribution	-	-	-	-	-	497,334	(2,952,461)	(2,455,127)	(638,869)	(3,093,996)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	497,334	(497,334)	-	-	-
2. Distribution to shareholders (Note V.43)	-	-	-	-	-	-	(2,455,127)	(2,455,127)	(638,869)	(3,093,996)
(IV) Special reserve (Note V.41)	-	-	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	8,603,444	-	-	8,603,444	-	8,603,444
2. Used in current year	-	-	-	-	(8,603,444)	-	-	(8,603,444)	-	(8,603,444)
(V) Others	-	-	(1,806)	-	-	-	-	(1,806)	(348,110)	(349,916)
1. Others	-	-	(1,806)	-	-	-	-	(1,806)	(348,110)	(349,916)
III. As at 31 December 2017	13,579,542	13,400,233	40,428,564	(92,447)	-	2,891,462	79,204,629	149,411,983	29,236,862	178,648,845

The Company's Statement of Financial Position

As at 31 December 2018

RMB'000

ASSETS	<i>Note XIV</i>	31 December 2018	31 December 2017
Current assets			
Cash and bank balances		13,407,775	15,225,353
Financial assets at fair value through profit or loss		/	42,192
Held-for-trading financial assets		35,709	/
Bills receivable and trade receivables	1	3,151,936	4,370,398
Advances to suppliers		374,028	507,404
Other receivables	2	26,285,916	32,608,183
Inventories		–	2,048,514
Contract assets		675,348	/
Current portion of non-current assets		8,165,000	1,600,000
Other current assets		85,773	42,187
Total current assets		52,181,485	56,444,231
Non-current assets			
Long-term receivables		17,776,000	10,129,000
Long-term equity investments	3	94,487,290	90,804,311
Available-for-sale financial assets		/	307,584
Other equity instrument investments		262,652	/
Fixed assets		25,731	29,083
Construction in progress		46,364	31,493
Intangible assets		29,516	22,634
Long-term prepayments		1,445	4,070
Deferred tax assets		380	383
Other non-current assets		1,959,816	–
Total non-current assets		114,589,194	101,328,558
TOTAL ASSETS		166,770,679	157,772,789

The Company's Statement of Financial Position (continued)

As at 31 December 2018

RMB'000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	31 December 2018	31 December 2017
Current liabilities			
Short-term loans	4	11,000,000	–
Bills payable and trade payables		7,278,230	6,941,877
Advances from customers		–	856,037
Contract liabilities		123,861	/
Employee benefits payable		82,161	78,100
Taxes payable		41,951	19,014
Other payables	5	25,333,933	22,698,048
Current portion of non-current liabilities		2,644,227	14,545,863
Other current liabilities		3,000,000	225,195
Total current liabilities		49,504,363	45,364,134
Non-current liabilities			
Long-term loans	6	5,750,439	8,424,271
Bonds payable	Note V, 32	16,192,972	15,785,270
Long-term payables		–	10,000
Long-term employee benefits payable		14,290	14,010
Deferred tax liabilities		28,355	73,341
Deferred income		3,646	–
Other non-current liabilities		850,865	712,677
Total non-current liabilities		22,840,567	25,019,569
Total liabilities		72,344,930	70,383,703
Shareholders' equity			
Share capital	Note V, 37	13,579,542	13,579,542
Capital reserve		46,493,552	46,493,552
Other comprehensive income		85,292	114,213
Other equity instruments	Note V, 38	20,392,922	13,400,233
Special reserve		–	–
Surplus reserve	Note V, 42	3,229,881	2,891,462
Retained earnings	7	10,644,560	10,910,084
Total shareholders' equity		94,425,749	87,389,086
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		166,770,679	157,772,789

The Company's Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

RMB'000

ITEM	Note XIV	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue	8	16,978,838	16,660,324
Less: Cost of sales	8	16,438,087	16,150,909
Taxes and surcharges		7,277	2,882
Selling and distribution expenses		29,615	23,750
General and administrative expenses		418,846	438,574
Research and development expenses		45,691	163
Finance costs	9	446,949	(54,007)
Including: Interest expenses		2,410,878	2,117,763
Interest income		2,332,272	1,868,243
Impairment of credit losses		32,748	/
Add: Investment income/(loss)	10	3,929,889	4,548,798
Including: Share of profits/(losses) of joint ventures		2,059	10,906
Gains/(Losses) on fair value changes		(144,672)	436,066
Gains/(Losses) on disposal of assets		(146)	(123)
Operating profit		3,344,696	5,082,794
Add: Non-operating income		15,835	1,081
Less: Non-operating expenses		1,042	669
Profit before tax		3,359,489	5,083,206
Less: Income tax expenses		(34,949)	109,867
Net profit		3,394,438	4,973,339
Classified by the continuity of operation			
Profit or loss for the year from continuing operations		3,394,438	4,973,339
Profit or loss for the year from discontinued operations		-	-
Other comprehensive income/(expense), net of tax		(28,921)	7,665
Other comprehensive income/(expense) not to be reclassified to profit or loss			
Re-measurement of defined benefit, net of tax		(2,723)	(263)
Losses from changes in fair value of other equity instrument investments		(26,198)	/
Other comprehensive income/(expense) to be reclassified to profit or loss			
Losses from changes in fair value of available-for-sale financial assets		/	7,928
Total comprehensive income		3,365,517	4,981,004

The Company's Statement of Cash Flows

For the year ended 31 December 2018

RMB'000

ITEM	Note XIV	For the year ended 31 December 2018	For the year ended 31 December 2017
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from the sale of goods or rendering of services		17,393,095	15,045,768
Cash received from other operating activities		21,661,325	20,327,299
Subtotal of cash inflows from operating activities		39,054,420	35,373,067
Cash paid for goods and services		16,489,777	15,021,785
Cash paid to and on behalf of employees		255,145	312,680
Cash paid for all taxes		77,780	75,086
Cash paid for other operating activities		26,226,320	22,921,214
Subtotal of cash outflows from operating activities		43,049,022	38,330,765
Net cash flows generated from/(used in) operating activities	11(1)	(3,994,602)	(2,957,698)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investments		10,000	–
Cash received from investment income		3,910,072	4,537,892
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		47	7,366
Net decrease in cash and bank balances with title restrictions		2,892,600	–
Cash received from other investing activities		–	821,254
Subtotal of cash inflows from investing activities		6,812,719	5,366,512
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		38,163	37,187
Cash paid for acquisition of investments		3,680,000	5,667,588
Net increase in cash and bank balances with title restrictions		–	44,000
Cash paid for other investing activities		–	1,006,329
Subtotal of cash outflows from investing activities		3,718,163	6,755,104
Net cash flows generated from/(used in) investing activities		3,094,556	(1,388,592)

The Company's Statement of Cash Flows (continued)

For the year ended 31 December 2018

RMB'000

ITEM	<i>Note XIV</i>	For the year ended 31 December 2018	For the year ended 31 December 2017
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received as capital contributions		6,992,689	5,000,000
Cash received from borrowings		11,000,000	5,698,454
Cash received from issuing bonds		3,000,000	–
Subtotal of cash inflows from financing activities		20,992,689	10,698,454
Cash repayments for borrowings		14,580,096	3,076,170
Cash paid for distribution of dividends or profits and for interest expenses		4,664,653	3,818,284
Subtotal of cash outflows from financing activities		19,244,749	6,894,454
Net cash flows generated from/(used in) financing activities		1,747,940	3,804,000
4. EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS			
		227,128	(337,526)
5. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Add: Cash and cash equivalents at beginning of the year	11(2)	12,318,553	13,198,369
6. CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	11(2)	13,393,575	12,318,553

The Company's Statement of Changes in Equity

For the year ended 31 December 2018

RMB'000

ITEM	For the year ended 31 December 2018							
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2018	13,579,542	13,400,233	46,493,552	114,213	-	2,891,462	10,910,084	87,389,086
(I) Changes in accounting policies	-	-	-	-	-	(1,025)	(9,218)	(10,243)
II. Opening balance for the year	13,579,542	13,400,233	46,493,552	114,213	-	2,890,437	10,900,866	87,378,843
III. Increase/(decrease) during the year	-	6,992,689	-	(28,921)	-	339,444	(256,306)	7,046,906
(I) Total comprehensive income	-	-	-	(28,921)	-	-	3,394,438	3,365,517
(II) Capital contributions and withdrawals by shareholders	-	6,992,689	-	-	-	-	-	6,992,689
1. Capital contributions by other equity instrument holders (Note V. 38/Note 4)	-	6,992,689	-	-	-	-	-	6,992,689
(III) Profit distribution	-	-	-	-	-	339,444	(3,650,744)	(3,311,300)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	339,444	(339,444)	-
2. Distribution to shareholders (Note V. 43)	-	-	-	-	-	-	(3,311,300)	(3,311,300)
(IV) Special reserve	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	231,167	-	-	231,167
2. Used in current year	-	-	-	-	(231,167)	-	-	(231,167)
IV. As at 31 December 2018	13,579,542	20,392,922	46,493,552	85,292	-	3,229,881	10,644,560	94,425,749

ITEM	For the year ended 31 December 2017							
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total equity
I. As at 1 January 2017	13,579,542	8,400,233	46,493,552	106,548	-	2,394,128	8,889,206	79,863,209
II. Increase/(decrease) during the year	-	5,000,000	-	7,665	-	497,334	2,020,878	7,525,877
(I) Total comprehensive income	-	-	-	7,665	-	-	4,973,339	4,981,004
(II) Capital contributions and withdrawals by shareholders	-	5,000,000	-	-	-	-	-	5,000,000
1. Capital contributions by other equity instrument holders (Note V. 38/Note 3)	-	5,000,000	-	-	-	-	-	5,000,000
(III) Profit distribution	-	-	-	-	-	497,334	(2,952,461)	(2,455,127)
1. Appropriation to statutory surplus reserve	-	-	-	-	-	497,334	(497,334)	-
2. Distribution to shareholders (Note V. 43)	-	-	-	-	-	-	(2,455,127)	(2,455,127)
(IV) Special reserve	-	-	-	-	-	-	-	-
1. Appropriated in current year	-	-	-	-	183,261	-	-	183,261
2. Used in current year	-	-	-	-	(183,261)	-	-	(183,261)
IV. As at 31 December 2017	13,579,542	13,400,233	46,493,552	114,213	-	2,891,462	10,910,084	87,389,086

Notes to the Financial Statements

For the year ended 31 December 2018

I. CORPORATE INFORMATION

China Railway Construction Corporation Limited (the “Company”) is a joint stock limited company with limited liability registered in Beijing in the People’s Republic of China (the “PRC” or “Mainland China”) on 5 November 2007. The Company’s shares, have been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The registered address of the Company’s head office is located at East No. 40 Fuxing Road, Haidian District, Beijing, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) mainly consist of the construction of infrastructure, the provision of survey, design and consultancy services, the provision of logistics services, industrial manufacturing and real estate development operations.

The Company’s parent and ultimate holding company is China Railway Construction Group Co., Ltd. (CRCCG), a company registered in PRC.

These financial statements were approved and authorized for issue by the board of directors of the Company on 29 March 2019.

The scope of consolidated financial statements shall be determined on the basis of control. Refer to Note VI for the changes of consolidation scope for the year.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared by the Group on a going-concern basis in accordance with Accounting Standards for Business Enterprises and other relevant provisions issued and revised subsequently by the Ministry of Finance (collectively referred to as “Accounting Standards for Business Enterprises”). In addition, the financial statements are also disclosed in accordance with Information Disclosure and Presentation Rules for Companies Public offering Securities No.15 – General Provisions on Financial Reporting (revised by CSRC in 2014).

The Group has adopted accrual basis for accounting measurement. The financial statements have been presented under the historical cost, except for certain financial assets which have been measured at fair value. If the assets are impaired, the corresponding provisions for impairment shall be made according to relevant requirements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

According to the characteristics of its production and operation, the Group formulated a series of specific accounting policies and accounting estimates, including the impairment of receivables and contract assets, the measurement of inventories, the provisions for decline in value of inventories, the depreciation methods and the depreciation rates of the fixed assets, the amortisation methods of the intangible assets, the method of long-term assets impairment testing, and the policy for revenue recognition, etc.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully of the consolidated and company financial position as of 31 December 2018, and the consolidated and company financial performance and cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies based on their specific economic environments. The Group adopts RMB to prepare its financial statements.

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

4.1 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is a party being acquired. The combination date is the date on which the acquirer effectively obtains control of the party being acquired.

Assets and liabilities (including the goodwill recognised by the ultimate controlling party in acquisition of the acquiree) that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the year in which they are incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business combinations (Continued)

4.2 Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination involving entities not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while the other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the purchase date.

Goodwill is measured at cost being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the acquirer's interest in the fair value of the acquiree's net identifiable assets. If the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree is lower than the acquirer's interest in the fair value of the acquiree's net identifiable assets, the difference is, after reassessment of the fair value of each identifiable asset, liability and contingent liability acquired from the acquiree and the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree, recognised in profit or loss.

4.3 Acquire assets through the acquisition of subsidiaries

For the acquisition of subsidiaries not constituting a business, the acquisition cost is allocated to each single identifiable asset and liability at fair value, and no goodwill or purchase gain will be recognised.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "non-controlling interests" in the consolidated statement of financial position within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "profit or loss attributable to non-controlling interests" in the consolidated statement of profit or loss and other comprehensive income below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (1) the aggregate of the consideration received on disposal and the fair value of any retained interest and (2) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

6. Joint arrangement and joint operations

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In respect of joint operations, the Group as a party of joint venture recognises its interest in a joint operation: (1) its assets, including its share of any assets held jointly; (2) its liabilities, including its share of any liabilities incurred jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its expenses, including its share of any expenses incurred jointly.

The Group measured its joint operations under equity method, please refer to Note III. 11.3.2.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Foreign currency transactions and foreign currency translations

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the spot exchange rate ruling at the end of the Reporting Period. All differences are recognised in profit or loss, except those related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign spot exchange rates at the transaction dates and do not change the amounts of functional currency.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange spot rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the nature of the non-monetary items.

For foreign operations, the Group translates functional currencies of overseas financial statements into RMB financial statements. All assets and liabilities are translated at the spot exchange rates ruling at the statement of financial position date; the shareholders' equity, with the exception of retained earnings, is translated at the spot exchange rates ruling at the transaction dates; all items in the statement of profit or loss and other comprehensive income and items reflect amounts of profit distribution are translated at the spot exchange rates at the transaction dates. The undistributed profit at the beginning of the year equals the translated undistributed profit of the previous year; The undistributed profit at the end of the year is calculated according to the translated profit distribution items. Exchange fluctuations arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the exchange fluctuation reserve of the overseas business will be transferred to profit or loss in the same period.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated into RMB at the spot exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents are presented as a reconciled item separately in the statement of cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets and financial liabilities are recognised at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognised. For trade receivables recognised that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered, which are within the scope of *Accounting Standard for Business Enterprises No. 14 – Revenue* (ASBE No.14), transaction prices shall be adopted on initial recognition.

The effective interest method is a method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortisation of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

9.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

9.1.1 *Financial assets measured as at amortised cost*

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortised cost. The Group's financial assets measured at amortised cost including cash and bank balances, bills receivable and trade receivables, other receivables, loans and advances to customers, long-term receivables and debt investments.

The above financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of financial assets (Continued)

9.1.1 *Financial assets measured as at amortised cost (Continued)*

Interest income from financial assets at amortised cost and at fair value through other comprehensive income is recognised based on the effective interest method. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial asset, except:

- (1) For the purchased or internally generated credit-impaired financial assets, the Group recognises interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- (2) For the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit-impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If there exists no credit impairment due to improvement in credit risk of the financial instruments subsequently, the Group recognises interest income based on applying effective interest rate to gross carrying amount of the financial assets.

9.1.2 *Financial assets measured at fair value through other comprehensive income (FVTOCI)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. FVTOCI are presented by the Group as other debt investments in financial statements.

Financial assets classified as at FVTOCI's relevant loss/gain on impairment and interest income based on effective interest rate are recognised in profit or loss. Except for the above circumstances, changes in fair value of such financial assets are all recognised in other comprehensive income. Such financial assets' changes in fair value that are recognised in profit or loss in each period equal to their changes in fair value that are recognised in profit or loss in each period as they are measured at amortised cost from acquisition date. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of financial assets (Continued)

9.1.3 *Financial assets designated as at fair value through other comprehensive income*

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis. Financial assets designated as at fair value through other comprehensive income are presented by the Group as other equity instrument investments in financial statements.

The fair value changes of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised in profit or loss for the period when the Group has right to collect dividend, the economic benefits associated with dividend will probably flow into the Group and the amount of dividend can be reliably measured.

9.1.4 *Financial assets measured at fair value through profit or loss (FVTPL)*

Any financial assets that does not qualify for amortised cost measurement or measurement at FVTOCI or designated at FVTOCI are classified into financial assets at FVTPL. FVTPL are presented by the Group as held-for-trading financial assets and other non-current financial assets items in the statement of financial position, based on its liquidity.

The above financial assets are subsequently measured at fair value. Gains or losses arising from fair value changes and dividends and interest income in relation to such financial assets are recognised in profit or loss for the period.

9.2 Impairment of financial assets and other items

The Group recognises loss allowance for financial assets measured as at amortised cost, financial assets classified as at FVTOCI, lease receivables, contract assets and financial guarantee contracts based on expected credit losses ("ECL").

The Group measures loss allowance for contract assets, trade receivables and lease receivables based on the amount of full lifetime ECL.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2 Impairment of financial assets and other items (Continued)

For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, at each end of the Reporting Period, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has not increased significantly since initial recognition, the financial instruments are at Phase I. The Group recognises loss allowance based on 12-month ECL of the financial instrument. If the credit risk of the above financial instruments has increased significantly but the impairment of credit has not incurred, the financial instruments are at Phase II. The Group measures loss allowance based on the amount of full lifetime. If the impairment of credit has incurred since initial recognition, the financial instruments are at Phase III. The Group measures loss allowance based on the amount of full lifetime. Except for the financial assets classified as at FVTOCI, increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. The increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for financial assets classified as at FVTOCI, impairment of credit losses decreases the gross carrying amount of financial assets. For financial assets classified as at FVTOCI, the Group recognises credit loss allowance in other comprehensive income and does not decrease the carrying amount of such financial assets in the statement of financial position.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, at the end of the Reporting Period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the end of the Reporting Period for the current period. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

9.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: Whether the actual or expected operating results of the debtor have changed significantly; Whether supervisory, economic or technical environment for the debtor has significant detrimental changes; Whether value of collateral against debt mortgage or guarantee/ credit enhancement provided by a third party has changed significantly. It is expected that the aforesaid changes are economic motives that will lower the debtor's repayment based on contractual stipulation or have an impact on probability of default; Whether the debtor's expected performance and repayment activities have changed significantly; Whether the Group's financial instrument management measures have changed.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2 Impairment of financial assets and other items (Continued)

9.2.1 Significant increase in credit risk (Continued)

At the end of the Reporting Period, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to low credit risk. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

9.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or overdue in interest or principal payments;
- (3) The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) Other objective evidences indicate the impairment of financial assets.

9.2.3 Measurement and recognition of ECL

The Group recognises credit loss for lease receivables and financial guarantee contracts on an individual basis. For trade receivables and contract assets, the Group individually assesses credit losses for those individually significant and credit-impaired and uses provision matrix to assesses credit losses for the remaining. For other financial assets measured as at amortised cost and financial assets measured at fair value through other comprehensive income, the Group individually assesses credit losses for those individually significant and uses provision matrix to assess credit losses for the remaining. The Group classifies financial instruments into different groups based on similar credit risk characteristics. Similar credit risk characteristics include: type of financial instruments, credit risk rating, contractual billing period and industry of debtor etc.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2 Impairment of financial assets and other items (Continued)

9.2.3 Measurement and recognition of ECL (Continued)

ECL of relevant financial instruments is recognised based on the following methods:

- (1) For a financial asset, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (2) For a lease receivable, credit loss is the present value of difference between the contractual cash flows and the cash flows that the Group expects to receive.
- (3) For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- (4) For credit-impaired financial assets other than the purchased or internally generated credit-impaired financial assets at the end of the Reporting Period, credit loss is difference between the gross carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the end of the Reporting Period.

9.2.4 Reduction in financial assets

The Group directly reduces the gross carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.

9.3 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.3 Transfer of financial assets (Continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- (1) For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortised cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- (2) For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred and the consideration received from the transfer; and (2) the accumulated changes in fair value initially recorded in other comprehensive income is recognised in profit or loss. While regarding non-trading equity instruments designated as at fair value through other comprehensive income, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts at the date of transfer. The difference between (1) the consideration received from the transfer; and (2) the cumulative changes in fair value previously recognised in other comprehensive income allocated to the part derecognised plus the carrying amount allocated to the part derecognised is recognised in profit or loss. If the Group transfers a financial asset that belongs to non-trading equity instrument investments designated as at FVTOCI, the cumulative gains or losses previously recognised in other comprehensive income allocated to the part derecognised are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety. The consideration received from transfer of assets is recognised as a liability upon receipt.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.4 Classification and measurement of financial liabilities

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instruments, instead of only on the basis of the legal form.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.4.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss.

Held-for-trading financial liabilities are subsequently measured at fair value, any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss.

9.4.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period. Please refer to Note III 9.1.1 for information about the amortised cost.

9.4.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (1) amount of loss provision; and (2) the amount initially recognised less cumulative amortisation amount during the guarantee period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.5 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Changes of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

9.7 Derivatives and embedded derivatives

Derivative financial instruments related to the Group include option contracts. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The changes in fair value is recognised in profit or loss.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and meet all of the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a standalone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not highly related to the economic characteristics and risks of the host contract;
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.7 Derivatives and embedded derivatives (Continued)

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at subsequent reporting dates after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

9.8 Convertible bonds

Convertible bonds issued by the Group that contain liability and conversion option are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is accounted for as equity rather than conversion option derivatives.

Convertible bonds are initially recognised at fair value at the issue date, if the convertible bonds includes equity instruments, the fair value of liability component of the convertible bonds based on the market value of similar bonds which have no conversion option. The balance of issue price and the fair value of liability is the value of conversion option and is recognised in shareholders' equity. The liability and conversion embedded derivatives of the convertible bonds which include conversion embedded derivatives are initially recognised at fair value at the issue date.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative financial instruments are measured at fair value with changes in fair value recognised in profit or loss. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of the convertible bonds are allocated to the liability, equity and derivative financial instruments components in proportion to their respective fair values. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the derivative financial instruments are charged to profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset.

10. Inventories

Inventories include raw materials, work in progress, finished goods, turnover materials, properties under development and completed properties held for sale. Costs of properties under development and completed properties held for sale mainly consist of the acquisition cost of land use rights, expenditures of land development, construction costs, infrastructure costs, costs of supporting facilities and other relevant costs.

Inventories are initially measured at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined using the first-in first-out method. Turnover materials include low value consumables and packing materials. Low value consumables and packing materials are amortised using immediate write off, and other turnover materials are amortised based on the number of times that they are estimated to be used.

Inventories are accounted for using the perpetual inventory system.

At each end of the Reporting Period, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in the statement of profit or loss and other comprehensive income. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to the profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments

11.1 Basis for determining joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

11.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree on the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the date of combination. For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as one transaction to acquire control. If it does not belong to 'package deal', the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for other investments in equity instruments, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognised in other comprehensive income are included in retained earnings for the current period.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

11.2 Determination of initial investment cost (Continued)

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22-Financial Instruments; Recognition and Measurement (ASBE No. 22) and the additional investment cost.

11.3 Subsequent measurement and recognition of profit or loss

11.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

11.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

11.3 Subsequent measurement and recognition of profit or loss (Continued)

11.3.2 Long-term equity investment accounted for using the equity method (Continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or other comprehensive income respectively for the period. Meanwhile, the carrying amount of long-term equity investments will be adjusted accordingly; for the share of the investee's profit or cash dividends declared by the investee, the carrying amount of long-term equity should be decreased accordingly; for changes in owner's equity rather than the investee's net profit or loss, other comprehensive income and profit distribution, carrying amount of long-term equity investments should be adjusted and included in capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investee adopts different accounting policies and accounting period with the Company's, the financial statements are adjusted in accordance with the Company's accounting policies and accounting period, and then investment income and other comprehensive income are recognised. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised profit or loss resulting from the Group's transactions with its investee which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

11.4 Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the carrying amount and the consideration shall be recorded through profit or loss in the current period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee and carried forward proportionately; other shareholders' equity recognised from changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution is recognised in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognised in profit or loss for the period and carried forward proportionately; changes of shareholders' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognised in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjust them as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and carrying amount is recognised in profit or loss for the current period.

12. Investment properties

Investment property is property held to earn rentals or for capital appreciation or for both purpose. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment properties, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Investment properties (Continued)

When the Group has evidence indicating the self-occupied houses and buildings are converted to leasing or leasing out its properties held for sale under operating leases, the carrying amount of such fixed asset, intangible assets or inventories before the conversion are transferred to investment properties.

When the Group has evidence indicating the property held to earn rentals or for capital appreciation are converted to self-occupation or the property intended for operating lease purpose are open for sale, the carrying amount of such properties before the conversion are transferred to fixed assets, intangible asset or inventories.

13. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The purchase cost of a fixed asset comprises its purchase price, related taxes and any directly attributable expenditure for bringing the asset to its working condition for its intended use, such as transportation costs and installation expenses. If the payment for a purchased fixed asset is deferred beyond the normal credit terms, the cost of the fixed asset shall be determined based on the present value of the instalment payments. The difference between the actual payment and the present value of the purchase price is recognised in profit or loss over the credit period, except for such difference that is capitalised according to Accounting Standard for Business Enterprises No. 17 – Borrowing Costs (ASBE No. 17).

The accelerated depreciation method is adopted for depreciation of the fixed assets specifically used for research and development. The units of production method is adopted for the depreciation of the large-scaled construction equipment. For other fixed assets, the straight-line method is adopted.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Fixed assets (Continued)

For fixed assets depreciated with the straight-line method, the estimated useful lives, estimated residual values rates and annual depreciation rates by category are as follows:

Category	Estimated residual value rate	Useful life	Annual depreciation rate
Buildings	5%	20–35 years	2.71%–4.75%
Machinery	5%	10–25 years	3.80%–9.50%
Vehicles	5%	5–10 years	9.50%–19.00%
Production equipment	5%	5–10 years	9.50%–19.00%
Measuring and testing equipment	5%	5 years	19.00%
Others	5%	3–5 years	19.00%–31.67%

Where the individual component parts of a fixed asset have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each year, makes adjustments and accounts for any change as a change in an accounting estimate when necessary.

14. Construction in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowings before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Borrowing costs

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

Borrowing costs directly attributable to the construction or production of qualifying assets are capitalised and other borrowing costs are recognised as an expense. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantially long period of time to get ready for its intended use or sale.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have incurred; and
- (2) borrowing costs have incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income; and
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Intangible assets

The Group's intangible assets include land use rights, concession rights, and mining rights.

An intangible asset shall be recognised only when it is probable that the related economic benefits will flow to the Group and the costs of which can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination involving entities not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured initially at fair value at the date of acquisition.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortised over the useful lives on the traffic volume basis, straight-line basis or unit of production basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

16.1 Land use rights

Land use rights represent costs incurred for a certain lease period of land.

The Group accounts for its land use rights as intangible assets. The land use rights of self-developed buildings including plants are measured as intangible assets and buildings are measured as fixed assets. With respect to the land use rights purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets.

Land use rights of the Group are amortised on the straight-line basis according to the useful lives approved in the obtained land use certificates.

16.2 Concession rights

The Group engages in certain service concession arrangements in which the Group carries out construction work (such as turnpike highways and bridges) for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be calculated according to their arrangement nature.

The Group recognises revenue and a contract asset or a financial asset to the extent that it has an unconditional contractual right to receive a specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts.

If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognises revenue at the same time in the "concession rights" under intangible assets included in the statement of financial position. The amortisation approach, either the traffic volume method or the straight-line method, should be selected for concession operation projects based on the pattern in which the asset's future economic benefits are expected to be realised at the commencement of operations.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Intangible assets (Continued)

16.3 Mining rights

Mining rights are stated at cost incurred to obtain the mining license. Amortisation is calculated in adoption of the unit of production method based on proved mining reserves.

16.4 Development expenditure

The Group classifies the expenditure in an internal research and development project into expenditure in the research phase and expenditure in the development phase. Expenditure in the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure in the development phase is capitalised when the Group can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure in the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

17. Long-term prepayments

Long-term prepayments represent expenditures incurred which should be recognised as expenses over one year and should be allocated in current and subsequent periods, including costs of improvements to fixed assets under operating leases. Long-term prepayments are amortised on the straight-line basis over the estimated beneficial period. Expenditure incurred during the pre-operating period should be recognised in profit or loss immediately as incurred.

18. Provisions

Except for contingent liabilities assumed in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group; and
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with a comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the end of Reporting Period. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue

The revenue of the Group is mainly generated from business types as follows:

- The construction operations, which mainly comprises the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- The survey, design and consultancy operations, which mainly comprises the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- The manufacturing operations, which mainly comprises the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- The real estate development operations, which mainly comprises the development, construction and sale of residential properties and commercial properties;
- The other business operations, which mainly comprises trade and logistics, finance and insurance and highway operation.

When (or as) a performance obligation in a contract is satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation.

A performance obligation is the Group's promise to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer.

The Group assesses a contract at contract inception, identifies each individual performance obligation included in the contract, and determines whether the Group satisfies the performance obligation over time or the Group satisfies the performance obligation at a point in time. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services. When the Group is not able to reasonably measure its performance progress, the Group recognizes revenue only to the extent of the recoverable amount of costs incurred until such time that it can reasonably measure the performance progress.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue (Continued)

For survey, design and consultancy operations, manufacturing operations, real estate development operations and other business operations, revenue is recognised over the contract period based on the performance progress, or recognised at a point in time when the customer obtains control of relevant goods or services.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group expects to refund to the customer.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price.

Existence of significant financing component

For contracts that contain significant financing components, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when the control of goods or services is transferred to the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Consideration payable to a customer

If the contract includes consideration payable to a customer, the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and shall recognise the reduction of revenue when (or as) the later of either of the following events occurs: (1) the Group recognises revenue for the transfer of the related goods or services to the customer; and (2) the Group pays or promises to pay the consideration.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to each performance obligation on a basis of relative stand-alone selling price, at which an entity would sell a promised good or service separately to a customer. When an entity has observable evidence that the contract discount or the the variable consideration relates to only one or more, but not all, performance obligations in a contract, the entity shall allocate the contract discount or the the variable consideration to one or more, but not all, performance obligations in the contract.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue (Continued)

Consideration payable to a customer (Continued)

The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

Sales with warranties

For sales with warranties, if the warranties are separate services to the customer other than serving as an assurance that the products sold comply with agreed-upon specifications, the warranties constitutes single performance obligations. Otherwise, the Group accounts for warranties in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies (ASBE No.13).

Principal versus agent

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognises revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party, or is determined by some established amounts or proportions.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of any standards other than ASBE No.14, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset is presented as inventories or other non-current assets according to whether the amortisation period exceeds one normal operating period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Revenue (Continued)

Costs to fulfill a contract (Continued)

The asset mentioned above shall be amortised on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised as expenses in relevant periods.

The Group shall recognise an impairment loss to the extent that the carrying amount of the asset mentioned above exceeds:

- (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (2) the estimated costs that relate to providing those goods or services and that have not been recognised as expenses.

The Group shall, after the impairment has been provided, recognise in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

Contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract assets are specified in Note III. 9.2. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities

Contract liabilities refers to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or the amount is due from the customer.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attached and the Group would receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

20.1 Judgment basis and accounting treatments for government grants related to assets

Government grants related to assets refer to those acquired by the Group for the purpose of purchasing or constructing or forming long-term assets.

Government grants related to assets are charged against carrying amount in related assets when related assets become ready for their intended use.

20.2 Judgment basis and accounting treatments for government grants related to income

Government grants related to income refer to those other than grants related to assets.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related expenses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

Government grants related to the Group's daily activities are included in other income in accordance with its economic substance. Otherwise, government grants are included in non-operating income or expense.

For repayment of a government grant already recognised, if government grants were charged against carrying amount of the related assets at initial recognition, the repayment adjusts the carrying amount of assets. If there is related deferred income, the repayment is offset against the gross carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

20.3 Relocation compensation received due to public interests

The Group receives relocation compensation directly from the government for the benefit of public interests such as urban overall planning, reservoir construction, and renovation of shanty towns and subsidence area control. The relocation compensation is paid out of financial budgets by the government and is recognised as special payable when received. Therein compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income and recognised as government grants relating to assets and government grants related to income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss for the current period, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in other comprehensive income or shareholders' equity if it arises from a transaction or event which is recognised directly in other comprehensive income or shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the temporary differences between the carrying amount of an asset or liability on the statement of financial position and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- (2) taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- (2) deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Income tax (Continued)

At the end of the Reporting Period, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the Reporting Period, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the end of the Reporting Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of the Reporting Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

22. Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. Except finance leases, other leases are treated as operating leases.

22.1 As lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss when incurred.

22.2 As lessor of an operating lease

Rental income under an operating lease is recognised by a lessor on the straight-line basis over the lease terms through profit or loss. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Leases (Continued)

22.3 As lessee of a finance lease

An asset held under a finance lease is recognised at the lease commencement date at the lower of its fair value at the lease commencement date and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; and the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognised finance charge, which is amortised using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

Subsequent measurement of assets acquired under finance lease are set out in Note III. 13.

22.4 Leaseback transaction

When the lease back transactions are recognised as finance leases, the difference between the selling price and the carrying amount of the assets are deferred and allocated based on the depreciation progress of such leased asset, which provide a basis for adjustment on depreciation.

23. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets, contract assets and assets related to the costs incurred in fulfilling a contract, using the following methods:

The Group assesses at the end of the Reporting Period whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss for the current period. A provision for impairment loss on the asset is recognised accordingly.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Impairment of assets (Continued)

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In impairment testing for goodwill, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, i.e., it determines and compares the recoverable amount with the related carrying amount and recognised any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss is first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in subsequent periods.

24. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

24.1 Short-term benefits

In the period of employee services, short-term benefits are actually recognised as liabilities and charged to profit or loss or the related costs of assets for the current period.

24.2 Post-employment benefits (defined contribution plans)

If employees of the Group participate in the basic pension insurance and unemployment insurance plans managed by local governments and participate in the supplementary pension insurance of the Group as well, the relevant expenditures are recorded in the relevant capital costs and expenses in the period when incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Employee benefits (Continued)

24.3 Post-employment benefits (defined benefit plans)

The Group provides benefit plans for long-term post-leaving personnel, which are considered as defined benefit plans. The Group does not put any funds in the plans; the costs of the defined benefit plans are measured using the projected cumulative unit credit method.

Any remeasurement caused by the defined benefit plans, including actuarial gains or losses, is recognised in the statement of financial position immediately and recorded in equity as other comprehensive income in the accounting period the remeasurement occurred. Those losses and gains should not be reversed to profit or loss in the subsequent accounting periods.

The past service costs should be recognised as current expenses at the earlier of the following dates: (1) when the Group modifies the defined benefit plans; and (2) when the Group recognises relevant restructuring costs and termination benefits.

Net interest equals to the net defined benefit liability multiply by the discount rate. The Group recognised changes in the net defined benefit obligation as management expenses in the statement of profit or loss and other comprehensive income. Those changes include service costs, including current service costs, past service costs and gains and losses on settlement, and net interest, which are the interest expenses of the plan.

24.4 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: (1) when the Group can no longer withdraw the offer of those benefits; and (2) when the entity recognises costs for restructuring and involves the payment of termination costs.

24.5 Housing funds

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Employee benefits (Continued)

24.6 Bonus entitlements

The estimated cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are estimated to be settled within twelve months and are measured at the amounts estimated to be paid when they are settled.

25. Debt restructuring

25.1 Recording of debt restructuring obligation as the debtor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognised in profit or loss for the period. The difference between the fair value of the non-cash asset(s) transferred and its (their) carrying amount(s) is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt is recorded at the fair value of the debt with the modified terms. The difference between the carrying amount of the original debt and the recorded amount of the restructured debt is recognised in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

25.2 Recording of debt restructuring obligation as the creditor

When a debt is settled by cash in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the cash received is recognised in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the gross carrying amount of the debt receivable and the fair value of the non-cash asset(s) received is recognised in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the gross carrying amount of the debt receivable and the fair value of the equity interest in the debtor received is recognised in profit or loss for the period.

When a debt restructuring involves the modification of other terms of a debt, the restructured debt receivable is recorded at the fair value of the debt receivable with the modified terms. The difference between the gross carrying amount of the original debt receivable and the carrying amount of the restructured debt receivable is recognised in profit or loss for the period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Debt restructuring (Continued)

25.2 Recording of debt restructuring obligation as the creditor (Continued)

When a debt restructuring adopts a combination of various methods, the gross carrying amount of the debt receivable is reduced by, and in sequence of, the cash received, the fair value of the non-cash asset(s) obtained and the fair value of the equity interest in the debtor received, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

If a provision has been made for impairment loss on the debt receivable, the above difference first reduces the impairment provision and any excess is then recognised in profit or loss for the period.

26. Exchange of non-monetary assets

When the non-monetary assets are of commercial substance and the fair value of assets received or the assets given up can be measured reliably, the fair value of the assets given up (except where there is clear evidence indicating the fair value of received assets are more reliable) and related taxes payable are recognised as the cost of the received assets, and the difference between the fair value and the carrying amount of assets given up are recognised in profit or loss for the current period. When the non-monetary assets fail to meet criteria above, the carrying amount the assets given up and relevant taxes payable are recognised as the cost of the assets received with no profit or loss being recognised.

When several assets are received at the same time in an exchange of non-monetary assets and if the exchange transaction has commercial substance and the fair values of the assets received can be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the fair value of each asset received to the total fair value of all assets received. If the exchange transaction has no commercial substance, or although the transaction has commercial substance, the fair values of the assets received cannot be measured reliably, the cost of each asset received is determined by apportioning the total cost of all assets received based on the proportion of the original carrying amount of each asset received to the total carrying amount of all assets received.

27. Profit distribution

The cash dividend of the Company is recognised as a liability upon approval in the annual shareholders' meeting.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Renewable corporate bonds and other financial instruments

The perpetual securities and other financial instruments issued by the Group shall be classified as equity instruments if no contractual obligation of one party (the issuer) to deliver cash or another financial asset to another party (the holder), or to exchange financial assets or liabilities under conditions that are potentially unfavorable.

For perpetual securities and other financial instruments classified as equity instruments, distribution of interests and dividends are recognised into distribution of equity. Its repurchase and cancellation are recognised as changes of equity and transaction costs related to equity transactions are deducted from equity.

29. Production safety expenses

The Group accrues for production safety expenses pursuant to the *Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization* <Cai Qi [2012] No.16> and the *Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization*, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and other comprehensive income and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

30. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless of whether that price is directly observable or estimated using another valuation technique, fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that they can access at the measurement date;

Level 2: Inputs are inputs, other than quoted process included within level, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Asset securitisation

The Group has securitised a portion of receivables (“trust property”) where assets are entrusted to a special purpose entity (“SPE”). The SPE issues senior and subordinate assets-backed securities to investors, while the Group holds some portion of subordinate assets-backed securities which are not transferrable until the principal and interests of the senior assets-backed securities have been repaid. The Group acts as an asset service provider to provide services such as asset management and collection, contract revision and other services. The trust property, after paying trust taxation and relevant fees, will be firstly used to repay the principal and interests of the senior assets-backed securities; the remaining trust property after paying the principal and interests in full is treated as income from subordinate assets-backed securities. The Group shares relevant income based on its proportion of subordinate assets-backed securities.

When applying the accounting policy of securitisation of financial assets, the Groups has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Group:

- (1) When the Group has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognize the relevant financial asset;
- (2) When the Group has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognize the relevant financial asset;
- (3) When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Group has not retained control, it shall derecognize the financial asset and recognize the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Group has retained control, it shall recognize the financial asset to the extent of its continuing involvement in the transferred financial asset.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting judgments and estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the Reporting Period. However, uncertainty about these assumptions and estimates may result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities in the future.

At the end of the Reporting Period, key assumptions and uncertainties that probably lead to significant future adjustments on the carrying amount of assets and liabilities are as follows:

Revenue from construction operations

For most of the Group's construction operations, the Group completes satisfaction of the relevant performance obligations over time and the revenue is recognised during the contract period based on the performance progress, which is determined by input method. The Group's management makes reasonable estimates on the expected total contract revenue and total contract costs based on the budgets prepared for construction operations to determine the performance progress and identify onerous contracts. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Due to the nature of activities associated with construction, the Group has to continuously review and revise budget prepared for each construction operation throughout the contract period. Revision may have effect on revenue, profit and other items related to construction operations during the period when the revision incurred.

Impairment of trade receivables and contract assets

For trade receivables and contract assets scoped in ASBE No.14, the Group measures loss allowances for trade receivables and contract assets based on lifetime expected credit losses. For trade receivables and contract assets which are individually significant and credit-impaired, the Group's management assesses credit losses individually by estimating the contractual cash flow expected to receive, based on the evidence of credit-impairment and forwardlooking information. Except for trade receivables and contract assets which are individually significant and credit-impaired, the Group's management uses provision matrix to assess expected credit losses, which is based on collective credit risk characteristics. The provision rates are based on the Group's historical loss rates, taking into consideration forward-looking information. The impairment of trade receivables and contract assets involves management's accounting estimations and judgements. If the result of reassessment is different from the current estimation, such differences may have influence on the profit and carrying amount of trade receivables and contract assets during the period when the reassessment incurred.

Impairment of other financial assets

For financial assets which are not scoped in ASBE No.14, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each end of the Reporting Period and calculates the expected credit loss through default exposure and the expected credit loss rate for the next 12 months or the full lifetime. The calculation of expected credit loss involves management's judgment on whether significant increase in credit risk and management's estimation on future contractual cash flows. If the result of reassessment is different from the current estimation, such differences may have influence on the profit and carrying amount of financial assets during the period which the reassessment incurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting judgments and estimates (Continued)

Impairment of properties under development and completed properties held for sale

The Group has to evaluate the net realisable values for properties under development and completed properties held for sale at the end of the Reporting Period. When the net realisable values are lower than the carrying amounts, a provision is made by the Group.

The principal assumptions for the Group's estimation of the net realisable values of the properties under development include those related to prevailing market prices for similar properties in the same location and condition, estimated costs to be incurred to completion of the properties and discount rates.

The Group estimated the net realisable value for completed properties held for sale based on the selling price, sales projections, sales expenses to be incurred and relevant tax expenses, with reference to the current market prices and actual sale progress.

Contingent liabilities arising from litigation and claims

The Group is involved in a number of litigation and claims in respect of certain construction work performed at present and in the past. Contingent liabilities arising from these litigation and claims have been assessed by management with reference to legal advice. Provisions on the probable obligations have been made based on management's best estimates and judgments.

Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of an asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of fixed assets are less than previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting judgments and estimates (Continued)

Amortisation of concession rights of highways

If the assets under the concession arrangement acquired by the “Build-Operate-Transfer” (“BOT”) participating in the construction of the expressway is applicable to intangible asset model, the concession rights is amortised at the early stage of operation period based on expected realization approach of associated economic benefits using traffic volume method or straight-line method. In the case of traffic volume method amortisation (namely, calculating the total annual amortisation amount based on the percentage of actual traffic volume in certain years in the estimated total traffic volumes), amortisation calculation is initiated since the operation of the relevant turnpike highways.

The Group’s management made judgments on the proportion of actual traffic volume in the total estimated traffic volume. Where the difference between the actual amount and the estimation is substantial, the management will re-estimate the total estimated traffic volume based on the actual traffic volume and adjust the amortisation of annual provisions for standard traffic volumes in subsequent years.

Income tax and deferred tax assets

The Company and its subsidiaries are subject to income taxes in numerous jurisdictions in domestic provinces and certain overseas countries. In order to reliably estimate and judge, the income tax provision is required to be determined based on existing tax laws, regulations and practices, if the relevant affairs of income tax have not yet been confirmed by relevant tax authorities. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. In cases where the actual future profits generated are less than the estimation, such difference will influence on or change the deferred tax assets and income tax recognised in the relevant period.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or set of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or set of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting judgments and estimates (Continued)

Provisions for long-term post-leaving benefits

The Group recognised the benefits paid to certain long-term post-leaving personnel as a liability. The amounts of employee benefit expenses and liabilities are determined using various assumptions, using the estimated rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The differences between actual experience and assumptions are recognised immediately in other comprehensive income in the period in which such differences arise. While management believes that its assumptions are reasonable, differences in actual experience or changes in assumptions may affect other comprehensive income and balance of liabilities related to the long-term post-leaving benefit obligations.

33. Changes in significant accounting policies

The Group has adopted the *Accounting Standards for Business Enterprises No. 14 – Revenue* amended by the Ministry of Finance (“MoF”) in 2017 (hereinafter by referred to as the “New Revenue Standard” while the “Original Revenue Standard” refers to the revenue standard prior to amendment), as well as the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets*, the *Accounting Standards for Business Enterprises No. 24 – Hedging Accounting* and the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* (the four standards mentioned above are collectively referred to as “New Standards of Financial Instruments” while the “Original Standards of Financial Instruments” refers to the standards of financial instruments prior to amendment.) since 1 January 2018.

In accordance with the notice from the MoF, for companies listed in domestic markets as well as oversea markets, or listed in oversea markets and adopted IFRS or ASBE to prepare financial statements, the New Revenue Standard and the New Standards of Financial Instruments shall be adopted from 1 January 2018. Therefore, the Company has adopted the New Revenue Standard and the New Standards of Financial Instruments mentioned above since 1 January 2018. Updated group accounting policies are presented in Note III.

In addition, the financial statements have been prepared based on *Notice of the Revised Format of Consolidated Financial Statements for General Business Enterprise* (Cai Kuai [2019] No.1), issued by MoF on 18 January 2019 and *Notice of the Revised Format of Financial Statements for General Business Enterprise* (Cai Kuai [2018] No.15), issued by MoF on 15 June 2018. The comparative financial information are presented according to those notices.

33.1 Impacts of the New Revenue Standard

In accordance with the New Revenue Standard, during the first implementation of the standard, the accumulative amounts impacted shall be adjusted in the opening balance (i.e. balance as at 1 January 2018) of retained earnings and other relevant items in the financial statements, with no impacts on comparative information. In the adoption of the New Revenue Standard, the Group only adjusted the accumulative impacted amounts for contracts not completed at the date of the first implementation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard (Continued)

Impacts of the New Revenue Standard on opening balances of items in the consolidated statement of financial position.

RMB'000

Item	31 December 2017	Reclassification (Note 1)	Reclassification (Note 2)	Re-measurement (Note 3)	1 January 2018
Current assets:					
Bills receivable and trade receivables	153,528,817	-	(39,988,707)	-	113,540,110
Inventories	266,604,158	(130,254,952)	-	898,232	137,247,438
Contract assets	/	130,254,952	-	-	130,254,952
Other short-term assets	232,765,144	-	-	-	232,765,144
Total current assets	652,898,119	-	(39,988,707)	898,232	613,807,644
Non-current assets:					
Long-term receivables	40,662,087	(2,972,033)	-	-	37,690,054
Deferred tax assets	3,577,034	-	-	45,433	3,622,467
Other non-current assets	2,644,327	2,972,033	39,988,707	-	45,605,067
Other long-term assets	122,105,892	-	-	-	122,105,892
Total non-current assets	168,989,340	-	39,988,707	45,433	209,023,480
TOTAL ASSETS	821,887,459	-	-	943,665	822,831,124
Current liabilities:					
Advances from customers	85,682,565	(85,682,565)	-	-	-
Contract liabilities	/	85,682,565	-	1,122,154	86,804,719
Taxes payable	5,964,383	-	-	(27,722)	5,936,661
Other payables	49,797,546	-	-	(14,469)	49,783,077
Other short-term liabilities	402,210,345	-	-	-	402,210,345
Total current liabilities	543,654,839	-	-	1,079,963	544,734,802

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard (Continued)

RMB'000

Item	31 December 2017	Reclassification (Note 1)	Reclassification (Note 2)	Re-measurement (Note 3)	1 January 2018
Non-current liabilities:					
Other long-term liabilities	99,583,775	-	-	-	99,583,775
Total non-current liabilities	99,583,775	-	-	-	99,583,775
Total liabilities	643,238,614	-	-	1,079,963	644,318,577
Shareholders' equity:					
Retained earnings	79,204,629	-	-	(136,298)	79,068,331
Other equity attributable to owners of the Company	70,207,354	-	-	-	70,207,354
Total equity attributable to owners of the Company	149,411,983	-	-	(136,298)	149,275,685
Non-controlling interests	29,236,862	-	-	-	29,236,862
Total shareholders' equity	178,648,845	-	-	(136,298)	178,512,547
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	821,887,459	-	-	943,665	822,831,124

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard (Continued)

Impacts of the New Revenue Standard on opening balances of items in the Company's statement of financial position.

RMB'000

Item	31 December 2017	Reclassification (Note 1)	Reclassification (Note 2)	1 January 2018
Current assets:				
Bills receivable and trade receivables	4,370,398	-	(749,691)	3,620,707
Inventories	2,048,514	(2,048,514)	-	-
Contract assets	/	2,048,514	-	2,048,514
Other current assets	50,025,319	-	-	50,025,319
Total current assets	56,444,231	-	(749,691)	55,694,540
Non-current assets:				
Other non-current assets	-	-	749,691	749,691
Other long-term assets	101,328,558	-	-	101,328,558
Total non-current assets	101,328,558	-	749,691	102,078,249
TOTAL ASSETS	157,772,789	-	-	157,772,789
Current liabilities:				
Advances from customers	856,037	(856,037)	-	-
Contract liabilities	/	856,037	-	856,037
Other current liabilities	44,508,097	-	-	44,508,097
Total current liabilities	45,364,134	-	-	45,364,134
Non-current liabilities:				
Total non-current liabilities	25,019,569	-	-	25,019,569
Total liabilities	70,383,703	-	-	70,383,703
Shareholders' equity:				
Total shareholders' equity	87,389,086	-	-	87,389,086
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	157,772,789	-	-	157,772,789

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.1 Impacts of the New Revenue Standard (Continued)

Note 1: Contract assets and contract liabilities

As at 1 January, 2018, revenue recognised based on the performance progress of construction projects in excess of progress billings are reclassified into contract assets and whose expected maturity period more than one year is presented as non-current assets. Advances from customers of the Group/the Company are reclassified into contract liabilities.

Note 2: Retention receivables

As at 1 January, 2018, the Group/the Company presents the retention receivables from uncompleted contracts which does not meet the unconditional right of collection as other non-current assets based on its liquidity.

Note 3: Impacts of re-measurement of revenue

As at 1 January, 2018, as required by the New Revenue Standard, the Group assessed unfulfilled contracts at the date of the first implementation to identify each performance obligation included in these contracts. For a promise of transferring goods or services to customers prescribed in some contracts, if it is not qualified for a single performance obligation defined by the New Revenue Standard and inseparable from other goods or services promised in the contracts, the promise shall be regarded as one performance obligation and revenue shall be recognised only when customers obtain the control right over relevant goods or services. The best estimate of a variable consideration existing in contracts is determined based on the expected value or the most likely amount.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.2 Impacts of the New Standards of Financial Instruments

In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and-available-for-sale financial assets are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in unquoted equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be charged forward to profit or loss at disposal.

In terms of the impairment of financial assets, financial assets measured at amortised cost, classified as financial assets at fair value through other comprehensive income, contract assets, leasing receivables and financial guarantee contracts are within the scope of New Standards of Financial Instruments. The New Standards of Financial Instruments require to replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognised as the expected credit losses within 12 months or over the entire duration based on whether credit risks of relevant items have been increased significantly from the initial recognition. Provisions for impairments of trade receivables and contract assets within the scope of ASBE No.14, and leasing receivables can be simplified and recognised as the expected credit losses over the entire duration. For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, the Group assesses changes in credit risk of relevant financial instruments since initial recognition at each end of the Reporting Period.

The Group made adjustment according to the New Standards of Financial Instruments for the recognition and measurement of financial instruments prior to 1 January 2018. The Group has not adjusted the comparative financial information. For the differences between the original carrying amount of financial instruments and the carrying amount of financial instruments measured by the New Standards of Financial Instruments, the Group adjusted the retained earnings or other comprehensive income at 1 January 2018.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.2 Impacts of the New Standards of Financial Instruments (Continued)

As at 1 January 2018, impacts of the New Standards of Financial Instruments to the consolidated statement of financial position are set out as follows:

RMB'000

Item	Carrying amount impact based on the original standards of financial instruments as at 31 December 2017	Carrying amount impact of the New Revenue Standards	Reclassification impacts		Remeasurement		Carrying amount impact on the New Standards of Financial Instruments as at 1 January 2018
			Transferred from available- for-sale financial assets (Note 1)	Transferred from held- to-maturity investments (Note 2)	Transferred from financial assets at fair value through profit	Expected credit losses (Note 3)	
Financial assets at fair value through profit or loss	489,712	-	-	-	(489,712)	-	/
Held-for-trading financial assets	/	-	380,700	-	489,712	-	870,412
Contract assets	/	130,254,952	-	-	-	(669,472)	129,585,480
Held-to-maturity investments	41	-	-	(41)	-	-	/
Debt investments	/	-	-	41	-	-	41
Available-for-sale financial assets	8,382,301	-	(8,382,301)	-	-	-	/
Other equity instrument investments	/	-	7,701,886	-	-	-	7,701,886
Other non-current financial assets	/	-	299,715	-	-	-	299,715
Other comprehensive income	(92,447)	-	(83,432)	-	-	-	(175,879)
Surplus reserve	2,891,462	-	-	-	-	(1,025)	2,890,437
Retained earnings	79,204,629	(136,298)	83,432	-	-	(668,447)	78,483,316

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.2 Impacts of the New Standards of Financial Instruments (*Continued*)

Note 1: Transferred from available-for-sale financial assets

Transferred to other equity instrument investments from available-for-sale financial assets

As at 1 January 2018, the available-for-sale financial assets amounting to RMB7,701,886,000 were reclassified into other equity instrument investments. The Group estimated that such investments would not be sold in the foreseeable future and the Group designated such investments as financial assets at fair value through other comprehensive income and presented as other equity instrument investments. For such investments amounting to RMB5,501,225,000 are unlisted equity investments without quoted prices in active markets and the fair value cannot be measured reliably. Those investments were measured at cost less impairment before and measured at fair value from 1 January 2018 according to the New Standards of Financial Instruments. In addition, impairment losses amounting to RMB83,432,000 recognised for such equity investments before were transferred to other comprehensive income from retained earnings from 1 January 2018; For investments amounting to RMB2,200,661,000 are listed equity investments measured at fair value and changes in fair value of RMB792,919,000 recognised in previous periods were continue to be presented in other comprehensive income.

Transferred to held-for-trading financial assets/other non-current financial assets from available-for-sale financial assets

As at 1 January 2018, the available-for-sale financial assets amounting to RMB680,415,000 were reclassified into held-for-trading financial assets/other non-current financial assets, those investments were measured at fair value in previous periods but classified as financial assets measured at fair value through profit or loss in accordance with the New Standards of Financial Instruments. The amount of RMB380,700,000 are disclosed as the available-for-sale financial assets and the amount of RMB299,715,000 are disclosed as other non-current financial assets based on the liquidity.

Note 2: Transferred from held-to-maturity investments

As at 1 January 2018, bonds amounting to RMB41,000 is reclassified to debt investment. Such investment is classified as held-to-maturity investment before and its cash flows in specific dates are solely for the payments of the principals and interests incurred from the outstanding principals according to the contract items. The Group managed such financial asset in a business model which is aimed to collect contract cash flows and reclassify it to debt investments.

Note 3: Expected credit losses

As at 1 January 2018, according to New Standards of Financial Instruments, the Group recognises impairment losses on contract assets based on expected credit losses. Impairment of credit losses increased by RMB669,472,000, retained earnings decreased by RMB668,447,000 and special reserve decreased by RMB1,025,000.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.2 Impacts of the New Standards of Financial Instruments (Continued)

As at 1 January 2018, impacts of the New Standards of Financial Instruments to the Company's statement of financial position are set out as follows:

RMB'000

Item	Carrying amount impact based on the original standards of financial instruments as at 31 December 2017	Carrying amount impact of the New Revenue Standards	Reclassification impacts		Remeasurement		Carrying amount impact on the New Standards of Financial Instruments as at 1 January 2018
			Transferred from available- for-sale financial assets (Note 1)	Transferred from financial assets at fair value through profit	Expected credit losses (Note 2)		
Financial assets at fair value through profit or loss	42,192	-	-	(42,192)	-	-	/
Held-for-trading financial assets	/	-	-	42,192	-	-	42,192
Contract assets	/	2,048,514	-	-	(10,243)	-	2,038,271
Available-for-sale financial assets	307,584	-	(307,584)	-	-	-	/
Other equity instrument investments	/	-	307,584	-	-	-	307,584
Surplus reserve	2,891,462	-	-	-	(1,025)	-	2,890,437
Retained earnings	10,910,084	-	-	-	(9,218)	-	10,900,866

Note 1: Transferred from available-for-sale financial assets

Transferred to other equity instrument investments from available-for-sale financial assets

As at 1 January 2018, the available-for-sale financial assets amounting to RMB307,584,000 were reclassified into other equity instrument investments. The Group estimated that such investments would not be sold in the foreseeable future and the Group designated such investments as financial assets at fair value through other comprehensive income and presented as other equity instrument investments. For such investments amounting to RMB10,056,000 are unlisted equity investments without quoted prices in active markets and the fair value cannot be measured reliably. Those investments were measured at cost less impairment before and measured at fair value from 1 January 2018 according to the New Standards of Financial Instruments; For investments amounting to RMB297,528,000 are listed equity investments measured at fair value and changes in fair value of RMB167,058,000 recognised in previous periods were continue to be presented in other comprehensive income.

Note 2: Expected credit losses

As at 1 January 2018, according to New Standards of Financial Instruments, the Group recognises impairment loss of contract assets based on expected credit losses. Impairment of credit losses increased by RMB10,243,000 and retained earnings decreased by RMB9,218,000 and the surplus reserve decreased by RMB1,025,000.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.3 Impact summary of the New Revenue Standard and the New Standards of Financial Instruments

As at 1 January 2018, impacts from the Group's first implementation of the New Revenue Standard and the New Standards of Financial Instruments on the Group's assets, liabilities and shareholders' equity were summarized as follows:

RMB'000

Item	31 December 2017	Impacts of the New Revenue Standard	Impacts of the New Standards of Financial Instruments	1 January 2018
Current assets:				
Financial assets at fair value through profit or loss	489,712	-	(489,712)	/
Held-for-trading financial assets	/	-	870,412	870,412
Bills receivable and trade receivables	153,528,817	(39,988,707)	-	113,540,110
Inventories	266,604,158	(129,356,720)	-	137,247,438
Contract assets	/	130,254,952	(669,472)	129,585,480
Other short-term assets	232,275,432	-	-	232,275,432
Total current assets	652,898,119	(39,090,475)	(288,772)	613,518,872
Non-current assets:				
Held-to-maturity investments	41	-	(41)	/
Debt investments	/	-	41	41
Other non-current financial assets	/	-	299,715	299,715
Other equity instrument investments	/	-	7,701,886	7,701,886
Available-for-sale financial assets	8,382,301	-	(8,382,301)	/
Deferred tax assets	3,577,034	45,433	-	3,622,467
Long-term receivables	40,662,087	(2,972,033)	-	37,690,054
Other non-current assets	2,644,327	42,960,740	-	45,605,067
Other long-term assets	113,723,550	-	-	113,723,550
Total non-current assets	168,989,340	40,034,140	(380,700)	208,642,780
TOTAL ASSETS	821,887,459	943,665	(669,472)	822,161,652

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.3 Impact summary of the New Revenue Standard and the New Standards of Financial Instruments (Continued)

RMB'000

Item	31 December 2017	Impacts of the New Revenue Standard	Impacts of the New Standards of Financial Instruments	1 January 2018
Current liabilities:				
Advances from customers	85,682,565	(85,682,565)	-	-
Contract liabilities	/	86,804,719	-	86,804,719
Taxes payable	5,964,383	(27,722)	-	5,936,661
Other payables	49,797,546	(14,469)	-	49,783,077
Other short-term liabilities	402,210,345	-	-	402,210,345
Total current liabilities	543,654,839	1,079,963	-	544,734,802
Non-current liabilities:				
Other long-term liabilities	99,583,775	-	-	99,583,775
Total non-current liabilities	99,583,775	-	-	99,583,775
Total liabilities	643,238,614	1,079,963	-	644,318,577
Shareholders' equity:				
Other comprehensive income	(92,447)	-	(83,432)	(175,879)
Surplus reserve	2,891,462	-	(1,025)	2,890,437
Retained earnings	79,204,629	(136,298)	(585,015)	78,483,316
Other equity attributable to owners of the Company	67,408,339	-	-	67,408,339
Total equity attributable to owners of the Company	149,411,983	(136,298)	(669,472)	148,606,213
Non-controlling interests	29,236,862	-	-	29,236,862
Total shareholders' equity	178,648,845	(136,298)	(669,472)	177,843,075
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	821,887,459	943,665	(669,472)	822,161,652

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.3 Impact summary of the New Revenue Standard and the New Standards of Financial Instruments (Continued)

As at 1 January 2018, impacts from the Company's first implementation of the New Revenue Standard and the New Standards of Financial Instruments on the Company's assets, liabilities and shareholders' equity were summarized as follows:

RMB'000

Item	31 December 2017	Impacts of the New Revenue Standard	Impacts of the New Standards of Financial Instruments	1 January 2018
Current assets:				
Financial assets at fair value through profit or loss	42,192	-	(42,192)	/
Held-for-trading financial assets	/	-	42,192	42,192
Bills receivable and trade receivables	4,370,398	(749,691)	-	3,620,707
Inventories	2,048,514	(2,048,514)	-	-
Contract assets	/	2,048,514	(10,243)	2,038,271
Other short-term assets	49,983,127	-	-	49,983,127
Total current assets	56,444,231	(749,691)	(10,243)	55,684,297
Non-current assets:				
Other equity instrument investments	/	-	307,584	307,584
Available-for-sale financial assets	307,584	-	(307,584)	/
Other non-current assets	-	749,691	-	749,691
Other long-term assets	101,020,974	-	-	101,020,974
Total non-current assets	101,328,558	749,691	-	102,078,249
TOTAL ASSETS	157,772,789	-	(10,243)	157,762,546

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies (Continued)

33.3 Impact summary of the New Revenue Standard and the New Standards of Financial Instruments (Continued)

RMB'000

Item	31 December 2017	Impacts of the New Revenue Standard	Impacts of the New Standards of Financial Instruments	1 January 2018
Current liabilities:				
Advances from customers	856,037	(856,037)	-	-
Contract liabilities	/	856,037	-	856,037
Other short-term liabilities	44,508,097	-	-	44,508,097
Total current liabilities	45,364,134	-	-	45,364,134
Non-current liabilities:				
Total non-current liabilities	25,019,569	-	-	25,019,569
Total liabilities	70,383,703	-	-	70,383,703
Shareholders' equity:				
Surplus reserve	2,891,462	-	(1,025)	2,890,437
Retained earnings	10,910,084	-	(9,218)	10,900,866
Other shareholder's equity	73,587,540	-	-	73,587,540
Total shareholders' equity	87,389,086	-	(10,243)	87,378,843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	157,772,789	-	(10,243)	157,762,546

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES

1. Major categories of taxes and respective tax rates

Category	Tax basis	Tax rate
Value-added tax ("VAT")	Sales revenue and construction installation income in accordance with relevant tax law	3%, 6%, 10% (11% before 1 May 2018), 16% (17% before 1 May 2018)
Enterprise income tax ("EIT")	Taxable income	All enterprises are subject to EIT at 25% except for some domestic subsidiaries qualified for taxation preferential (Note IV. 2) and overseas subsidiaries that are subject to EIT in accordance with the local tax laws applicable to the jurisdiction where the company was registered.
City maintenance and construction tax ("CCT")	Based on the actual VAT and circulation tax payment	1%, 5%, 7%
Educational surcharge	Based on the actual VAT and circulation tax payment	3%
Local educational surcharge	Based on the actual VAT and circulation tax payment	2%
Land appreciation tax ("LAT")	Calculate LAT based on the appreciation amount arising from the transfer of properties and the extra progressive tax rate	Extra progressive tax rate: 30%, 40%, 50%, 60%

2. Tax preferential

Super deduction of research and development (R&D) expenses

Pursuant to Chapter IV, Item 1 of Article 30 of the Law of the PRC on Enterprise Income Tax Law (the "New EIT Law"), the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2015] No.119) and *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction Proportion of Research and Development Expenses* (Cai Shui [2018] No.99), the Company and its subsidiaries complying with the relevant provisions can make a super deduction on their research and development expenditures when calculating the taxable income.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Tax preferential for the Western Region Development

Pursuant to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies of the State Administration of Taxation, the Ministry of Finance and General Administration of Customs* (Cai Shui [2011] No.58), the tax preference for the Western Region Development are valid until 2020. According to the Circular, “from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% for enterprises established in the western region and engaged in encouraged industries. The above-mentioned industries shall refer to enterprises whose principal businesses are the industrial projects prescribed in the *Catalogue of Encouraged Industries in the Western Region*, the income of which accounts for more than 70% of the total income of such enterprises. The *Catalogue of Encouraged Industries in the Western Region* shall be issued separately.”

At present, the *Catalogue of Encouraged Industries in the Western Region* has been approved by the State Council, and shall be implemented as from 1 October 2014. Certain subsidiaries of the Group, including China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司), China Railway 12th Bureau Group 1st Engineering Co., Ltd. (中鐵十二局集團第一工程有限公司), China Railway 12th Bureau Group 4th Engineering Co., Ltd. (中鐵十二局集團第四工程有限公司), China Railway 12th Bureau Group Railway Maintenance Engineering Co., Ltd. (中鐵十二局集團鐵路養護工程有限公司), China Railway Construction Bridge Engineering Bureau Group 5th Engineering Co., Ltd. (中鐵建大橋工程局集團第五工程有限公司), China Railway 15th Bureau Group 1st Engineering Co., Ltd. (中鐵十五局集團第一工程有限公司), China Railway 15th Bureau Group Tibet Engineering Co., Ltd. (中鐵十五局集團西藏工程有限公司), China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司), China Railway 17th Bureau Group 4th Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司), China Railway 17th Bureau Group Tibet Engineering Co., Ltd. (中鐵十七局集團西藏工程有限公司), China Railway 18th Bureau Group Tunnel Engineering Co., Ltd. (中鐵十八局集團隧道工程有限公司), China Railway 18th Bureau Group Tibet Engineering Co., Ltd. (中鐵十八局集團西藏工程有限公司), China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司), China Railway 20th Bureau Group 2nd Engineering Co., Ltd. (中鐵二十局集團第二工程有限公司), China Railway 20th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十局集團第三工程有限公司), China Railway 20th Bureau Group 5th Engineering Co., Ltd. (中鐵二十局集團第五工程有限公司), China Railway 20th Bureau Group 6th Engineering Co., Ltd. (中鐵二十局集團第六工程有限公司), China Railway 20th Bureau Group Electrical Engineering Co., Ltd. (中鐵二十局集團電氣化工程有限公司), China Railway 20th Bureau Group Municipal Engineering Co., Ltd. (中鐵二十局集團市政工程有限公司), China Railway Guizhou Engineering Company Limited. (中鐵貴州工程有限公司), China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司), China Railway 21st Bureau Group 1st Engineering Co., Ltd. (中鐵二十一局集團第一工程有限公司), China Railway 21st Bureau Group 2nd Engineering Co., Ltd. (中鐵二十一局集團第二工程有限公司), China Railway 21st Bureau Group 3rd Engineering Co., Ltd. (中鐵二十一局集團第三工程有限公司), China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司), China Railway 21st Bureau Group 5th Engineering Co., Ltd. (中鐵二十一局集團第五工程有限公司), China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司),

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Tax preferential for the Western Region Development (Continued)

China Railway 21st Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵二十一局集團路橋工程有限公司), China Railway 22nd Bureau Group 5th Engineering Co., Ltd. (中鐵二十二局集團第五工程有限公司), China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司), China Railway 23rd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十三局集團第三工程有限公司), China Railway 23rd Bureau Group 4th Engineering Co., Ltd. (中鐵二十三局集團第四工程有限公司), China Railway 23rd Bureau Group 6th Engineering Co., Ltd. (中鐵二十三局集團第六工程有限公司), China Railway 23rd Bureau Group Rail Transit Chengdu Engineering Co., Ltd. (中鐵二十三局集團軌道交通成都工程有限公司), China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中鐵建電氣化局集團西安電氣化製品有限公司), China Railway Chongqing Urban Rail Transit Engineering Co., Ltd. (中鐵建重慶軌道環綫建設有限公司), China Railway First Survey and Design Institute Group Ltd. (中鐵第一勘察設計院集團有限公司), Shaanxi Xingan Runtong Electrification Co., Ltd. (陝西興安潤通電氣化有限公司), Gansu Runtong Telecom Engineering Co., Ltd. (甘肅潤通電信與自動化控制工程有限公司), Lanzhou Railway Survey and Design Institute Co., Ltd. (蘭州鐵道設計院有限公司), Xi'an China Railway No.1 Airport Investment Development Co., Ltd. (西安中鐵一院空港投資發展有限公司), China Railway Siyuan Group Nanning Survey and Design Co., Ltd. (中鐵四院集團南寧勘察設計院有限公司), China Railway Siyuan Group Southwest Survey and Design Co., Ltd. (中鐵四院集團西南勘察設計院有限公司), China Railway Material Group Southwest Co., Ltd. (中鐵物資集團西南有限公司), CRCC High-tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司), China Railway Construction Heavy Industry Xinjiang Co., Ltd. (鐵建重工新疆有限公司), Lanzhou Tunnel Equipment Co., Ltd. of China Railway Heavy Industry Group (中國鐵建重工集團蘭州隧道裝備有限公司), China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司), Chongqing China Petroleum & Railway Construction Industrial Co., Ltd. (重慶中油鐵建實業有限公司), Chongqing Tiefa Suiyu Highway Co., Ltd. (重慶鐵發遂渝高速公路有限公司), China Railway Construction Kunlun Metro Investment Construction Management Co., Ltd. (中鐵建昆侖地鐵投資建設管理有限公司), China Railway 16th Bureau Group Tibet Engineering Co., Ltd. (中鐵十六局集團西藏工程有限公司), China Railway 18th Bureau Group Construction and Installation Engineering Co., Ltd. (中鐵十八局集團建築安裝工程有限公司), China Railway 19th Bureau Group Tibet Engineering Co., Ltd. (中鐵十九局集團西藏工程有限公司), China Railway 25th Bureau Group(Ganzhou)Engineering Co., Ltd.(中鐵二十五局集團(贛州)工程有限公司), CRCC Chongqing Investment Group Co., Ltd. (中鐵建重慶投資集團有限公司), CRCC Kunlun Investment Co., Ltd. (中鐵建昆侖投資集團有限公司), China Railway Construction Guizhou Construction Co., Ltd. (中鐵建貴州建設有限公司), China Railway Construction Yunnan Transportation Construction Management Co., Ltd.(中鐵建雲南交通建設管理有限公司), China Railway Construction Kunlun Road & Bridge Construction Co., Ltd. (中鐵建昆侖路橋建設有限公司), China Railway Construction Yunnan Investment Co., Ltd. (中鐵建雲南投資有限公司), CRCC Beibuwan Construction and Investment Co., Ltd.(中鐵建北部灣建設投資有限公司) and CRCC Xibei Investment and Construction Co., Ltd. (中鐵建西北投資建設有限公司), met requirements of "enterprises located in the Western Region, whose principal businesses are encouraged industries, and the income of which accounts for more than 70% of the total income of such enterprises" in 2018, and are applicable to tax preferential for the Western Region Development.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries

China Railway 11th Bureau Group Co., Ltd. (中鐵十一局集團有限公司): (1) its subsidiaries including China Railway 11th Bureau Group 1st Engineering Co., Ltd. (中鐵十一局集團第一工程有限公司), China Railway 11th Bureau Group 2nd Engineering Co., Ltd. (中鐵十一局集團第二工程有限公司), China Railway 11th Bureau Group 3rd Engineering Co., Ltd. (中鐵十一局集團第三工程有限公司), China Railway 11th Bureau Group 4th Engineering Co., Ltd. (中鐵十一局集團第四工程有限公司) and China Railway 11th Bureau Group City Rail Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司) have been recognised as High-tech Enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 11th Bureau Group Bridge Engineering Co., Ltd. (中鐵十一局集團橋梁有限公司) has been recognised as a High-tech Enterprise by Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Finance Department, Jiangxi Provincial Office, SAT and Jiangxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway 11th Bureau Group 5th Engineering Co., Ltd. (中鐵十一局集團第五工程有限公司) has been recognised as High-tech enterprises by Science and Technology Department of Chongqing, Chongqing Finance Department, Chongqing Municipal Office, SAT and Chongqing Local Tax Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway 11th Bureau Group 6th Engineering Co., Ltd. (中鐵十一局集團第六工程有限公司) has been recognised as High-tech enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiaries including China Railway 11th Bureau Hanjiang Heavy Industry Co., Ltd. (中鐵十一局集團漢江重工有限公司), China Railway 11th Bureau Electrical Engineering Co., Ltd. (中鐵十一局集團電務工程有限公司) and China Railway 11th Bureau Construction and Installation Engineering Co., Ltd. (中鐵十一局集團建築安裝工程有限公司), have been recognised as High-tech Enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Provincial Taxation Bureau since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 12th Bureau Group Co., Ltd. (中鐵十二局集團有限公司): (1) its subsidiary China Railway 12th Bureau Group 7th Engineering Co., Ltd. (中鐵十二局集團第七工程有限公司) has been recognised as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Bureau, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary Building and Installing Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團建築安裝工程有限公司) has been recognised by Shanxi Provincial Science and Technology Department, Shanxi Provincial Finance Bureau, Shanxi Provincial Office, SAT, and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiaries China Railway 12th Bureau Group 2nd Engineering Co., Ltd. (中鐵十二局集團第二工程有限公司) and China Railway 12th Bureau Group 3rd Engineering Co., Ltd. (中鐵十二局集團第三工程有限公司) have been recognised by Shanxi Provincial Science and Technology Department, Shanxi Provincial Finance Bureau, Shanxi Provincial Taxation Bureau since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary Electrification Engineering Co., Ltd. of China Railway 12th Bureau Group (中鐵十二局集團電氣化工程有限公司) has been recognised by Tianjin Science and Technology Department, Tianjin Finance Bureau, Tianjin Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Bridge Engineering Bureau Group Co., Ltd. (中國鐵建大橋工程局集團有限公司): (1) China Railway Construction Bridge Engineering Bureau Group Co., Ltd. has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Commission, Tianjin Municipal Finance Department, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway Construction Bridge Engineering Bureau Group 1st Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第一工程有限公司) has been recognised as a High-tech Enterprise by the Dalian Science and Technology Innovation Commission, Finance Commission of Dalian Municipality, Dalian Tax Service, State Administration of Taxation and Dalian Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway Construction Bridge Engineering Bureau Group 4th Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Science and Technology Department of Heilongjiang Province, Heilongjiang Provincial Department of Finance, Heilongjiang State Administration of Taxation and the Heilongjiang Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway Zhuzhou Bridge Co., Ltd. (中鐵株洲橋梁有限公司) has been recognised as a High-tech enterprise by China Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (5) its subsidiary China Railway Construction Bridge Engineering Bureau Group 2nd Engineering Co., Ltd. (中鐵建大橋工程局集團有限公司第二工程有限公司) has been recognised as a High-tech Enterprise by the Shenzhen Science and Technology Innovation Commission, Finance Commission of Shenzhen Municipality, Shenzhen Tax Service, State Administration of Taxation and Shenzhen Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway Construction Bridge Engineering Bureau Group 6th Engineering Co., Ltd. (中鐵建大橋工程局集團第六工程有限公司) has been recognised as a High-tech Enterprise by the Jilin Provincial Science and Technology Department, Jilin Province Department of Finance, Jilin Provincial Office, SAT, and Jilin Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (7) its subsidiary China Railway Construction Bridge Engineering Bureau Group Electrification Engineering Co., Ltd. (中鐵建大橋工程局集團電氣化工程有限公司) has been recognised as a High-tech enterprise by Tianjin Municipal Science and Technology Commission, Hunan Finance Bureau, Hunan Municipal Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (8) its subsidiary China Railway Modern Survey and Design Institute Co., Ltd. (中鐵現代勘察設計院有限公司) has been recognised as a High-tech Enterprise by the Jilin Provincial Science and Technology Department, Jilin Province Department of Finance, Jilin Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 14th Bureau Group Co., Ltd. (中鐵十四局集團有限公司): (1) its subsidiary Beijing China Railway Fangshan Bridge Co., Ltd. (北京中鐵房山橋梁有限公司) has been recognised as a High-tech enterprise by Beijing Municipal Science and Technology Commission, Beijing Municipal Finance Department, Beijing Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiaries Electrification Engineering Co., Ltd. of China Railway 14th Bureau Group (中鐵十四局集團電氣化工程有限公司) and Shandong Tiezheng Testing Technology Co., Ltd. (山東鐵正工程試驗檢測中心有限公司) have been recognised as a High-tech Enterprise by the Shandong Provincial Science and Technology Innovation Commission, Finance Commission of Shandong Province, Shandong Provincial Taxation Bureau since 2018, and are entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020.

China Railway 15th Bureau Group Co., Ltd. (中鐵十五局集團有限公司): (1) its subsidiary China Railway 15th Bureau Group 4th Engineering Co., Ltd. (中鐵十五局集團第四工程有限公司) has been recognised as a High-tech enterprise by Henan Provincial Science and Technology Commission, Henan Provincial Finance Department, Henan Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiary China Railway 15th Bureau Group 5th Engineering Co., Ltd. (中鐵十五局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Innovation Commission, Finance Commission of Tianjin Municipality, Tianjin Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 16th Bureau Group Co., Ltd. (中鐵十六局集團有限公司): (1) China Railway 16th Bureau Group Co., Ltd. and its subsidiary China Railway 16th Bureau Group 1st Engineering Co., Ltd. (中鐵十六局集團第一工程有限公司) have been recognised as a High-tech Enterprise by the Science Technology Department of Beijing Municipality, Beijing Municipal Department of Finance, Beijing Taxation Bureau since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (2) its subsidiaries including China Railway 16th Bureau Group 4th Engineering Co., Ltd. (中鐵十六局集團第四工程有限公司), China Railway 16th Bureau Group Beijing Metro Engineering Co., Ltd. (中鐵十六局集團北京軌道交通工程建設有限公司) and China Railway 16th Bureau Group Electrification Engineering Co., Ltd. (中鐵十六局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway 16th Bureau Group 5th Engineering Co., Ltd. (中鐵十六局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway 16th Bureau Group 3rd Engineering Co., Ltd. (中鐵十六局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Zhejiang Provincial Science and Technology Department, Zhejiang Provincial Department of Finance, Zhejiang Provincial Office, SAT and Zhejiang Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiaries including China Railway 16th Bureau Group Urban Construction Development Co., Ltd. (中鐵十六局集團城市建設發展有限公司) and China Railway 16th Bureau Group Road & Bridge Engineering Co., Ltd. (中鐵十六局集團路橋工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway 16th Bureau Group 2nd Engineering Co., Ltd. (中鐵十六局集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Science Technology Department of Tianjin Municipality, Tianjin Municipal Department of Finance, Tianjin Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (7) its subsidiary China Railway 16th Bureau Group Subway Engineering Co., Ltd. (中鐵十六局集團地鐵工程有限公司) has been recognised as a High-tech Enterprise by the Science Technology Department of Beijing Municipality, Beijing Municipal Department of Finance, Beijing Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (8) its subsidiary China Railway 16th Bureau Group Railway Transportation Engineering Co., Ltd. (中鐵十六局集團鐵運工程有限公司) has been recognised as a High-tech Enterprise by the Science Technology Department of Inner Mongolia Autonomous Region, Inner Mongolia Department of Finance, Inner Mongolia Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司): (1) its subsidiaries including China Railway 17th Bureau Group 1st Engineering Co., Ltd. (中鐵十七局集團第一工程有限公司), China Railway 17th Bureau Group Construction Engineering Co., Ltd. (中鐵十七局集團建築工程有限公司) and China Railway 17th Bureau Group Electrification Engineering Co., Ltd. (中鐵十七局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 17th Bureau 3rd Engineering Co., Ltd. (中鐵十七局集團第三工程有限公司) has been recognised as a High-tech enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary China Railway 17th Bureau 5th Engineering Co., Ltd. (中鐵十七局集團第五工程有限公司) has been recognised as High-tech enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (4) its subsidiary China Railway (Guizhou) Municipal Engineering Co., Ltd. (中鐵(貴州)市政工程有限公司) has been recognised as High-tech enterprises by the Guizhou Provincial Science and Technology Department, Guizhou Provincial Finance Department, Guizhou Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (5) its subsidiary China Railway 17th Bureau Group 2nd Engineering Co., Ltd. (中鐵十七局集團第二工程有限公司) has been recognised as High-tech enterprises by the Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary China Railway 17th Bureau Shanghai Rail Transit Engineering Co., Ltd. (中鐵十七局集團上海軌道交通工程有限公司) has been recognised as High-tech enterprises by the Shanghai Municipal Science and Technology Department, Shanghai Municipal Finance Department, Shanghai Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 18th Bureau Group Co., Ltd. (中鐵十八局集團有限公司): (1) its subsidiaries China Railway 18th Bureau Group 1st Engineering Co., Ltd. (中鐵十八局集團第一工程有限公司) and China Railway 18th Bureau Group 2nd Engineering Co., Ltd. (中鐵十八局集團第二工程有限公司) have been recognised as High-tech enterprises by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei Provincial Office, SAT and Hebei Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway 18th Bureau Group 5th Engineering Co., Ltd. (中鐵十八局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司): (1) China Railway 19th Bureau Group Co., Ltd. (中鐵十九局集團有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiaries China Railway 19th Bureau Group Rail Transit Engineering Co., Ltd. (中鐵十九局集團軌道交通工程有限公司) and China Railway 19th Bureau Group Mining Investment Co., Ltd. (中鐵十九局集團礦業投資有限公司) have been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Taxation Bureau since 2018, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) its subsidiary China Railway 19th Bureau Group 5th Engineering Co., Ltd. (中鐵十九局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Dalian Municipal Science and Technology Commission, Dalian Municipal Bureau of Finance, Dalian Municipal Office of the State Administration of Taxation and the Dalian Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiaries China Railway 19th Bureau Group 1st Engineering Co., Ltd. (中鐵十九局集團有限公司第一工程有限公司) and China Railway 19th Bureau Group 2nd Engineering Co., Ltd. (中鐵十九局集團有限公司第二工程有限公司) have been recognised as High-tech Enterprises by the Science and Technology Department of Liaoning Province, Liaoning Province Finance Department, Liaoning Provincial Office, SAT and Liaoning Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (5) its subsidiary China Railway 19th Bureau Group Corporation Electric Engineering Co., Ltd. (中鐵十九局集團電務工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (6) its subsidiary China Railway 19th Bureau Group 3rd Engineering Co., Ltd. (中鐵十九局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Liaoning Provincial Science and Technology Commission, Liaoning Provincial Bureau of Finance, Liaoning Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (7) its subsidiary China Railway 19th Bureau Group 7th Engineering Co., Ltd. (中鐵十九局集團第七工程有限公司) has been recognised as a High-tech Enterprise by the Guangdong Provincial Science and Technology Commission, Guangdong Provincial Bureau of Finance, Guangdong Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 20th Bureau Group Co., Ltd. (中鐵二十局集團有限公司): (1) its subsidiary China Railway 20th Bureau Group 4th Engineering Co., Ltd. (中鐵二十局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Qingdao Municipal Science and Technology Commission, Qingdao Municipal Bureau of Finance, Qingdao Municipal Office of the State Administration of Taxation and the Qingdao Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway Building and Installing Engineering Design Institute Co., Ltd. (中鐵建安工程設計院有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Commission, Hebei Provincial Bureau of Finance, Hebei Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway 21st Bureau Group Co., Ltd. (中鐵二十一局集團有限公司): (1) its subsidiary China Railway 21st Bureau Group Electrical Engineering Co., Ltd. (中鐵二十一局集團電務電化工程有限公司) has been recognised as a High-tech Enterprise by Gansu Provincial Science and Technology Department, Gansu Department of Finance, Provincial Office, Gansu SAT and Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 21st Bureau Group 4th Engineering Co., Ltd. (中鐵二十一局集團第四工程有限公司) has been recognised as a High-tech Enterprise by Qinghai Provincial Science and Technology Department, Qinghai Provincial Department of Finance, Qinghai Provincial Office, SAT and Qinghai Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 22nd Bureau Group Co., Ltd. (中鐵二十二局集團有限公司): (1) China Railway 22nd Bureau Group Co., Ltd. and its subsidiary China Railway 22nd Bureau Group 1st Engineering Co., Ltd. (中鐵二十二局集團有限公司第一工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway 22nd Bureau Group 4th Engineering Co., Ltd. (中鐵二十二局集團有限公司第四工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Science and Technology Commission, Tianjin Municipal Bureau of Finance, Tianjin Municipal Office of the State Administration of Taxation and the Tianjin Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway 22nd Bureau Group 3rd Engineering Co., Ltd. (中鐵二十二局集團有限公司第三工程有限公司) has been recognised as a High-tech Enterprise by the Xiamen Municipal Science and Technology Commission, Xiamen Municipal Bureau of Finance, Xiamen Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiaries China Railway 22nd Bureau Group 2nd Engineering Co., Ltd. (中鐵二十二局集團有限公司第二工程有限公司) and Electrification Engineering Co., Ltd. of China Railway 22nd Bureau Group (中鐵二十二局集團電氣化工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway 23rd Bureau Group Co., Ltd. (中鐵二十三局集團有限公司)'s subsidiary China Railway 23rd Bureau Group Metro Engineering Co., Ltd. (中鐵二十三局集團軌道交通工程有限公司) has been recognised as a High-tech Enterprise by the Shanghai Science and Technology Committee, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway 25th Bureau Group Co., Ltd. (中鐵二十五局集團有限公司): (1) its subsidiary China Railway 25th Bureau Group 3rd Engineering Co., Ltd. (中鐵二十五局集團第三工程有限公司) has been recognised as a High-tech Enterprise by Hunan Provincial Science & Technology Commission, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary Guangzhou Tiecheng Engineering Inspection Co., Ltd. (廣州鐵誠工程質量檢測有限公司) has been recognised as a High-tech Enterprise by the Science & Technology Commission of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018.

China Railway Construction Group Ltd. (中鐵建設集團有限公司): (1) its subsidiaries including China Railway Construction Group Equipment Co., Ltd. (中鐵建設集團設備安裝有限公司) and China Railway Construction Group Municipal Engineering Co., Ltd. (中鐵建設集團市政工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2016, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary Beijing CRCC Decoration Engineering Co., Ltd. (北京中鐵裝飾工程有限公司) has been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司): (1) CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. (中國鐵建港航局集團有限公司) has been recognised as High-tech Enterprises by the Guangdong Provincial Science and Technology Commission, Guangdong Provincial Bureau of Finance, Guangdong Provincial Office of the State Administration of Taxation and the Guangdong Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary CRCC Harbor & Channel Engineering Bureau Group Survey & Design Institute Co., Ltd. (中鐵建港航局集團勘察設計院有限公司) has been recognised as a High-tech Enterprise by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Construction Electrification Bureau Group Co., Ltd. (中國鐵建電氣化局集團有限公司): (1) its subsidiary China Railway Construction Electrification Bureau Group 1st Engineering Co., Ltd. (中鐵建電氣化局集團第一工程有限公司) has been recognised as a High-tech Enterprise by the Henan Provincial Science and Technology Department, Henan Provincial Department of Finance, Henan State Administration of Taxation and the Henan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (2) its subsidiary China Railway Construction Electrification Bureau Group 2nd Engineering Co., Ltd. (中鐵建電氣化局集團第二工程有限公司) has been recognised as a High-tech Enterprise by the Shanxi Provincial Science and Technology Department, Shanxi Provincial Department of Finance, Shanxi State Administration of Taxation and the Shanxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income rate at 15% from 1 January 2016 till 31 December 2018; (3) its subsidiary China Railway Construction Electrification Bureau Group 3rd Engineering Co., Ltd. (中鐵建電氣化局集團第三工程有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary China Railway Construction Electrification Bureau Group 5th Engineering Co., Ltd. (中鐵建電氣化局集團第五工程有限公司) has been recognised as a High-tech Enterprise by the Sichuan Provincial Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (5) its subsidiary Beijing CRCC Electrification Design Institute Co., Ltd. (北京中鐵建電氣化設計研究院有限公司) has been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary China Railway Construction Electrification Bureau Group North Engineering Co., Ltd. (中鐵建電氣化局集團北方工程有限公司) has been recognised as High-tech enterprises by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (7) its subsidiary China Railway Construction Electrification Bureau Group Kangyuan New Material Co., Ltd. (中鐵建電氣化局集團康遠新材料有限公司) has been recognised as a High-tech Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019;

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

(8) its subsidiary the 4th Engineering Co., Ltd. of China Railway Construction Electrification Bureau Group (中铁建电气化局集团第四工程有限公司) has been recognised as a High-tech enterprise by Hunan Provincial Science & Technology Department, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy the preferential income tax rate at 15% from 1 January 2017 till 31 December 2019; (9) its subsidiary China Railway Construction Electrification Bureau Group Xi'an Electrical Product Co., Ltd. (中铁建电气化局集团西安电气化制品有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (10) its subsidiary China Railway Construction Electrification Bureau Group South Engineering Co., Ltd. (中铁建电气化局集团南方工程有限公司) has been recognised as a High-tech Enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020; (11) its subsidiary China Railway Construction Electrification Bureau Group Science and Technology Co., Ltd. (中铁建电气化局集团科技有限公司) has been recognised as a High-tech Enterprise by the Hebei Provincial Science and Technology Department, Hebei Provincial Department of Finance, Hebei State Administration of Taxation and the Hebei Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020; (12) its subsidiary China Railway Construction Electrification Bureau Group Metro Engineering Machinery Co., Ltd. (中铁建电气化局集团道交通器材有限公司) has been recognised as a High-tech Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2020, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020; (13) China Railway Construction Electrification Bureau Group Co., Ltd. (中铁建电气化局集团有限公司) has been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

CRCC Urban Construction Group Co., Ltd. (中铁城建集团有限公司): (1) its subsidiary Beijing Engineering Company Limited of China Railway Urban Construction Group (中铁城建北京工程有限公司) has been recognised as a High-tech Enterprise by the Beijing Municipal Department of Science and Technology, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway Urban Construction Group 1st Engineering Co., Ltd. (中铁城建集团第一工程有限公司) has been recognised as a High-tech enterprise by the Shanxi Science and Technology Department, Shanxi Provincial Finance Department, Shanxi Provincial Office, SAT and Shanxi Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (3) CRCC Urban Construction Group Co., Ltd. (中铁城建集团有限公司) has been recognised as a High-tech Enterprise by the Hunan Provincial Department of Science and Technology, Hunan Provincial Bureau of Finance, Hunan Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (4) its subsidiary China Railway Urban Construction Group 2nd Engineering Co., Ltd. (中铁城建集团第二工程有限公司) has been recognised as a High-tech Enterprise by the Guangdong Provincial Department of Science and Technology, Guangdong Provincial Bureau of Finance, Guangdong Provincial Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (5) its subsidiary China Railway Urban Construction Group 3rd Engineering Co., Ltd. (中铁城建集团第三工程有限公司) has been recognised as a High-tech Enterprise by the Tianjin Municipal Department of Science and Technology, Tianjin Municipal Bureau of Finance, Tianjin Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

China Railway First Survey and Design Institute Group Co., Ltd. (中鐵第一勘察設計院集團有限公司) has been recognised as a High-tech enterprise by Shaanxi Science and Technology Department, Shaanxi Provincial Finance Department, Shaanxi Province Office, SAT and Shaanxi Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司): (1) China Railway Siyuan Survey and Design Group Co., Ltd. has been recognised as a High-tech Enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary Railway Siyuan (Hubei) Engineering Supervision Consulting Co., Ltd. (鐵四院(湖北)工程監理諮詢有限公司) has been recognised as High-tech Enterprises by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (3) its subsidiary Wuhan Railway Siyuan Institute Engineering Consulting Co., Ltd. (武漢鐵四院工程諮詢有限公司) has been recognised as a High-tech enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2016, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2016 till 31 December 2018; (4) its subsidiary Guangzhou Holding Company of the China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團廣州設計院有限公司) has been recognised as a High-tech Enterprise by the Science & Technology Commission of Guangdong Province, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau since 2017 and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019. (5) its subsidiary Geotechnical Engineering Co., Ltd. of China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團岩土工程有限責任公司) has been recognised as a High-tech enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (6) its subsidiary Wuhan Tiechen Engineering Testing Co., Ltd. (武漢鐵辰工程檢測有限公司) has been recognised as a High-tech enterprise by Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Hubei Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020; (7) its subsidiary New Rail Transit Design and Research Institute Co., Ltd. of China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵四院集團新型軌道交通設計研究院有限公司) has been recognised as a High-tech Enterprise by the Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu State Administration of Taxation and the Jiangsu Local Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate of 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IV. TAXES (CONTINUED)

2. Tax preferential (Continued)

Other preferential tax for the Company's subsidiaries (Continued)

China Railway Fifth Survey and Design Institute Group Co., Ltd. (中鐵第五勘察設計院集團有限公司) and its subsidiaries Beijing Railway Fifth Group Engineering Machinery Co., Ltd. (北京鐵五院工程機械有限公司) and Beijing China Railway Construction North Road & Bridge Engineering Co., Ltd. (北京中鐵建北方路橋工程有限公司) have been recognised as High-tech Enterprises by the Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and the Beijing Local Taxation Bureau since 2017, and are entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Construction Heavy Industry Co., Ltd. (中國鐵建重工集團有限公司): (1) China Railway Construction Heavy Industry Co., Ltd. has been recognised as a High-tech Enterprise by Hunan Provincial Science & Technology Commission, Hunan Provincial Finance Department, Hunan Provincial Office, SAT, and Hunan Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019; (2) its subsidiary China Railway Longchang Materials Co., Ltd. (中鐵隆昌鐵路器材有限公司) has been recognised as a High-tech Enterprise by the Sichuan Provincial Science and Technology Department, Sichuan Provincial Department of Finance, Sichuan State Administration of Taxation and the Sichuan Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Civil Engineering Construction Co., Ltd. (中國土木工程集團有限公司)'s subsidiary CCECC Fuzhou Survey & Design Institute Co., Ltd. (中土集團福州勘察設計研究院有限公司) has been recognised as a High-tech Enterprise by Fujian Provincial Science & Technology Commission, Fujian Provincial Finance Department, Fujian Provincial Office, SAT, and Fujian Local Taxation Bureau since 2017, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2017 till 31 December 2019.

China Railway Shanghai Design Institute Group Co., Ltd. (中鐵上海設計院集團有限公司) has been recognised as a High-tech Enterprise by Shanghai Municipal Science & Technology Commission, Shanghai Municipal Finance Department, Shanghai Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

CRCC High-tech Equipment Co., Ltd. (中國鐵建高新裝備股份有限公司)'s subsidiary Beijing Ruiweitong Engineering Machinery Co., Ltd. (北京瑞維通工程機械有限公司) has been recognised as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Taxation Bureau since 2018, and is entitled to enjoy the preferential enterprise income tax rate at 15% from 1 January 2018 till 31 December 2020.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB'000

Item	31 December 2018	31 December 2017
Cash on hand	88,145	110,347
Cash at banks	132,538,139	131,180,726
Other cash and bank balances	5,964,559	5,794,716
Mandatory reserves placed by CRCC Finance Company Limited with the central bank	5,210,755	4,120,396
Total	143,801,598	141,206,185

Cash and bank balances with title restrictions were stated in Note V. 62.

As at 31 December 2018, the Group held foreign cash and bank balances amounting to RMB11,863,714,000 (31 December 2017: RMB10,328,200,000), and held no restricted deposits (31 December 2017: Nil).

RMB'000

Item	31 December 2018	31 December 2017
Cash and bank balances at the end of the year	143,801,598	141,206,185
Less: Mandatory reserves placed by CRCC Finance Company Limited with the central bank	5,210,755	4,120,396
Less: Other restricted cash and bank balances	5,851,756	5,779,509
Less: Non-pledged time deposits with original maturity of three months or more when acquired	2,651,370	1,913,560
Cash and cash equivalents at the end of the year	130,087,717	129,392,720

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets at fair value through profit or loss

RMB'000

Item	31 December 2018	31 December 2017
Equity instruments	/	257,408
Derivative financial assets	/	232,304
Total	/	489,712

3. Held-for-trading financial assets

RMB'000

Item	31 December 2018	31 December 2017
Monetary fund products	2,964,966	/
Equity instruments	235,657	/
Others	143,835	/
Total	3,344,458	/

4. Bills receivable and trade receivables

RMB'000

Item	31 December 2018	31 December 2017
Commercial acceptance bills	7,636,443	4,763,265
Bank acceptance bills	2,143,802	2,261,661
Subtotal of bills receivable	9,780,245	7,024,926
Trade receivables	104,088,150	150,474,982
Less: Impairment of credit losses/Provision for bad debts	4,705,845	3,971,091
Subtotal of trade receivables	99,382,305	146,503,891
Total of bills receivable and trade receivables	109,162,550	153,528,817

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable and trade receivables (Continued)

(1) Bills receivable

As at 31 December 2018, the Group had RMB908,101,000 (31 December 2017: RMB1,080,233,000) non-matured bills receivable which had right of recourse and had been discounted or endorsed to other parties. The Group derecognised those bills receivable as the Group considered that all risks and rewards of the ownership has been transferred from the discounted or endorsed bills receivable since there is extremely low risk of the acceptor's inability to cash the bills upon expiry due to the acceptor's good reputation.

(2) Trade receivables

An aging analysis of trade receivables is listed as follows:

	<i>RMB'000</i>	
Aging	31 December 2018	31 December 2017
Within 1 year	80,446,020	127,639,261
1 to 2 years	13,580,936	13,353,735
2 to 3 years	4,509,348	5,750,429
Over 3 years	5,551,846	3,731,557
Sub-total	104,088,150	150,474,982
Less: Impairment of credit losses/ Provision for bad debts	4,705,845	3,971,091
Total	99,382,305	146,503,891

Movements in the impairment of credit losses/provision for bad debts are listed as follows:

	<i>RMB'000</i>	
Item	2018	2017
Closing balance of last year	3,971,091	3,164,845
Changes in accounting policies (reclassification)	(285,374)	–
Opening balance	3,685,717	3,164,845
Provision for the year	1,768,510	1,236,810
Decrease for the year – Reversal	651,671	363,812
Decrease for the year – Write-off	56,811	49,458
Others	(39,900)	(17,294)
Closing balance	4,705,845	3,971,091

The movements of impairment of credit losses in 2018 are presented in Note VIII.3.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable and trade receivables (Continued)

(2) Trade receivables (Continued)

Trade receivables and impairment of credit losses/provision for bad debts by category are listed as follows:

RMB'000

Category	Gross carrying amount		31 December 2018 Impairment of credit losses		Net book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	3,841,201	3.69	2,922,003	76.07	919,198
Impairment of credit losses assessed by credit risk portfolio	100,246,949	96.31	1,783,842	1.78	98,463,107
Total	104,088,150	100.00	4,705,845	4.52	99,382,305

RMB'000

Category	Gross carrying amount		31 December 2017 Provision for bad debts		Net book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Individually significant and subject to separate provision for bad debts	32,234,627	21.43	2,751,805	8.54	29,482,822
Bad debt provision assessed by credit risk portfolio	110,770,531	73.61	212,210	0.19	110,558,321
Individually not significant but subject to separate provision for bad debts	7,469,824	4.96	1,007,076	13.48	6,462,748
Total	150,474,982	100.00	3,971,091	2.64	146,503,891

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable and trade receivables (Continued)

(2) Trade receivables (Continued)

As at 31 December 2018, trade receivables whose impairment of credit losses assessed individually are as follows:

RMB'000

Due from	Gross carrying amount	Impairment of credit losses	Provision Percentage (%)	Reasons
Company 1	259,788	129,894	50.00	Note
Company 2	241,519	241,519	100.00	Note
Company 3	162,474	162,474	100.00	Note
Company 4	96,705	96,705	100.00	Note
Company 5	90,821	90,821	100.00	Note
Others	2,989,894	2,200,590	73.60	–
Total	3,841,201	2,922,003	76.07	–

Note: According to the recoverability of receivables, the Group recorded all or a portion of impairment of credit losses.

As at 31 December 2018, trade receivables whose impairment of credit losses assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2018			
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)
Within 1 year	80,394,389	80.20	269,347	0.34
1 to 2 years	13,468,148	13.43	579,977	4.31
2 to 3 years	4,352,767	4.34	285,431	6.56
Over 3 years	2,031,645	2.03	649,087	31.95
Total	100,246,949	100.00	1,783,842	1.78

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable and trade receivables (Continued)

(2) Trade receivables (Continued)

As at 31 December 2018, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Group	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,304,403	Within 1 year	1.25
Company 2	Third party	1,230,876	Within 1 year	1.18
Company 3	Third party	1,041,037	Within 1 year	1.00
Company 4	Third party	1,007,531	Within 1 year	0.97
Company 5	Third party	986,359	Within 1 year	0.95
Total	–	5,570,206	–	5.35

As at 31 December 2017, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Group	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,657,545	Within 1 year	1.10
Company 2	Third party	1,389,949	Within 1 year	0.92
Company 3	Third party	1,227,209	Within 1 year	0.82
Company 4	Third party	1,210,502	Within 1 year	0.80
Company 5	Third party	1,130,191	Within 1 year	0.75
Total	–	6,615,396	–	4.39

For the year ended 31 December 2018, the write-off of trade receivables amounted to RMB56,811,000 (For the year ended 31 December 2017: RMB49,458,000).

The restricted trade receivables of the Group are stated in Note V.62.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers

An aging analysis of the advances to suppliers is listed as follows:

RMB'000

Aging	31 December 2018		31 December 2017	
	Gross carrying amount	Percentage (%)	Gross carrying amount	Percentage (%)
Within 1 year	17,874,496	96.15	18,346,669	97.67
1 to 2 years	555,890	2.99	220,399	1.17
2 to 3 years	37,941	0.20	76,673	0.41
Over 3 years	123,618	0.66	140,263	0.75
Total	18,591,945	100.00	18,784,004	100.00

As at 31 December 2018, significant advances to suppliers aged over one year are listed as follows:

RMB'000

Company name	31 December 2018	Business nature
Company 1	27,728	Prepayment for materials
Company 2	25,969	Prepayment for materials
Company 3	21,256	Prepayment for materials
Company 4	18,467	Prepayment for materials
Company 5	16,636	Prepayment for services
Total	110,056	–

As at 31 December 2017, significant advances to suppliers aged over one year are listed as follows:

RMB'000

Company name	31 December 2017	Business nature
Company 1	150,580	Prepayment for construction contracts
Company 2	90,000	Prepayment for construction contracts
Company 3	71,482	Prepayment for materials
Company 4	30,342	Prepayment for construction contracts
Company 5	30,001	Prepayment for materials
Total	372,405	–

Significant outstanding advances to suppliers aged over one year are mainly due to related construction projects which have not been billed or materials which have not been received.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers (Continued)

As at 31 December 2018, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	646,000	Within 1 year	3.47
Company 2	Third party	625,000	Within 1 year	3.36
Company 3	Third party	217,386	Within 1 year	1.17
Company 4	Third party	205,666	Within 1 year	1.11
Company 5	Third party	197,761	Within 1 year	1.06
Total	–	1,891,813	–	10.17

As at 31 December 2017, advances to the five largest suppliers are listed as follows:

RMB'000

Company name	Relationship with the Group	Amount	Time for prepayment	Percentage of total advances to suppliers (%)
Company 1	Third party	322,019	Within 1 year	1.71
Company 2	Third party	240,000	Within 4 years	1.28
Company 3	Third party	186,881	Within 1 year	0.99
Company 4	Third party	173,395	Within 2 years	0.92
Company 5	Third party	172,203	Within 1 year	0.92
Total	–	1,094,498	–	5.82

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables

An aging analysis of other receivables is listed as follows:

	<i>RMB'000</i>	
Aging	31 December 2018	31 December 2017
Within 1 year	51,410,221	53,252,461
1 to 2 years	10,316,663	2,412,223
2 to 3 years	2,411,940	1,740,148
Over 3 years	3,164,183	1,429,046
Sub-total	67,303,007	58,833,878
Less: Impairment of credit losses/Provision for bad debts	3,828,719	3,554,913
Total	63,474,288	55,278,965

Movements in the impairment of credit losses/provision for bad debts are listed as follows:

	<i>RMB'000</i>	
Item	2018	2017
Opening balance	3,554,913	3,329,710
Provision for the year	697,462	634,770
Decrease for the year – Reversal	375,830	376,840
Decrease for the year – Write-off	26,573	30,119
Others	(21,253)	(2,608)
Closing balance	3,828,719	3,554,913

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

- (1) As at 31 December 2018, analysis of impairment of credit losses/provision for bad debts of other receivables at phase I by portfolio are listed as follows:

RMB'000

Nature	Gross carrying amount	Impairment of credit losses	Provision percentage (%)
Loans for cooperative development project	25,594,807	28,210	0.11
Security deposit/cash pledged	16,767,715	230,098	1.37
Advance payments	4,820,508	153,157	3.18
Others	14,510,481	80,152	0.55
Total	61,693,511	491,617	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

- (2) As at 31 December 2018, analysis of impairment of credit losses/provision for bad debts of other receivables at phase II are as follows:

RMB'000

Category	Gross carrying amount		31 December 2018 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	986,837	58.53	193,345	19.59	793,492
Impairment of credit losses assessed by credit risk portfolio	699,249	41.47	298,817	42.73	400,432
Total	1,686,086	100.00	492,162	29.19	1,193,924

Impairment of credit losses assessed individually of other receivables are as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Percentage (%)	Reasons
Company 1	986,837	193,345	19.59	Note

Note: According to the recoverability of other receivables, the Group recorded a portion of impairment of credit losses.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

- (3) As at 31 December 2018, analysis of impairment of credit losses of other receivables at phase III are as follows:

RMB'000

Category	Gross carrying amount		31 December 2018 Impairment of credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Impairment of credit losses assessed individually	3,664,319	93.40	2,826,953	77.15	837,366
Impairment of credit losses assessed by credit risk portfolio	259,091	6.60	17,987	6.94	241,104
Total	3,923,410	100.00	2,844,940	72.51	1,078,470

Impairment of credit losses assessed individually of other receivables are as follows:

RMB'000

Company name	Gross carrying amount	Impairment of credit losses	Percentage (%)	Reasons
Company 1	446,618	446,618	100.00	Note
Company 2	218,172	218,172	100.00	Note
Company 3	138,003	138,003	100.00	Note
Company 4	109,252	109,252	100.00	Note
Company 5	96,000	96,000	100.00	Note
Others	2,656,274	1,818,908	68.48	—
Total	3,664,319	2,826,953	—	—

Note: According to the recoverability of other receivables, the Group recorded all or a portion of impairment of credit losses.

For the year ended 31 December 2018, the write-off of other receivables amounted to RMB26,573,000 (for the year ended 31 December 2017: RMB30,119,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

Other receivables are categorized by nature is listed as follows:

RMB'000

Nature	31 December 2018 Gross carrying amount	31 December 2017 Gross carrying amount
Loans for cooperative development project	25,594,807	19,541,397
Security deposit/cash pledged	17,466,964	25,591,135
Advance payments	5,807,345	3,932,727
Interest receivables	152,145	202,550
Dividends receivable	100,028	37,256
Others	18,181,718	9,528,813
Total	67,303,007	58,833,878

As at 31 December 2018, other receivables from the five largest customers are listed as follows:

RMB'000

Company name	Gross carrying amount	Percentage of total other receivables (%)	Nature	Aging	Impairment of credit losses
Company 1	3,697,681	5.49	Loans for cooperative development project	Within 1 year	3,698
Company 2	2,865,484	4.26	Loans for cooperative development project	Within 1 year	2,865
Company 3	2,805,537	4.17	Loans for cooperative development project	Within 1 year	2,806
Company 4	2,749,694	4.09	Loans for cooperative development project	Within 1 year	2,750
Company 5	1,906,619	2.83	Loans for cooperative development project	Within 1 year	1,907
Total	14,025,015	20.84	-	-	14,026

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

As at 31 December 2017, other receivables from the five largest customers are listed as follows:

RMB'000

Company name	Gross carrying amount	Percentage of total other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	3,927,327	6.68	Loans for cooperative development project	Within 1 year	–
Company 2	2,752,386	4.68	Loans for cooperative development project	Within 1 year	–
Company 3	2,666,937	4.53	Loans for cooperative development project	Within 1 year	–
Company 4	1,892,899	3.22	Loans for cooperative development project	Within 1 year	–
Company 5	1,592,548	2.71	Loans for cooperative development project	Within 1 year	–
Total	12,832,097	21.82	–	–	–

7. Inventories

RMB'000

Item	31 December 2018		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	18,522,934	21,815	18,501,119
Work in progress	2,009,792	–	2,009,792
Finished goods	5,334,211	267,894	5,066,317
Turnover materials	9,244,582	–	9,244,582
Properties under development (1)	101,440,556	1,099,596	100,340,960
Completed properties held for sale (2)	25,123,217	394,619	24,728,598
Total	161,675,292	1,783,924	159,891,368

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

RMB'000

Item	31 December 2017		Carrying amount
	Gross carrying amount	Provision for decline in value	
Raw materials	19,450,955	21,686	19,429,269
Work in progress	2,274,464	–	2,274,464
Finished goods	5,777,142	199,644	5,577,498
Turnover materials	8,561,670	–	8,561,670
Properties under development (1)	78,322,850	1,400,781	76,922,069
Completed properties held for sale (2)	23,695,028	110,792	23,584,236
Gross amount due from contract customers	132,300,522	2,045,570	130,254,952
Total	270,382,631	3,778,473	266,604,158

Movements in the provision for decline in value of inventories are as follows:

RMB'000

Item	31 December 2017	Changes in accounting policies	Additions		Reductions		31 December 2018
			1 January 2018	Provision	Reversal	Write-off and others	
Raw materials	21,686	–	21,686	521	386	6	21,815
Finished goods	199,644	–	199,644	115,107	46,317	540	267,894
Properties under development	1,400,781	–	1,400,781	202,768	503,953	–	1,099,596
Completed properties held for sale	110,792	–	110,792	288,477	–	4,650	394,619
Provision for foreseeable contract losses	2,045,570	(2,045,570)	/	/	/	/	/
Total	3,778,473	(2,045,570)	1,732,903	606,873	550,656	5,196	1,783,924

RMB'000

Item	1 January 2017	Additions		Reductions		31 December 2017
		Provision	Reversal	Reversal	Write-off and others	
Raw materials	19,410	2,433	–	–	157	21,686
Finished goods	159,658	95,506	–	52,994	2,526	199,644
Properties under development	–	1,400,781	–	–	–	1,400,781
Completed properties held for sale	100,437	15,464	–	–	5,109	110,792
Provision for foreseeable contract losses	442,283	1,721,681	–	54,174	64,220	2,045,570
Total	721,788	3,235,865	–	107,168	72,012	3,778,473

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(1) Details of the properties under development are as follows:

<i>RMB'000</i>					
Project name	Construction commencement date	Estimated latest completion date	Estimated aggregate investment amount	31 December 2018 Gross carrying amount	31 December 2017 Gross carrying amount
CRCC Xipai City Project	December 2016	December 2019	12,365,490	5,638,801	5,034,363
Xiangxie International Project	December 2015	December 2019	6,892,190	5,349,215	4,567,596
Beijing Daxing Yizhuang Development Zone X89R2 lot Project	July 2019	June 2021	5,552,440	3,715,183	-
Tianjin Guoyin Wenyuan Project	August 2018	July 2020	5,235,510	3,558,133	700,236
Tianjin CRCC International City Project	November 2011	March 2019	16,693,300	2,911,124	3,336,952
Jiangsu Qingxiu City Project	June 2014	September 2019	7,112,670	2,813,368	2,348,640
CRCC Chengdu Xipai City Project (Zone 7)	May 2016	October 2019	5,008,150	2,715,978	2,427,055
CRCC Haiyu Xi'an Project	October 2019	November 2021	10,727,370	2,628,265	-
Chengdu CRCC Xipai Lan'an Project	November 2013	March 2019	6,099,520	2,568,206	2,319,213
Lingxiu Mansion North Zone Project	December 2018	February 2020	4,711,900	2,211,765	-
Wutong Bay Project	January 2019	September 2020	2,609,396	2,013,194	510,105
Guiyang CRCC International City Project	September 2007	December 2019	13,265,340	1,951,959	1,552,375
Xi'an CRCC International City Project	August 2011	June 2019	9,058,780	1,938,081	2,947,561
Lingxiu Mansion South Zone Project	December 2018	May 2020	3,826,430	1,907,551	-
Buffalo Fang Plot Project	September 2018	September 2020	2,472,416	1,820,491	-
Qingyangpeng Project	October 2017	November 2019	2,964,680	1,813,721	1,629,915
Original lot of Anmei Fire-proof Plastic Products Co., Ltd. in Yixing Industrial Park, Panyu District, Guangzhou City Project	October 2019	November 2021	3,054,280	1,731,225	-
Jiaxing Huayu Jiangnan Project	July 2017	December 2019	2,556,130	1,628,816	1,338,690
Changchun Xipai Tangsong Project	April 2019	October 2020	3,448,870	1,594,436	-
Haidian Environmental Protection Science Park Project	October 2014	October 2019	3,452,030	1,431,479	1,170,862
Others	-	-	311,345,359	49,499,565	48,439,287
Total	-	-	438,452,251	101,440,556	78,322,850

As at 31 December 2018, the aggregate carrying amount of borrowing costs capitalised in properties under development was RMB7,815,050,000 (31 December 2017: RMB7,342,685,000). Borrowing costs capitalised for the year ended 31 December 2018 amounted to RMB2,589,835,000 (for the year ended 31 December 2017: RMB2,500,925,000). The capitalisation rates of borrowing costs ranged from 3.40%-7.13% (for the year ended 31 December 2017: 3.84%-7.10%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Details of the completed properties held for sale are as follows:

RMB'000

Project name	Latest completion date	31 December	Changes in accounting policies	1 January	Additions	Reductions	31 December
		2017 Gross carrying amount		2018 Gross carrying amount			2018 Gross carrying amount
Chengdu Beihu Xinqu Project	December 2018	1,013,094	-	1,013,094	2,171,959	1,491,007	1,694,046
Nananhuayu Project	October 2018	1,599,130	898,232	2,497,362	22,582	896,829	1,623,115
Hangzhou West Lake International City Project	December 2018	-	-	-	2,606,372	1,075,256	1,531,116
Dalian Qingxiu Lanwan Project	December 2018	835,060	-	835,060	740,969	192,562	1,383,467
CRCC Guobinyuan Project	December 2017	1,623,285	-	1,623,285	36,965	606,005	1,054,245
Xi'an Tiexing Xipai International Project	December 2018	-	-	-	802,639	-	802,639
Guiyang CRCC International City Project	December 2016	808,326	-	808,326	51,816	93,965	766,177
Jiucheng Yihao Project	October 2017	1,011,249	-	1,011,249	-	291,878	719,371
Beijing Tongzhou Yongshun Town No.51 Lot Project	September 2017	683,918	-	683,918	116,108	124,927	675,099
Xi'an CRCC International City III Project	December 2018	-	-	-	908,779	391,029	517,750
CRRC Longmuwan No. 1 Project	December 2018	-	-	-	584,374	67,710	516,664
Chengdu CRCC Wu Hou Tie Fo Project	December 2018	-	-	-	3,851,656	3,344,330	507,326
CRCC Southern Headquarter Base Project	December 2018	-	-	-	960,280	463,249	497,031
Tianjin CRCC International City Project	October 2018	711,466	-	711,466	639,712	865,237	485,941
Chengdu CRCC Xipai Lan'an Project	June 2016	584,221	-	584,221	-	108,340	475,881
Xi'an CRCC International City II Project	December 2018	-	-	-	642,488	196,928	445,560
CRCC Plaza Project	October 2017	1,053,494	-	1,053,494	35,818	688,432	400,880
Foshan International Gongguan Project	December 2017	870,116	-	870,116	-	490,148	379,968
China Railway Lidu Project	October 2016	544,766	-	544,766	-	222,946	321,820
CRCC Yangchun Hupan Project	March 2018	294,633	-	294,633	204,923	197,671	301,885
Others	-	12,062,270	-	12,062,270	15,573,719	17,612,753	10,023,236
Total	-	23,695,028	898,232	24,593,260	29,951,159	29,421,202	25,123,217

Details of the Group's inventories with title restriction are stated in Note V.62.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Contract assets

Contract assets are from the Group's construction operations. The Group provides construction services in accordance with the construction contract entered into with customers and recognises revenue based on performance progress over the contract period. According to the contract term, customers of the Group make progress billings with the Group based on the performance progress and make payment for the progress billings within the credit term. Revenue recognised based on performance progress in excess of progress billings is presented as contract asset, and be disclosed in contract assets/ other non-current assets based on liquidity. While progress billings in excess of revenue recognised based on performance progress is presented as contract liabilities.

RMB'000

Item	31 December 2018		Carrying amount
	Gross carrying amount	Impairment of credit losses	
Contract assets	129,206,889	5,268,738	123,938,151

The movements of impairment of credit losses in 2018 are presented in Note VIII.3.

9. Other current assets

RMB'000

Item	31 December 2018	31 December 2017
	Prepaid taxes and VAT input to be deducted	14,126,170
Treasury bond related investment	2,999,900	–
Others	110,182	131,061
Total	17,236,252	8,414,479

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Loans and advances to customers

RMB'000

Item	31 December 2018	31 December 2017
Loans to customers	2,145,000	1,683,000

11. Long-term receivables

RMB'000

Item	31 December 2018		Carrying amount
	Gross carrying amount	Impairment of credit losses	
Long-term project receivables	35,660,712	419,902	35,240,810
A-land development	6,395,825	12,792	6,383,033
Others	18,768,508	58,853	18,709,655
Total	60,825,045	491,547	60,333,498
Less: Current portion of non-current assets:	5,922,862	31,409	5,891,453
Including: Long-term project receivables	3,974,558	22,129	3,952,429
A-land development	612,646	6,830	605,816
Others	1,335,658	2,450	1,333,208
Long-term receivables due after one year	54,902,183	460,138	54,442,045

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

RMB'000

Item	31 December 2017		
	Gross carrying amount	Provision for bad debts	Carrying amount
Retention receivables	3,121,544	11,020	3,110,524
Long-term project receivables	27,356,096	352,657	27,003,439
A-land development	5,646,518	–	5,646,518
Others	13,494,520	1,115	13,493,405
Total	49,618,678	364,792	49,253,886
Less: Current portion of non-current assets:			
Including: Retention receivables	8,613,256	21,457	8,591,799
Long-term project receivables	1,598,244	10,703	1,587,541
Others	6,463,482	10,179	6,453,303
	551,530	575	550,955
Long-term receivables due after one year	41,005,422	343,335	40,662,087

The Group assesses expected credit losses (“ECL”) of long-term receivables on an individual or a collective basis of credit risk characteristics.

RMB'000

Category	31 December 2018				Carrying amount
	Gross carrying amount Amount	Percentage (%)	Impairment of credit losses Amount	Percentage (%)	
Impairment of credit losses assessed individually	594,388	0.98	351,743	59.18	242,645
Impairment of credit losses assessed by credit risk portfolio	60,230,657	99.02	139,804	0.23	60,090,853
Total	60,825,045	100.00	491,547	0.81	60,333,498

As at 31 December 2018, long-term receivables with significant financing component were presented in accordance with the net amount after discount. The discount rate is 4.75% to 6.17% (31 December 2017: 4.75% to 6.17%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables (Continued)

Movements in the impairment of credit losses/provision for bad debts of long-term receivables were as follows:

	<i>RMB'000</i>	
Item	2018	2017
Opening balance	364,792	350,636
Provision	138,780	29,163
Less: Reversal	1,005	15,007
Other	(11,020)	–
Closing balance	491,547	364,792

Refer to Note V.62 for the Group's long-term receivables with title restriction.

12. Long-term equity investments

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Investments in unlisted companies – equity method		
Joint ventures (1)	13,085,418	7,652,042
Associates (2)	15,893,208	10,217,483
Less: Provision for impairment of long-term equity investments	71	–
Total	28,978,555	17,869,525

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (Continued)

(1) Investment in joint ventures

31 December 2018:

RMB'000

Investee	Investment cost	1 January 2018	Transfer to/ Increase in investment	Decrease in investment	Changes for the year Investment profits or losses under equity method	Declaration of cash dividends	Others	31 December 2018	Provision for impairment at the end of year
Sichuan Tianfu Airport Expressway Co., Ltd.	1,900,000	1,000,000	900,000	-	-	-	-	1,900,000	-
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,838,159	1,688,500	150,000	-	(341)	-	-	1,838,159	-
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 1)	1,240,000	520,000	720,000	-	-	-	-	1,240,000	-
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 2)	1,021,998	1,027,310	-	9,089	26	-	-	1,018,247	-
China-Africa Lekkil Investment Co., Ltd. (Note 3)	851,410	868,129	-	-	2,059	-	-	870,188	-
Chongqing Tiefs Jianxin Highway Co., Ltd.	854,400	288,000	566,400	-	-	-	-	854,400	-
Changzhou Jingrui Real Estate Development Co., Ltd.	510,000	-	510,000	-	(1,178)	-	(14,203)	494,619	-
Chongqing Tiefs Shuanghe Expressway Co., Ltd.	470,000	40,000	430,000	-	-	-	-	470,000	-
Guangzhou Xintie Xinjian Investment Co., Ltd.	450,000	451,586	-	-	608	-	-	452,194	-
Xinxing Jianxin (Shenzhen) Development Holding Co., Ltd.	450,000	450,070	-	-	(5,323)	-	-	444,747	-
Shanghai Hongjun Real Estate Co., Ltd.	51,000	37,461	-	-	349,812	-	-	387,273	-
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	7,600	-	-	-	239,492	-	-	239,492	-
Hangzhou Jingping Real Estate Co., Ltd.	7,000	-	-	-	202,610	-	-	202,610	-
Others	-	1,280,986	1,447,290	114,686	133,317	(9,397)	(64,021)	2,673,489	-
Total	-	7,652,042	4,723,690	123,775	921,082	(9,397)	(78,224)	13,085,418	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (Continued)

(1) Investment in joint ventures (Continued)

31 December 2017:

RMB'000

Investee	Investment cost	1 January 2017	Transfer to/ Increase in investment	Decrease in investment	Changes for the year Investment profits or losses under equity method	Declaration of cash dividends	Others	31 December 2017	Provision for impairment at the end of year
Qingdao Blue Silicon Valley Intercity Rail Transit Co., Ltd.	1,688,159	-	1,688,159	-	341	-	-	1,688,500	-
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. (Note 2)	1,031,087	-	1,031,087	-	(3,777)	-	-	1,027,310	-
Sichuan Tianfu Airport Expressway Co., Ltd.	1,000,000	1,000,000	-	-	-	-	-	1,000,000	-
China-Africa Lekkil Investment Co., Ltd. (Note 3)	851,410	857,223	-	-	10,906	-	-	868,129	-
Hohhot Metro Line 2 Construction & Management Co., Ltd. (Note 1)	520,000	-	520,000	-	-	-	-	520,000	-
Guangzhou Xintie Xinjian Investment Co., Ltd.	450,000	-	450,000	-	1,586	-	-	451,586	-
Xinxing Jianxin (Shenzhen) Development Holding Co., Ltd.	450,000	-	450,000	-	70	-	-	450,070	-
Chongqing Tiefa Jianxin Highway Co., Ltd.	288,000	48,000	240,000	-	-	-	-	288,000	-
Others	-	672,682	860,282	119,685	(29,771)	(14,323)	(10,738)	1,358,447	-
Total	-	2,577,905	5,239,528	119,685	(20,645)	(14,323)	(10,738)	7,652,042	-

Note 1: According to the articles of association of Hohhot Metro Line 2 Construction & Management Co., Ltd. ("Hohhot Metro Line 2"), the major decisions made in the shareholders' meeting shall be subject to more than two-thirds of voting rights of shareholders. As the Group holds 51.00% shares in Hohhot Metro Line 2, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

Note 2: According to the articles of association of China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd. ("The 6th Continent"), all the decisions made in the shareholders' meeting shall be subject to 100% of voting rights of shareholders. As the Group holds 70.00% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

Note 3: According to the articles of association of China-Africa Lekkil Investment Co., Ltd. ("China-Africa Lekkil"), the major decisions made in shareholders' meeting shall be subject to more than three-quarters of voting rights of shareholders. As the Group holds 74.47% shares in the entity, it can jointly control the entity with other shareholders but not wholly control it. Therefore, it is accounted for a joint venture of the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (Continued)

(2) Investment in associates

31 December 2018:

RMB'000

Investee	Investment cost	1 January 2018	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			Others	31 December 2018	Provision for impairment at the end of year
					Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends			
Ningxia Inter-City Railway Co., Ltd.	2,236,500	1,860,000	376,500	-	-	-	-	2,236,500	-	
CRCC Financial Leasing Co., Ltd. (Note 1)	1,747,618	1,067,172	547,618	-	225,499	-	(121,862)	1,718,427	-	
CRCC-Tongguan Investment Co., Ltd.	1,472,366	1,446,596	-	-	(10,086)	13,400	-	1,449,910	-	
Tianjin Tiejian Hongtu Fengchuang Investment Partnership(Limited Partnership)	575,017	451,887	123,130	-	33,036	-	(33,036)	575,017	-	
Chongqing Yurong Highway Co., Ltd.	853,960	570,791	-	-	(4,242)	-	-	566,549	-	
CRCC Real Estate Co., Ltd.	298,900	441,002	-	-	85,030	-	(25,264)	500,768	-	
Fujian Green Energy Construction & Development Co., Ltd.	495,000	-	495,000	-	-	-	-	495,000	-	
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.	464,832	-	464,832	-	-	-	-	464,832	-	
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 2)	409,400	309,400	100,000	-	-	-	-	409,400	-	
Guizhou Wengma Railway Co., Ltd.	339,400	274,000	65,400	-	-	-	-	339,400	-	
Yellow River Property & Casualty Insurance Co., Ltd. (Note 3)	350,150	-	350,000	-	(18,094)	150	-	332,056	-	
Shaanxi Huangpu Highway Co., Ltd. (Note 4)	303,000	-	303,000	-	-	-	-	303,000	-	
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 5)	300,000	300,000	-	-	-	-	-	300,000	-	
Others	-	3,496,635	2,970,896	209,671	24,959	-	(54,207)	6,202,349	(71)	
Total	-	10,217,483	5,796,376	209,671	336,102	13,550	(112,507)	15,893,208	(71)	

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (Continued)

(2) Investments in associates (Continued)

31 December 2017:

RMB'000

Investee	Investment cost	1 January 2017	Transfer to/ Increase in investment	Decrease in investment	Changes for the year			Others	31 December 2017	Provision for impairment at the end of year
					Investment profits or losses under equity method	Other comprehensive income	Declaration of cash dividends			
Ningxia Inter-City Railway Co., Ltd.	1,860,000	930,000	930,000	-	-	-	-	1,860,000	-	
CRCC-Tongguan Investment Co., Ltd.	1,472,366	971,994	511,342	-	39,203	(75,943)	-	1,446,596	-	
CRCC Financial Leasing Co., Ltd. (Note 1)	1,200,000	1,127,224	-	-	154,378	-	(214,430)	1,067,172	-	
Chongqing Yurong Highway Co., Ltd.	853,960	587,654	-	-	(16,863)	-	-	570,791	-	
Tianjin Tiejian Hongtu Fengchuang Investment Partnership(Limited Partnership)	451,887	-	451,887	-	-	-	-	451,887	-	
CRCC Real Estate Co., Ltd.	298,900	373,313	-	-	92,440	-	(24,751)	441,002	-	
Kunming Metro Line 5 Construction & Operation Co., Ltd. (Note 2)	309,400	-	309,400	-	-	-	-	309,400	-	
Yunnan Kunchu Highway Investment & Development Co., Ltd. (Note 5)	300,000	-	300,000	-	-	-	-	300,000	-	
Guizhou Wengma Railway Co.,Ltd.	274,000	110,000	164,000	-	-	-	-	274,000	-	
CRCC Shandong Jinghu Highway Jile Co., Ltd.	271,479	-	271,479	-	(2,587)	-	-	268,892	-	
Hunan Maglev Transportation Development Co., Ltd.	280,000	258,332	-	-	(46,708)	-	-	211,624	-	
Anhui Provincial Yuehuang Highway Co., Ltd.	224,000	-	224,000	-	-	-	-	224,000	-	
China Oversea Infrastructure Development and Investment Co., Ltd.	206,883	-	206,883	-	-	-	-	206,883	-	
Others	-	1,010,582	1,568,961	34,414	81,493	-	(34,037)	(7,349)	2,585,236	-
Total	-	5,369,099	4,937,952	34,414	301,356	(75,943)	(58,788)	(221,779)	10,217,483	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (Continued)

(2) Investments in associates (Continued)

Note 1: According to the articles of association of CRCC Financial Leasing Co., Ltd. ("Financial Leasing Co., Ltd."), the decisions of amending the company's articles of association, increasing the registered capital, resolutions of the company merger, division, dissolution or changing the company form, scope of operations and selecting the directors shall be subject to more than two-thirds of voting rights of shareholders. Others shall be subject to more than half of voting rights of shareholders. As the Group holds 50% shares in Financial Leasing Co., Ltd., it can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

Note 2: According to the articles of association of Kunming Metro Line 5 Construction & Operation Co., Ltd. ("Kunming Metro Line 5"), as the decision-making authority, all decisions made in the broad of directors' meetings shall be subject to 100% consent of directors. Kunming Metro Line 5 has five directors, one of which can be nominated by the Group. The Group can neither control nor jointly control the entity with other shareholders over the entity, but has significant influence. Therefore, it is accounted for an associate of the Group.

Note 3: According to the articles of association of Yellow River Property & Casualty Insurance Co., Ltd. ("Yellow River Property Insurance"), the board of directors is entitled to make decisions on all significant matters. All resolutions shall not be passed until they are agreed by members of the board of directors with more than a half of voting rights. Shareholders who individually hold more than 10% and less than 20% of the equity are entitled to nominate one non-executive director respectively. The board of directors is consisted of 11 directors. The Group holds 14% of the equity of Yellow River Property & Casualty Insurance and can nominate one director. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the Company. Therefore, it is accounted for an associate of the Group.

Note 4: According to the articles of association of Shaanxi Huangpu Highway Co., Ltd. ("Huangpu Highway Company"), the board of directors is its operation decision-making authority, and resolutions in the board of directors' meeting shall be subject to more than two-thirds of directors' consent. The board of directors of Huangpu Highway Company is consisted of 5 directors, one of which can be nominated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the Company. Therefore, it is accounted for an associate of the Group.

Note 5: According to the articles of association of Yunnan Kunchu Highway Investment & Development Co., Ltd. ("Yunnan Kunchu"), the board of directors is its operation decision-making authority, and resolutions in the board of directors' meeting shall be subject to more than half of directors' consent. For decisions of amending the company's articles of association, increasing or decreasing the registered capital and significant resolutions associated with shareholders' benefits including merger, division, dissolution or changing the company form, 100% consent of voting rights of directors are required. Yunnan Kunchu has three directors, one of which can be nominated by the Group. The Group can neither control nor jointly control the entity with other shareholders, but has significant influence over the entity. Therefore, it is accounted for an associate of the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Other equity instrument investments/Available-for-sale financial assets

RMB'000

Item	31 December 2018	31 December 2017
Other equity instrument investments:		
Equity investments in listed companies	1,704,079	/
Equity investments in unlisted companies	6,564,299	/
Subtotal	8,268,378	/
Available-for-sale financial assets:		
Equity investments in listed companies	/	2,200,661
Equity investments in unlisted companies	/	5,501,225
Others	/	680,415
Subtotal	/	8,382,301
Total	8,268,378	8,382,301

2018:

RMB'000

Item	1 January 2018	Increase of investment	Changes for the year			31 December 2018	Dividends recognised for the year
			Decrease of investment	Changes in fair value	Others		
Other equity instrument investments	7,701,886	1,528,525	(89,035)	(492,114)	(380,884)	8,268,378	65,287

As described in the Note III. 33.2, at 1 January 2018, available-for-sale financial assets of RMB7,701,886,000 have been reclassified to other equity instrument investments. Such investments and the new equity instrument investment in the current period belong to non-held-for-trading equity instrument investments and the Group estimates that the investment will not be sold in the foreseeable future.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties

Subsequent measurement under cost method

2018:

RMB'000

	Buildings	Total
I. Original costs		
1 January 2018	4,188,492	4,188,492
Additions	4,298	4,298
Transferred from inventories	2,629,928	2,629,928
Transferred in	56,003	56,003
Transferred out	542,250	542,250
31 December 2018	6,336,471	6,336,471
II. Accumulated depreciation and amortisation		
1 January 2018	496,002	496,002
Provision	207,411	207,411
Transferred in	1,478	1,478
Transferred out	58,245	58,245
31 December 2018	646,646	646,646
III. Provision for impairment		
1 January 2018	45,745	45,745
Provision	–	–
31 December 2018	45,745	45,745
IV. Net book value		
Closing balance	5,644,080	5,644,080
Opening balance	3,646,745	3,646,745

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties (Continued)

Subsequent measurement under cost method (Continued)

2017:

RMB'000

	Buildings	Total
I. Original costs		
1 January 2017	3,626,122	3,626,122
Additions	38,931	38,931
Transferred in	527,502	527,502
Disposal or retirement	4,063	4,063
31 December 2017	4,188,492	4,188,492
II. Accumulated depreciation and amortisation		
1 January 2017	286,073	286,073
Provision	120,684	120,684
Transferred in	90,722	90,722
Disposal or retirement	1,477	1,477
31 December 2017	496,002	496,002
III. Provision for impairment		
1 January 2017	-	-
Provision	45,745	45,745
31 December 2017	45,745	45,745
IV. Net book value		
Closing balance	3,646,745	3,646,745
Opening balance	3,340,049	3,340,049

As at 31 December 2018, the Group was in the process of applying for and handling registration or transfer of the title certificates of investment properties with an aggregate carrying amount of RMB52,981,000 (31 December 2017: Nil). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned investment properties. The Company's management is also of the opinion that the aforesaid matter did not have any adverse significant impact on the Group's financial position as at 31 December 2018.

As at 31 December 2018, investment properties whose title rights certificates had not been obtained are listed as follows:

RMB'000

Item	Carrying amount	Reasons
East China Headquarter Base of China Railway Construction Group Co., Ltd.	52,981	In progress

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

2018:

RMB'000

Item	Buildings	Machinery	Vehicles	Other equipment	Total
I. Original costs					
1 January 2018	18,737,739	43,969,342	14,419,643	37,591,834	114,718,558
Additions	588,522	2,981,880	1,000,498	10,359,918	14,930,818
Transferred from construction in progress	1,270,226	1,574,670	57,215	389,869	3,291,980
Transferred in	395,618	580,182	79,083	3,742	1,058,625
Disposal or retirement	457,989	2,550,620	1,036,016	4,271,028	8,315,653
Transferred out	62,225	130,718	131,955	–	324,898
31 December 2018	20,471,891	46,424,736	14,388,468	44,074,335	125,359,430
II. Accumulated depreciation					
1 January 2018	4,145,987	25,800,379	11,689,866	26,701,799	68,338,031
Provision	612,838	3,604,484	811,847	8,144,187	13,173,356
Transferred in	41,095	29,460	40,235	4,860	115,650
Disposal or retirement	159,594	1,893,965	937,158	3,617,453	6,608,170
Transferred out	6,239	46,993	82,215	–	135,447
31 December 2018	4,634,087	27,493,365	11,522,575	31,233,393	74,883,420
III. Provision for impairment					
1 January 2018	199,045	71,786	924	126,922	398,677
Provision	–	3,009	–	–	3,009
Disposal or retirement	124,917	1	22	101,333	226,273
31 December 2018	74,128	74,794	902	25,589	175,413
IV. Net book value					
Closing balance	15,763,676	18,856,577	2,864,991	12,815,353	50,300,597
Opening balance	14,392,707	18,097,177	2,728,853	10,763,113	45,981,850

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

2017:

	<i>RMB'000</i>				
Item	Buildings	Machinery	Vehicles	Other equipment	Total
I. Original costs					
1 January 2017	16,479,665	41,813,988	14,214,664	33,428,897	105,937,214
Additions	1,137,881	3,559,651	1,179,368	7,850,880	13,727,780
Transferred from construction in progress	1,721,809	1,687,847	19,155	289,156	3,717,967
Disposal or retirement	381,629	3,092,144	993,544	3,977,099	8,444,416
Transferred out	219,987	–	–	–	219,987
31 December 2017	18,737,739	43,969,342	14,419,643	37,591,834	114,718,558
II. Accumulated depreciation					
1 January 2017	3,772,765	23,958,492	11,428,653	23,815,293	62,975,203
Provision	589,820	3,656,858	1,084,745	6,356,280	11,687,703
Disposal or retirement	144,551	1,814,971	823,532	3,469,774	6,252,828
Transferred out	72,047	–	–	–	72,047
31 December 2017	4,145,987	25,800,379	11,689,866	26,701,799	68,338,031
III. Provision for impairment					
1 January 2017	218,507	346,082	88,306	157,557	810,452
Disposal or retirement	19,462	274,296	87,382	30,635	411,775
31 December 2017	199,045	71,786	924	126,922	398,677
IV. Net book value					
Closing balance	14,392,707	18,097,177	2,728,853	10,763,113	45,981,850
Opening balance	12,488,393	17,509,414	2,697,705	9,456,047	42,151,559

Please refer to Note V.62 for the Group's fixed assets with title restriction.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

As at 31 December 2018, the amount of interest expenses capitalised in the balance of fixed assets was RMB32,737,000 (31 December 2017: RMB24,676,000). For the year ended 31 December 2018, the amount of interest expenses capitalised which is transferred from construction in progress has been RMB8,061,000 (2017: RMB10,579,000).

As at 31 December 2018, the Group had no significant fixed assets that were temporarily idle (31 December 2017: Nil).

Fixed assets held under finance lease are as follows:

Item	<i>RMB'000</i>	
	31 December 2018	31 December 2017
Original costs	3,045,613	3,999,860
Accumulated depreciation	1,654,782	1,431,876
Net book value	1,390,831	2,567,984

As at 31 December 2018 and 31 December 2017, the Group's fixed assets held under finance leases were all construction machinery.

As at 31 December 2018, the Group was in the process of applying for and handling registration or transfer of the title certificates of certain buildings with an aggregate carrying amount of RMB1,439,602,000 (31 December 2017: RMB1,903,119,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter did not have any adverse significant impact on the Group's financial position as at 31 December 2018.

As at 31 December 2018, fixed assets whose title rights certificates had not been obtained are listed as follows:

Buildings	<i>RMB'000</i>	
	Carrying amount	Reasons
Headquarters Building of China Railway Siyuan Survey and Design Group Co., Ltd.	501,323	In progress
Integrated Office Building of China Railway 21st Bureau Group Co., Ltd.	342,418	In progress
Office building of China Railway Urban Construction Group Co., Ltd.	200,371	In progress
Others	395,490	In progress
Total	1,439,602	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

RMB'000

Item	31 December 2018			31 December 2017		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	361,268	-	361,268	176,085	-	176,085
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	265,840	-	265,840	114,783	-	114,783
Zhuhai Tiejian Tower Project of China Railway Construction Investment Group Co., Ltd.	175,781	-	175,781	-	-	-
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	170,978	-	170,978	91,607	-	91,607
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	145,981	-	145,981	145,981	-	145,981
Jingjiang Bridge Science and Technology Industrial Park Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	143,568	-	143,568	32,908	-	32,908
Nanjing Changjiang No.5 Bridge Shield TMB Renovation Project of China Railway 14th Bureau Co., Ltd.	137,191	-	137,191	51,381	-	51,381
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	135,459	-	135,459	123,220	-	123,220
Others	2,901,881	9,563	2,892,318	3,151,461	23,848	3,127,613
Total	4,437,947	9,563	4,428,384	3,887,426	23,848	3,863,578

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2018:

RMB'000

Item	Budget	1 January 2018	Additions	Transfer out	Disposals	Others	31 December 2018	Source of funds	Proportion of investment to budget %
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	470,000	176,085	185,183	-	-	-	361,268	Self-funding	77
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	446,000	114,783	151,057	-	-	-	265,840	Self-funding	60
Zhuhai Tiejian Tower Project of China Railway Construction Investment Group Co., Ltd.	510,030	-	175,781	-	-	-	175,781	Self-funding/ loan	34
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	499,000	91,607	79,371	-	-	-	170,978	Self-funding/ loan	34
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	225,380	145,981	-	-	-	-	145,981	Self-funding	65
Jingjiang Bridge Science and Technology Industrial Park Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	942,370	32,908	110,660	-	-	-	143,568	Self-funding	15
Nanjing Changjiang No.5 Bridge TMB Renovation Project of China Railway 14th Bureau Co., Ltd.	140,000	51,381	85,810	-	-	-	137,191	Self-funding	98
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	167,371	123,220	12,239	-	-	-	135,459	Self-funding/ loan	81
Others	-	3,151,461	3,461,817	3,492,522	229,485	10,610	2,901,881	Self-funding/ loan	-
Total	-	3,887,426	4,261,918	3,492,522	229,485	10,610	4,437,947	-	-
Less: Provision for impairment	-	23,848	-	-	14,285	-	9,563	-	-
Net value at the end of the year	-	3,863,578	4,261,918	3,492,522	215,200	10,610	4,428,384	-	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2017:

RMB'000

Item	Budget	1 January 2017	Additions	Transfer out	Disposals	Others	31 December 2017	Source of funds	Proportion of investment to budget %
TBM(Tunnel Boring Machine) (S1050, S1051) Renovation Project of China Railway 14th Bureau Group Co., Ltd.	213,071	-	205,277	-	-	-	205,277	Self-funding	96
Self-propelled TBM (ZTE6250) Project of CRCC International Group Co., Ltd.	227,531	-	204,778	-	-	-	204,778	Self-funding	90
Integrated Office Building of China Railway Construction Electrification Bureau Group Co., Ltd.	200,000	94,237	81,848	-	-	-	176,085	Self-funding	88
Jiadun Building Renovation Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	225,380	-	145,981	-	-	-	145,981	Self-funding	65
Winter Olympics Utility Tunnel TBM Project of China Railway 18th Bureau Group Tunnel Co., Ltd.	170,856	-	135,856	-	-	-	135,856	Self-funding	80
Office Building of China Railway 20th Bureau Group Limited Supplies Shaanxi	135,554	112,294	11,487	-	-	-	123,781	Self-funding	91
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	167,371	56,273	66,947	-	-	-	123,220	Self-funding/ loan	74
Tiejian Building Phase II Project of China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	269,500	-	114,783	-	-	-	114,783	Self-funding	43
High-tech Underground Equipment Manufacture Project of China Railway Construction Heavy Industry Co., Ltd.	720,000	17,374	306,374	213,576	-	-	110,172	Self-funding	45
Hangzhou Wangjiang Road Cross-river Tunnel Project of China Railway 14th Bureau Group TBM Engineering Co., Ltd.	122,100	-	117,902	-	-	-	117,902	Self-funding	97
Others	-	2,827,101	3,439,881	3,639,408	187,373	(10,610)	2,429,591	Self-funding and loan	-
Total	-	3,107,279	4,831,114	3,852,984	187,373	(10,610)	3,887,426	-	-
Less: Provision for impairment	-	23,848	-	-	-	-	23,848	-	-
Net value at the end of the year	-	3,083,431	4,831,114	3,852,984	187,373	(10,610)	3,863,578	-	-

For the year ended 31 December 2018, construction in progress with a carrying amount of RMB3,291,980,000 (2017: RMB3,717,967,000), RMB15,407,000 (2017: RMB12,323,000) and Nil (2017: RMB122,694,000) are transferred to fixed assets, intangible assets and investment properties respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

The amounts of interest expenses capitalised in the balance of construction in progress and the capitalisation rates are listed as follows:

2018:

RMB'000

Item	Progress as at 31 December 2018 (%)	Accumulated amount of interest capitalised as at 31 December 2018	Interest capitalised during the year	Capitalisation rate during the year (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	34	10,609	6,810	5.17
North Blue Ocean Production Base of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	74	3,299	1,113	4.35
Western Engineering Material Technology Base of China Railway 21st Bureau Group Co., Ltd.	81	2,121	2,121	4.35
Zhuhai Tiejian Tower Project of Chin1a Railway Construction Investment Co., Ltd.	34	947	947	5.02
Acquisition of office building in Nansha District, Guangzhou City, of CRCC Harbour & Channel Engineering Bureau Group Co., Ltd.	82	135	135	4.35
Total	–	17,111	11,126	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

2017:

RMB'000

Item	Progress as at 31 December 2017 (%)	Accumulated amount of interest capitalised as at 31 December 2017	Interest capitalised during the year	Capitalisation rate during the year (%)
Wuhu Tunnel Boring Machine Construction Project of China Railway 14th Bureau Group Co., Ltd.	24	3,799	3,161	4.37
Science Research Building of China Railway Shanghai Design Institute Group Co., Ltd.	82	7,730	2,850	4.78
North Blue Ocean Production Base of CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	14	2,186	1,117	3.93
Others	–	331	331	–
Total	–	14,046	7,459	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets

2018:

RMB'000

Item	Land use rights	Concession rights	Mining rights	Others	Total
I. Original costs					
1 January 2018	7,098,602	35,035,094	172,511	900,535	43,206,742
Additions	290,678	10,460,031	–	313,071	11,063,780
Transferred from construction in progress	–	2,068	–	13,339	15,407
Disposal	195,807	–	7,674	10,013	213,494
31 December 2018	7,193,473	45,497,193	164,837	1,216,932	54,072,435
II. Accumulated amortisation					
1 January 2018	1,203,694	1,512,663	24,604	266,060	3,007,021
Provision	165,355	178,470	–	95,512	439,337
Disposal	47,686	–	1,274	4,112	53,072
31 December 2018	1,321,363	1,691,133	23,330	357,460	3,393,286
III. Provision for impairment					
1 January 2018	42,979	–	878	–	43,857
Provision	–	–	–	–	–
Disposal	31,714	–	–	–	31,714
31 December 2018	11,265	–	878	–	12,143
IV. Net book value					
Closing balance	5,860,845	43,806,060	140,629	859,472	50,667,006
Opening balance	5,851,929	33,522,431	147,029	634,475	40,155,864

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

2017:

RMB'000

Item	Land use rights	Concession rights	Mining rights	Others	Total
I. Original costs					
1 January 2017	6,634,559	41,151,058	172,511	424,105	48,382,233
Additions	556,222	12,169,873	–	476,889	13,202,984
Transferred from construction in progress	5,104	–	–	7,219	12,323
Disposal	35,051	–	–	7,678	42,729
Disposal of subsidiaries	–	17,995,500	–	–	17,995,500
Other decrease	62,232	290,337	–	–	352,569
31 December 2017	7,098,602	35,035,094	172,511	900,535	43,206,742
II. Accumulated amortisation					
1 January 2017	1,080,616	1,361,960	24,604	191,662	2,658,842
Provision	153,209	380,117	–	78,025	611,351
Disposal	11,456	–	–	3,627	15,083
Disposal of subsidiaries	–	229,414	–	–	229,414
Transferred out	18,675	–	–	–	18,675
31 December 2017	1,203,694	1,512,663	24,604	266,060	3,007,021
III. Provision for impairment					
1 January 2017	42,979	–	878	–	43,857
31 December 2017	42,979	–	878	–	43,857
IV. Net book value					
Closing balance	5,851,929	33,522,431	147,029	634,475	40,155,864
Opening balance	5,510,964	39,789,098	147,029	232,443	45,679,534

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

As at 31 December 2018, there were no intangible assets recognised through internal research and development (31 December 2017: Nil).

Please refer to Note V.62 for the Group's intangible assets with title restriction.

As at 31 December 2018, the Group was in the process of applying for the title certificates of certain parcels of its land in the PRC with an aggregate carrying amount of RMB102,326,000 (31 December 2017: RMB136,748,000). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land, and also of the opinion that the aforesaid matter did not have any significant adverse impact on the Group's financial position as at 31 December 2018.

As at 31 December 2018, intangible assets whose title rights certificates had not been obtained are listed as follows:

RMB'000

Land	Carrying amount	Reasons
Yanliang New Production Base of China Railway 20th Bureau Group Co., Ltd.	39,882	In progress
Doumen Base of CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	14,131	In progress
No. 013 land, Turnout Branch, China Railway Construction Heavy Industry Co., Ltd.	12,796	In progress
No. 008 land, China Railway Construction Heavy Industry Co., Ltd.	12,724	In progress
New office land in Dares Salaam, Tanzania of China Civil Engineering Construction Co., Ltd.	12,118	In progress
Others	10,675	In progress
Total	102,326	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

The amounts of interest capitalised in the balance of intangible assets and the capitalisation rates are listed as follows:

2018:

RMB'000

Item	Progress as at 31 December 2018 (%)	Accumulated amount of interest capitalised as at 31 December 2018	Interest capitalised during the year	Capitalisation rate during the year (%)
Sichuan JianPu Highway Project concession rights	100	1,151,795	–	–
Guangxi Ziyuan(meixi) to Xing'an Highway BOT project concession rights	100	546,609	–	–
Sichuan Dejian Highway Project concession rights	63	276,536	205,546	4.68
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	100	165,669	14,606	4.75
Sichuan Dedu Highway Project concession rights	27	82,212	80,509	4.69
Beijing New Airport North Line Highway project	49	50,378	50,378	5.98
Beijing Xingyan Highway Project concession rights	92	45,554	42,968	4.61
Lotus Avenue Project of China Railway 16th Bureau Group Co., Ltd.	82	34,583	–	4.90
Hunan Anxiang to Cili Highway Project concession rights	26	27,202	27,202	4.65
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
Guangxi Ziyuan County Bajiaozhai 5A scenic area tourism development project concession rights	5	709	709	4.88
Total	–	2,597,782	421,918	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

2017:

RMB'000

Item	Progress as at 31 December 2017 (%)	Accumulated amount of interest capitalised as at 31 December 2017	Interest capitalised during the year	Capitalisation rate during the year (%)
Sichuan JianPu Highway Project concession rights	99	1,151,795	451,010	4.88
Guangxi Ziyuan(meixi) to Xing'an Highway BOT project concession rights	99	546,609	244,222	4.10
Yusui Highway Project concession rights	100	192,971	–	–
Guizhou Anshun to Ziyun Highway Project concession rights	99	151,063	95,683	4.13
Sichuan Dejian Highway Project concession rights	26	70,990	67,539	4.38
Jiyang Yellow River Bridge concession rights	100	23,564	–	–
Beijing Xingyan Highway Project concession rights	52	2,586	1,648	4.15
Sichuan Dedu Highway Project concession rights	8	1,703	950	4.75
Total	–	2,141,281	861,052	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill

2018:

RMB'000

Item	1 January 2018	Increase	Decrease	31 December 2018
Acquisition of Hangsheng Company (Note 1)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 2)	91,369	–	–	91,369
Others	9,002	28,207	–	37,209
Total	200,506	28,207	–	228,713

2017:

RMB'000

Item	1 January 2017	Increase	Decrease	31 December 2017
Acquisition of Hangsheng Company (Note 1)	100,135	–	–	100,135
Acquisition of CIDEON Company (Note 2)	91,369	–	–	91,369
Others	3,158	5,855	11	9,002
Total	194,662	5,855	11	200,506

Note 1: The goodwill of RMB100,135,000 was acquired in the business combination involving entities not under common control of Guangdong Hangsheng Group Construction Co., Ltd. ("Hangsheng Company") in 2012.

Note 2: On 29 February 2016, the Group purchased CIDEON Engineering GmbH&Co.KG, CIDEON Engineering Verwaltungs GmbH and CIDEON Schweiz AG (collectively referred to as "CIDEON Company"), which is a business combination involving entities not under common control and resulted in the increase in goodwill by RMB91,369,000.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/liabilities

RMB'000

Item	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for long-term post-leaving benefits	571,443	108,148	925,357	177,487
Provision for impairment of assets	7,129,053	1,604,742	4,881,914	1,054,904
Deductible tax losses	2,377,448	428,018	724,947	150,274
Revaluation surplus from restructuring	1,504,711	371,683	1,596,623	391,810
Convertible bonds	19,871	4,968	–	–
Unrealised profits of intra-group transactions	3,367,573	789,049	3,124,765	747,985
Losses from changes in fair value of other equity instrument investments	204,958	47,819	/	/
Losses from changes in fair value of available-for-sale financial assets	/	/	17,225	4,306
Others	6,917,243	1,590,694	4,290,451	1,054,103
Total	22,092,300	4,945,121	15,561,282	3,580,869
Item	Taxable temporary differences		Deferred tax liabilities	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Losses from changes in fair value of available-for-sale financial assets	/	/	1,075,330	192,013
Losses from changes in fair value of other equity instrument investments	753,815	133,847	/	/
Convertible bonds	–	–	118,317	29,579
Others	531,112	127,948	299,155	71,674
Total	1,284,927	261,795	1,492,802	293,266

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/liabilities (Continued)

Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset:

RMB'000

Item	Offset amount between deferred tax assets and liabilities at the end of the year	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the year	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	28,273	4,916,848	3,835	3,577,034
Deferred tax liabilities	28,273	233,522	3,835	289,431

Deductible temporary differences and deductible tax losses for which deferred tax assets are not recognised are listed as follows:

RMB'000

Item	31 December 2018	31 December 2017
Deductible temporary differences	10,780,349	7,834,065
Deductible tax losses	9,525,497	6,920,459
Total	20,305,846	14,754,524

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/liabilities (Continued)

Deductible tax losses that are not recognised as deferred tax assets will expire in the following years:

RMB'000

Year	31 December 2018	31 December 2017
2018	–	94,604
2019	196,382	292,615
2020	1,336,826	1,430,156
2021	1,132,609	1,196,914
2022	2,394,884	3,906,170
2023	4,464,796	–
Total	9,525,497	6,920,459

20. Other non-current assets

RMB'000

Item	31 December 2018	31 December 2017
Retention receivables	51,481,822	–
A-land development and other project	5,095,362	–
Prepayment for long-term assets	1,462,048	1,543,087
Prepayment for investment	356,254	443,570
Others	2,659,079	657,670
Less: Retention receivables due within one year	4,945,287	–
Total	56,109,278	2,644,327

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Short-term loans

RMB'000

Item		31 December 2018	31 December 2017
Pledged loans	Note 1	380,000	–
Mortgaged loans	Note V.31(Note 6)	205,000	–
Guaranteed loans	Note 2	4,358,930	2,602,701
Credit loans		56,837,154	26,896,397
Total		61,781,084	29,499,098

Note 1: As at 31 December 2018, short-term loans with carrying amounts of RMB380,000,000 were secured by the pledge of the Group's trade receivables with a carrying amount of RMB389,222,000 (31 December 2017: Nil).

Note 2: As at 31 December 2018, all guaranteed loans were guaranteed by the entities comprising the Group. (31 December 2017: all guaranteed loans were guaranteed by the entities comprising the Group)

As at 31 December 2018, annual interest rates of above short-term loans ranged from 2.35% to 8.00% (31 December 2017: 2.75% to 6.00 %).

As at 31 December 2018, the Group had no overdue short-term loans (31 December 2017: Nil).

22. Due to customers

RMB'000

Item		31 December 2018	31 December 2017
Due to customers		5,881,497	804,834

23. Bills payable and trade payables

RMB'000

Item		31 December 2018	31 December 2017
Bills payable		51,036,428	41,411,304
Trade payables		283,670,906	282,080,205
Total		334,707,334	323,491,509

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Bills payable and trade payables (Continued)

Bills payable:

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Commercial acceptance bills	8,696,965	2,604,928
Bank acceptance bills	42,339,463	38,806,376
Total	51,036,428	41,411,304

As at 31 December 2018, the Group had no unpaid overdue bills payable (31 December 2017: Nil).

Trade payables:

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Within 1 year	274,435,578	273,543,533
1 to 2 years	6,505,848	6,450,391
2 to 3 years	1,499,068	1,299,220
Over 3 years	1,230,412	787,061
Total	283,670,906	282,080,205

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Bills payable and trade payables (Continued)

As at 31 December 2018, significant trade payables aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2018	Reason for payables not being settled
Company 1	Third party	65,601	Within terms of payment
Company 2	Third party	59,693	Within terms of payment
Company 3	Third party	55,985	Within terms of payment
Company 4	Third party	46,987	Within terms of payment
Company 5	Third party	41,000	Within terms of payment
Total	–	269,266	–

24. Advances from customers

RMB'000

Item	31 December 2018	31 December 2017
Advances for construction contracts	/	35,268,681
Advances for the sale of properties	/	30,358,635
Gross amount due to contract customers	/	13,264,789
Advances for the sale of materials	/	5,440,188
Advances for the sale of goods	/	106,915
Others	64,390	1,243,357
Total	64,390	85,682,565

25. Contract liabilities

RMB'000

Item	31 December 2018	31 December 2017
Advances for construction contracts	44,249,968	/
Advances for the sale of properties (Note)	39,148,662	/
Advances for the sale of materials	4,862,273	/
Advances for the sale of goods	161,881	/
Others	853,801	/
Total	89,276,585	/

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Contract liabilities (Continued)

Note: Details of advances for the sale of properties are listed as follows:

RMB'000

Property	31 December 2018	Percentage of accumulated pre-sales as at 31 December 2018 (%)	Estimated completion date
Xi'an CRCC International City III Project	3,515,124	63	June 2019
CRCC Xipai City Project	3,476,994	26	December 2019
CRCC Chengdu Xipai City Project (Zone 7)	2,314,649	48	October 2019
CRCC Kaiyuan Community Project	2,184,232	79	September 2019
Xiangxie International Project	2,165,659	53	January 2019
Hangzhou West Lake International City Project	2,141,531	83	December 2018
Xi'an CRCC International City II Project	1,798,493	53	May 2020
Jiaxing Huayu Jiangnan Project	1,548,505	61	December 2019
Xi'an Tiexing Xipai International Project	1,470,923	54	January 2019
CRCC Wanguo City Project	1,180,527	92	August 2020
Nanning Xipai Lan'an Project	883,433	80	February 2019
CRCC Yunjing Shanyucheng Project	839,117	80	December 2019
CRCC Yangchun Hupan Project	838,382	48	December 2019
CRCC Shanyucheng (Dalian) Project	836,178	54	April 2019
Changchun Economic Development Zone, Yangpu Project	802,879	62	June 2019
CRRC Longmu Bay No. 1 Project	779,109	65	December 2020
Chengdu Beihu Xinqu Project	733,737	90	December 2019
Hefei Qingxiucheng Project	725,087	55	May 2019
Changsha Meixi Lake Project	723,951	70	December 2019
Xiangman Xi'an Project	601,547	56	February 2020
Guian Shanyucheng Project	581,317	63	November 2019
CRCC Qingxiucheng Project	479,910	72	April 2020
CRCC Yungongguan Project	456,060	69	October 2019
Chengdu Crown Lake I Project	451,281	94	December 2018
Nanning Anji Shanyucheng Project	445,666	50	November 2019
Lanzhou SOHO Project	396,923	43	June 2019
Chengdu CRCC Wu Hou Tie Fo Project	350,817	100	December 2018
CRCC Park 3326 Project	325,881	38	December 2019
CRCC Donglai Shangcheng Project	320,675	90	April 2019
CRCC Yujing Yangguang Project	312,752	13	November 2019
Others	5,467,323	—	—
Total	39,148,662	—	—

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Contract liabilities (Continued)

As at the end of the Reporting Period, significant advances from customers aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2018	Reasons
Company 1	Third party	232,113	Work performed but not billed
Company 2	Third party	174,189	Work performed but not billed
Company 3	Third party	173,668	Work performed but not billed
Company 4	Third party	153,803	Work performed but not billed
Company 5	Third party	150,805	Work performed but not billed
Total	–	884,578	–

26. Employee benefits payable

2018:

RMB'000

Item	1 January 2018	Accrued	Paid	31 December 2018
Short-term benefits	8,701,940	52,318,090	51,302,739	9,717,291
Post-employment benefits (defined contribution plans)	1,457,566	5,911,297	5,805,583	1,563,280
Total	10,159,506	58,229,387	57,108,322	11,280,571

2017:

RMB'000

Item	1 January 2017	Accrued	Paid	31 December 2017
Short-term benefits	7,549,343	47,754,014	46,601,417	8,701,940
Post-employment benefits (defined contribution plans)	1,519,996	5,354,722	5,417,152	1,457,566
Total	9,069,339	53,108,736	52,018,569	10,159,506

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable (Continued)

Short-term benefits:

2018:

RMB'000

Item	1 January 2018	Accrued	Paid	31 December 2018
Salaries, bonuses, allowances and subsidies	6,171,699	38,783,781	37,977,080	6,978,400
Staff welfare	–	2,824,368	2,824,368	–
Social insurance	1,054,646	3,107,784	3,051,700	1,110,730
Including: Medical				
insurance	919,130	2,692,150	2,640,606	970,674
Work injury insurance	88,520	252,359	249,807	91,072
Maternity insurance	46,996	163,275	161,287	48,984
Housing funds	680,760	2,775,309	2,771,646	684,423
Union fund and employee education fund	523,855	1,067,032	1,021,756	569,131
Others	270,980	3,759,816	3,656,189	374,607
Total	8,701,940	52,318,090	51,302,739	9,717,291

2017:

RMB'000

Item	1 January 2017	Accrued	Paid	31 December 2017
Salaries, bonuses, allowances and subsidies	4,955,532	35,928,312	34,712,145	6,171,699
Staff welfare	–	2,436,245	2,436,245	–
Social insurance	1,093,588	2,686,577	2,725,519	1,054,646
Including: Medical				
insurance	942,102	2,328,055	2,351,027	919,130
Work injury insurance	101,972	219,922	233,374	88,520
Maternity insurance	49,514	138,600	141,118	46,996
Housing funds	712,985	2,469,982	2,502,207	680,760
Union fund and employee education fund	499,430	894,308	869,883	523,855
Others	287,808	3,338,590	3,355,418	270,980
Total	7,549,343	47,754,014	46,601,417	8,701,940

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable (Continued)

Defined contribution plan:

2018:

RMB'000

Item	1 January 2018	Accrued	Paid	31 December 2018
Basic pension insurance	1,103,707	4,757,840	4,714,612	1,146,935
Unemployment insurance	99,329	162,492	170,076	91,745
Supplementary pension insurance	254,530	990,965	920,895	324,600
Total	1,457,566	5,911,297	5,805,583	1,563,280

2017:

RMB'000

Item	1 January 2017	Accrued	Paid	31 December 2017
Basic pension insurance	1,122,981	4,452,624	4,471,898	1,103,707
Unemployment insurance	118,066	158,957	177,694	99,329
Supplementary pension insurance	278,949	743,141	767,560	254,530
Total	1,519,996	5,354,722	5,417,152	1,457,566

Defined contribution plan include basic pension insurance and unemployment insurance managed by local governments and the Group's supplementary pension insurance. In addition to the monthly payment, the Group is no longer liable for further payment. Relevant expenditures are capitalised or expensed in the period when incurred.

27. Taxes payable

RMB'000

Item	31 December 2018	31 December 2017
VAT	2,962,306	1,637,674
EIT	2,513,210	2,146,938
Others	1,472,598	2,179,771
Total	6,948,114	5,964,383

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other payables

RMB'000

Item	31 December 2018	31 December 2017
Guarantees and deposits	14,810,200	15,251,580
Payables for advances	12,101,637	11,543,372
Interests payable	1,085,959	1,082,309
Dividends payable	447,024	158,560
Others	26,984,222	21,761,725
Total	55,429,042	49,797,546

As at 31 December 2018, significant other payables aged over one year are listed as follows:

RMB'000

Company name	Relationship with the Group	31 December 2018	Reasons
Company 1	Third party	811,284	Unpaid accrued tax expense
Company 2	Third party	389,559	Payables not settled
Company 3	Third party	250,252	Payables not settled
Company 4	Third party	150,000	Payables not settled
Company 5	Third party	141,500	Payables not settled
Total	–	1,742,595	–

29. Current portion of non-current liabilities

RMB'000

Item	31 December 2018	31 December 2017
Current portion of long-term loans (Note V.31)	17,833,584	18,404,223
Current portion of bonds payable (Note V.32)	1,000,000	9,987,111
Current portion of long-term payables	540,792	1,488,850
Current portion of post-employment benefits payable (Note V.34)	164,298	321,289
Total	19,538,674	30,201,473

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Current portion of non-current liabilities (Continued)

The current portion of long-term loans is presented as follows:

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Pledged loans (<i>Note V.31 (Note 1)</i>)	–	170,000
Mortgaged loans (<i>Note V.31 (Note 4, Note 6)</i>)	1,035,880	2,787,940
Guaranteed loans (<i>Note V.31 (Note 7)</i>)	2,331,640	1,206,000
Credit loans	14,466,064	14,240,283
Total	17,833,584	18,404,223

30. Other current liabilities

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Amounts to be transferred to output VAT	7,095,560	7,975,717
Short-term unsecured financing bonds (<i>Note 1</i>)	4,998,272	–
Deferred income (<i>Note V.35</i>)	33	1,943
Others	341,099	76,265
Total	12,434,964	8,053,925

Note 1: Short-term unsecured financing bonds bear a fixed interest rate. The principal and the interest will be repaid in a lump sum at the end of the term.

The movement of short-term unsecured financing bonds is listed as follows:

	<i>RMB'000</i>							
Bond name	Par value	Issuance date	Bond term	Opening balance	Issuance during the year	Interests accrued	Amortisation of discounts and premiums	Closing balance
China Railway Construction Corporation Limited 2018 first issue short-term financing bonds	3,000,000	14 September 2018	9 months	–	3,000,000	31,983	–	3,000,000
China Railway Construction Real Estate Group Co., Ltd. short-term financing bonds	2,000,000	28 November 2018	9 months	–	2,000,000	7,034	(1,728)	1,998,272
Total	5,000,000	–	–	–	5,000,000	39,017	(1,728)	4,998,272

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term loans

RMB'000

Item	31 December 2018	31 December 2017
Pledged loans (<i>Note 1, Note 2, Note 3</i>)	26,840,000	20,534,420
Mortgaged loans (<i>Note 4, Note 5, Note 6</i>)	4,725,841	3,330,040
Guaranteed loans (<i>Note 7</i>)	13,529,940	10,123,666
Credit loans	24,744,696	24,838,667
Total	69,840,477	58,826,793

Note 1: As at 31 December 2018, long-term loans with a carrying amount of RMB25,970,000,000, including no portion due within one year (31 December 2017: RMB20,704,420,000, including long-term loans due within one year of RMB170,000,000) were secured by pledges of the Group's concession rights with a carrying amount of RMB41,455,348,000 (31 December 2017: RMB28,101,597,000).

Note 2: As at 31 December 2018, long-term loans with a carrying amount of RMB800,000,000 were secured by pledges of the Group's non-current assets with a carrying amount of RMB1,888,875,000 (31 December 2017: Nil).

Note 3: As at 31 December 2018, long-term loans with a carrying amount of RMB70,000,000 were secured by pledges of the Group's long-term receivables with a carrying amount of RMB149,599,000 (31 December 2017: Nil).

Note 4: As at 31 December 2018, long-term loans with a carrying amount of RMB21,539,000 including no long-term loans due within one year (31 December 2017: RMB201,170,000, including long-term loans due within one year of RMB22,000,000) were secured by mortgages of the Group's fixed assets with a carrying amount of RMB60,969,000 (31 December 2017: RMB653,950,000).

Note 5: As at 31 December 2018, long-term loans with a carrying amount of RMB9,450,000 were secured by mortgages of the Group's construction in progress with a carrying amount of RMB48,600,000 (31 December 2017: Nil).

Note 6: As at 31 December 2018, short-term loans with a carrying amount of RMB205,000,000 and long-term loans amounted to RMB5,730,732,000 including long-term loans due within one year of RMB1,035,880,000 (31 December 2017: RMB5,916,810,000, including long-term loans due within one year of RMB2,765,940,000) were secured by mortgages of the Group's inventories with a carrying amount of RMB14,401,283,000 (31 December 2017: RMB14,710,869,000).

Note 7: As at 31 December 2018, the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group (31 December 2017: the guaranteed long-term loans were all internally guaranteed by the entities comprising the Group).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term loans (Continued)

As at 31 December 2018, the Group had no overdue long-term loans (31 December 2017: Nil).

The maturity profile of the long-term loans as at the end of the year is listed as follows:

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Within one year or paid on demand (<i>Note V.29</i>)	17,833,584	18,404,223
In the second year (inclusive)	20,591,310	16,646,081
In the third to fifth year (inclusive)	14,351,111	18,946,539
Over five years	34,898,056	23,234,173
Total	87,674,061	77,231,016

32. Bonds payable

Bonds payable include: (1) unsecured medium-term notes, private placement notes, and assets-backed notes guaranteed by the Group with a fixed interest rate issued by the Company and its subsidiaries in the National Inter Bank Bond Market. The bonds' interest is paid on schedule whereas the principal is paid at the maturity date; (2) the 5-year zero-interest US dollar and 5-year RMB Convertible Bond issued by the Company in the international market with a fixed interest rate with interest repayable semi-annually and the principal repayable upon maturity; and (3) the 10-year US dollar bond with a fixed interest rate issued by its overseas subsidiaries and guaranteed by the Company. The bonds' interest is repayable semi-annually whereas the principal is repayable upon maturity.

	<i>RMB'000</i>	
Item	31 December 2018	31 December 2017
Bonds payable	38,458,422	45,665,034
Less: Current portion of bonds payable (<i>Note V.29</i>)	1,000,000	9,987,111
Non-current portion of bonds payable	37,458,422	35,677,923

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

As at 31 December 2018, balances of bonds payable are listed as follows:

RMB'000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2018	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2018
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,969,024	–	510,000	10,338	510,000	9,979,362
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,196,349	–	185,750	267,233	185,846	5,463,582
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 1)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,093,529	–	51,750	79,100	51,750	3,172,629
China Railway Construction Corporation Limited –USD500 million Zero Coupon Convertible Bond due 2021 (Note 2)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	2,722,717	–	–	318,264	–	3,040,981
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.58%	2,986,206	–	137,400	4,147	137,400	2,990,353
China Railway Construction Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.80%	2,985,179	–	126,450	(13,326)	120,600	2,971,853
China Railway Construction Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,784,611	–	103,600	4,721	103,600	2,789,332
China Railway Construction Real Estate Co., Ltd. – 2018 first issue of medium term note	2,200,000	19 January 2018	5 years	2,200,000	5.94%	–	2,200,000	119,790	(7,181)	–	2,192,819
China Railway Construction Real Estate Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	1,492,662	–	72,000	2,036	72,000	1,494,698
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	1,492,450	–	76,500	2,003	76,500	1,494,453
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	1,000,000	–	40,000	–	40,000	1,000,000
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	7 years	960,000	6.90%	955,196	–	65,897	664	124,968	868,360

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

As at 31 December 2018, balances of bonds payable are listed as follows: (Continued)

RMB'000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2018	Amount issued	Interest accrued in the year	Discount or premium amortisation and exchange effects	Principle and interest paid in the year	31 December 2018
China Railway 24th Bureau Group Co., Ltd. - 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	-	25,124	-	24,780	600,000
China Railway 15th Bureau Group Co., Ltd. - 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	-	18,355	-	18,000	400,000
China Railway Construction Corporation Limited - 2011 first issue of medium-term note	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,487,134	-	375,510	12,866	7,971,000	-
China Railway 20th Bureau Group Co., Ltd. - 2015 first issue of private placement note	700,000	13 March 2015	3 years	700,000	6.50%	700,000	-	21,700	-	721,700	-
China Railway 23rd Bureau Group Co., Ltd. - 2015 first issue of private placement note	100,000	11 February 2015	3 years	100,000	6.30%	99,989	-	812	11	100,811	-
China Railway 23rd Bureau Group Co., Ltd. - 2015 second issue of private placement note	100,000	12 February 2015	3 years	100,000	6.30%	99,988	-	828	12	100,828	-
China Railway 25th Bureau Group Co., Ltd. - 2015 first issue of private placement note	400,000	30 January 2015	3 years	400,000	6.50%	400,000	-	2,084	-	402,084	-
China Railway Construction Investment Group Co., Ltd. - 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	-	31,027	-	1,048,500	-
Chongqing Tiefa Suiyu Highway Co., Ltd. - 2015 first issue of private placement note	200,000	11 February 2015	3 years	200,000	6.00%	200,000	-	-	-	200,000	-
Total	-	-	-	-	-	45,665,034	2,200,000	1,964,577	680,888	12,010,367	38,458,422
Less: Current portion of bonds payable	-	-	-	-	-	9,987,111	-	-	-	-	1,000,000
Non-current portion of bonds payable	-	-	-	-	-	35,677,923	-	-	-	-	37,458,422

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

As at 31 December 2017, balances of bonds payable are listed as follows:

RMB'000

Bonds	Par value	Issue date	Maturity	Amount	Annual interest rate	1 January 2017	Amount issued	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	31 December 2017
China Railway Construction Corporation Limited – First issue of medium-term notes in 2013	10,000,000	20 June 2013	7 years	10,000,000	5.10%	9,959,200	–	510,000	9,824	510,000	9,969,024
China Railway Construction Corporation Limited. – 2011 first issue of medium-term note	7,500,000	14 October 2011	7 years	7,500,000	6.28%	7,474,690	–	471,000	12,444	471,000	7,487,134
CRCC Yuxiang Limited Guaranteed Note due in 2023 with principal of USD800 million and interest rate of 3.5%	USD800,000	16 May 2013	10 years	USD800,000	3.50%	5,511,222	–	188,780	(314,873)	189,172	5,196,349
China Railway Construction Corporation Limited – RMB3.45 billion 1.5% Coupon Convertible Bond due 2021 (Note 1)	3,450,000	21 December 2016	5 years	3,450,000	1.50%	3,015,432	–	53,310	78,097	51,750	3,093,529
China Railway Construction Real Estate Co., Ltd. – 2016 second issue of Corporate bond	3,000,000	20 January 2016	5 years	3,000,000	4.58%	2,982,248	–	137,400	3,958	137,400	2,986,206
China Railway Construction Real Estate Co., Ltd. – 2015 first issue of Corporate bond	3,000,000	29 September 2015	5 years	3,000,000	4.02%	2,980,022	–	120,600	5,157	120,600	2,985,179
China Railway Construction Real Estate Co., Ltd. – 2016 first issue of Corporate bond	2,800,000	8 January 2016	5 years	2,800,000	3.70%	2,780,066	–	103,600	4,545	103,600	2,784,611
China Railway Construction Corporation Limited – USD500 million Zero Coupon Convertible Bond due 2021 (Note 2)	USD500,000	29 January 2016	5 years	USD500,000	0.00%	2,718,571	–	–	4,146	–	2,722,717
China Railway Construction Real Estate Co., Ltd. – 2016 third issue of Corporate bond	1,500,000	19 April 2016	5 years	1,500,000	4.80%	1,490,722	–	72,000	1,940	72,000	1,492,662
China Railway Construction Real Estate Co., Ltd. – 2016 fourth issue of Corporate bond	1,500,000	24 May 2016	5 years	1,500,000	5.10%	1,490,547	–	76,500	1,903	76,500	1,492,450
China Railway 16th Bureau Group Co., Ltd. – 2016 first issue of private placement Corporate bond	1,000,000	6 September 2016	5 years	1,000,000	4.00%	1,000,000	–	40,000	–	40,000	1,000,000
China Railway Construction Investment Group Co., Ltd. – 2015 first issue of private placement note	1,000,000	28 July 2015	3 years	1,000,000	4.85%	1,000,000	–	48,500	–	48,500	1,000,000
CRCC (Beijing) Property Management Co., Ltd. – 2017 first issue of private placement assets-backed note	960,000	13 December 2017	7 years	960,000	6.90%	–	960,000	–	(4,804)	–	955,196
China Railway 20th Bureau Group Co., Ltd. – 2015 first issue of private placement note	700,000	13 March 2015	3 years	700,000	6.50%	700,000	–	43,400	–	43,400	700,000
China Railway 24th Bureau Group Co., Ltd. – 2016 second issue of private placement note	600,000	24 March 2016	3 years	600,000	4.13%	600,000	–	25,124	–	22,302	600,000
China Railway 15th Bureau Group Co., Ltd. – 2016 first issue of private placement note	400,000	4 March 2016	3 years	400,000	4.50%	400,000	–	17,803	–	18,000	400,000

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

As at 31 December 2017, balances of bonds payable are listed as follows: (Continued)

RMB'000

Bonds	Par value	Issue date	Maturity	Annual interest rate	1 January 2017	Amount issued	Interest accrued in the year	Discount or premium amortisation	Interest paid in the year	31 December 2017
China Railway 25th Bureau Group Co., Ltd. – 2015 first issue of private placement note	400,000	30 January 2015	3 years	6.50%	400,000	-	26,000	-	26,000	400,000
Chongqing Tiefu Suiyu Highway Co., Ltd. – 2015 first issue of private placement note	200,000	11 February 2015	3 years	6.00%	200,000	-	12,167	-	12,167	200,000
China Railway 23rd Bureau Group Co., Ltd. – 2015 first issue of private placement note	100,000	11 February 2015	3 years	6.30%	99,659	-	6,283	330	6,300	99,989
China Railway 23rd Bureau Group Co., Ltd. – 2015 second issue of private placement note	100,000	12 February 2015	3 years	6.30%	99,658	-	6,283	330	6,300	99,988
China Railway 14th Bureau Group Co., Ltd. – 2012 first issue of private placement note	400,000	27 August 2012	5 years	6.70%	400,000	-	16,899	-	416,899	-
China Railway 15th Bureau Group Co., Ltd. – 2014 first issue of private placement note	300,000	4 September 2014	3 years	6.80%	300,000	-	13,749	-	313,749	-
China Railway 17th Bureau Group Co., Ltd. – 2014 first issue of private placement note	500,000	25 June 2014	3 years	7.30%	500,000	-	16,315	-	516,315	-
China Railway 25th Bureau Group Co., Ltd. – 2014 first issue of private placement note	400,000	28 October 2014	3 years	6.50%	400,000	-	21,494	-	421,494	-
CRCC Harbour & Channel Engineering Bureau Group Co., Ltd. – 2014 first issue of private placement note	200,000	30 April 2014	3 years	7.98%	200,000	-	5,542	-	205,542	-
Chongqing Tiefu Suiyu Highway Co., Ltd. – 2014 first issue of private placement note	470,000	23 April 2014	3 years	6.38%	470,000	-	9,329	-	479,329	-
Chongqing Tiefu Suiyu Highway Co., Ltd. – 2014 second issue of private placement note	200,000	31 July 2014	3 years	7.20%	200,000	-	7,240	-	207,240	-
Chongqing Tiefu Suiyu Highway Co., Ltd. – 2014 third issue of private placement note	300,000	31 October 2014	3 years	6.70%	300,000	-	15,243	-	315,243	-
Chongqing Tiefu Suiyu Highway Co., Ltd. – 2014 fourth issue of private placement note	50,000	1 October 2014	3 years	7.05%	50,000	-	1,772	-	51,772	-
Chongqing Tiefu Suiyu Highway Co., Ltd. – 2014 fifth issue of private placement note	200,000	18 December 2014	3 years	6.50%	200,000	-	9,858	-	209,858	-
Total	-	-	-	-	47,922,037	960,000	2,076,191	(197,003)	5,092,432	45,665,034
Less: Current portion of bonds payable	-	-	-	-	3,020,000	-	-	-	-	9,987,111
Non-current portion of bonds payable	-	-	-	-	44,902,037	-	-	-	-	35,677,923

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

Note 1: The Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion on 21 December 2016 (settled by US Dollar). The conversion period is from 31 January 2017 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, is set to be HKD13.7750 per H share (calculated in a fixed exchange rate By HKD1 to RMB0.8898), and will be subject to adjustments under certain circumstances. The debt component of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the initially recognised liability is recognised as equity.

Note 2: The Company issued a five-year Convertible Bond at zero interest rate with the principal of USD500 million on 29 January 2016. The conversion period is from 10 March 2016 or later to the close of business of the tenth operation day before expiration. The initial conversion price, at which the shares will be issued if conversion rights are executed, was set to be HKD10.30 per H share, and will be subject to adjustments under certain circumstances. The embedded derivatives of the convertible bond is initially recognised at fair value at the issue date, and the issue price in excess of the fair value of derivative financial liabilities is recognised as debt instruments.

33. Long-term payables

RMB'000

Item	31 December 2018	31 December 2017
Finance lease payables	563,764	830,517
Special payables (<i>Note</i>)	155,269	603,600
Others	842,815	1,132,119
Total	1,561,848	2,566,236

The maturity profile of financial leasing payables as at the end of the reporting period is as follows:

RMB'000

Item	31 December 2018	31 December 2017
Within one year	343,753	709,510
In the second year (inclusive)	304,571	337,009
In the third to fifth year (inclusive)	182,844	401,773
Over five years	76,349	91,735
Total	907,517	1,540,027

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payables (Continued)

Note:

2018:

RMB'000

Item	1 January 2018	Additions	Reductions	31 December 2018
Specific project funds	547,372	29,958	481,045	96,285
Research and development funds	55,877	23,907	20,800	58,984
Others	351	–	351	–
Total	603,600	53,865	502,196	155,269

2017:

RMB'000

Item	1 January 2017	Additions	Reductions	31 December 2017
Specific project funds	672,286	346,174	471,088	547,372
Research and development funds	50,387	15,564	10,074	55,877
Others	440	–	89	351
Total	723,113	361,738	481,251	603,600

34. Long-term employee benefits payable

RMB'000

Item	31 December 2018	31 December 2017
Defined benefit plans – post-employment benefits	407,145	604,068

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term employee benefits payable (Continued)

The plan has no defined benefit plan asset.

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

The principal actuarial assumptions used as at the end of the Reporting Period are listed as follows:

Item	31 December 2018	31 December 2017
Discount rate (%)	2.75	3.75
Increase in the expected rate of cost of living adjustment for long-term post-leaving personnel (%)	2.50	2.50
Increase in the expected rate of medical reimbursement expenses (%)	8.00	8.00
Average lifetime for defined benefit plans (year)	2.4	2.5

The following table demonstrates the quantitative sensitivity analysis of significant assumption adopted as at 31 December 2018:

RMB'000

	Increase	Defined benefit plans (decrease)/ increase	Decrease	Defined benefit plans Increase/ (decrease)
Discount rate	0.25 percentage point	(3,070)	0.25 percentage point	3,120
Increase in medical expenses	1 percentage point	50	1 percentage point	(40)

The above sensitivity analysis evaluates the impact of a reasonably possible change in key assumptions on defined benefit plans at end of the Reporting Period. The sensitivity analysis is made based on changes in significant assumptions while all the other assumptions are held constant. The sensitivity analysis may not represent actual changes of defined benefit plans as changes of assumptions may not be isolated from each other.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term employee benefits payable (Continued)

Relevant plans recognised in profit or loss are as follows:

Items	2018	2017
Historical service fees	(360)	2,560
Net interest	28,490	32,750
Net welfare cost recognised in the statement of profit or loss and other comprehensive income	28,130	35,310

Movements in the present value of defined benefit plan obligations are listed as follows:

	<i>RMB'000</i>	
Items	2018	2017
Opening balance	925,357	1,411,035
Defined benefit cost recognised in profit or loss		
Past service cost	(360)	2,560
Net interest	28,490	32,750
Defined benefit cost recognised in other comprehensive income		
Actuarial losses/(gains)	(59,224)	(90,429)
Other changes		
Benefit payments	(322,820)	(430,559)
Closing balance	571,443	925,357
Including: current portion of post-employment benefits payable (<i>Note V.29</i>)	(164,298)	(321,289)
Total	407,145	604,068

The actuarial evaluation on the present value of liabilities in defined benefit plans for the last tranche was conducted by the independent actuarial appraiser, Willis Towers Watson Consultancy Co., Ltd, which was based on the data as of 31 December 2018, using the projected unit credit method to determine the present value and relevant service fees in defined benefit plans.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred income

2018:

RMB'000

Item	1 January 2018	Additions	Reductions	31 December 2018
Government grants related to assets	148,316	975,043	53,070	1,070,289
Government grants related to income	22,304	377,049	352,882	46,471
Others	662,805	523,918	39,667	1,147,056
Sub-total	833,425	1,876,010	445,619	2,263,816
Less: current portion of deferred income (<i>Note V.30</i>)	1,943	–	1,910	33
Total	831,482	1,876,010	443,709	2,263,783

2017:

RMB'000

Item	1 January 2017	Additions	Reductions	31 December 2017
Government grants related to assets	627,249	207,010	685,943	148,316
Government grants related to income	91,228	19,078	88,002	22,304
Others	132,384	548,992	18,571	662,805
Sub-total	850,861	775,080	792,516	833,425
Less: current portion of deferred income (<i>Note V.30</i>)	191,292	269	189,618	1,943
Total	659,569	774,811	602,898	831,482

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred income (Continued)

As at 31 December 2018, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2018	Additions	Included in non-operating income/ other income in the year	Other changes (Note)	31 December 2018	Related to assets/income
Sichuan Dedu Highway Project	–	500,000	–	–	500,000	Related to assets
High-tech Underground Equipment Manufacturing Project	–	387,000	–	–	387,000	Related to assets
Enterprise Development and Support Fund	166	142,272	(141,398)	(577)	463	Related to assets/income
Others	170,454	322,820	(214,642)	(49,335)	229,297	–
Total	170,620	1,352,092	(356,040)	(49,912)	1,116,760	–

As at 31 December 2017, projects related to governments grants are listed as follows:

RMB'000

Project	1 January 2017	Additions	Included in non-operating income/ other income in the year	Other changes (Note)	31 December 2017	Related to assets/income
Enterprise Development and Support Fund	50,178	–	(32,699)	(17,313)	166	Related to assets/income
Others	668,299	226,088	(50,175)	(673,758)	170,454	–
Total	718,477	226,088	(82,874)	(691,071)	170,620	–

Note: Government grants related to assets are used to offset against the carrying amount of relevant assets when relevant assets become ready for their intended use.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other non-current liabilities

RMB'000

Item	31 December 2018	31 December 2017
Derivatives- convertible bonds (Note V.32 (Note 2))	850,865	712,677
Others	231,600	75,165
Total	1,082,465	787,842

37. Share capital

2018:

RMB'000

Item	1 January 2018	Increase	Decrease	31 December 2018
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

2017:

RMB'000

Item	1 January 2017	Increase	Decrease	31 December 2017
Unrestricted shares				
– RMB ordinary shares	11,258,246	–	–	11,258,246
– Overseas listed foreign shares	2,076,296	–	–	2,076,296
– National Social Security Fund	245,000	–	–	245,000
Total	13,579,542	–	–	13,579,542

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other equity instruments

RMB'000

Item		31 December 2018	31 December 2017
2016 renewable corporate bonds (First tranche)	<i>Note 1</i>	7,992,104	7,992,104
Convertible bond for the year of 2016	<i>Note 2</i>	408,129	408,129
Renewable loans	<i>Note 3</i>	5,000,000	5,000,000
2018 renewable corporate bonds	<i>Note 4</i>	6,992,689	–
Total		20,392,922	13,400,233

Note 1: On 29 June 2016, the Company issued RMB8,000,000,000 in an aggregate principal amount of 2016 renewable corporate bonds (First tranche). The net proceeds from the issuance amounting to RMB7,992,104,000, net of the relevant expenses of issuance of RMB7,896,000, were included in other equity instruments.

Note 2: On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond of RMB3,450,000,000, of which RMB408,129,000 was included in equity.

Note 3: On 22 December 2017, the Company issued RMB5,000,000,000 in an aggregate principal amount of renewable loans which was included in other equity instruments.

Note 4: In 2018, the Company issued RMB7,000,000,000 in an aggregate principal amount of renewable corporate bonds. The net proceeds from the issuance amounting to RMB6,992,689,000, net of the relevant expenses of issuance of RMB7,311,000 were included in other equity instruments.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Capital reserve

2018:

RMB'000

Item	1 January 2018	Increase	Decrease	31 December 2018
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Acquisition of non- controlling interests	(467,584)	5,706	–	(461,878)
Others	(506,626)	–	–	(506,626)
Total	40,428,564	5,706	–	40,434,270

2017:

RMB'000

Item	1 January 2017	Increase	Decrease	31 December 2017
Share premium	41,241,813	–	–	41,241,813
Relocation compensation granted by government	160,961	–	–	160,961
Acquisition of non- controlling interests	(465,778)	–	1,806	(467,584)
Others	(506,626)	–	–	(506,626)
Total	40,430,370	–	1,806	40,428,564

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other comprehensive income

Accumulated balances of other comprehensive income attributable to owners of the Company in the statement of financial position:

RMB'000

Item	1 January 2017	Increase/ (decrease)	31 December 2017	Effect of changes in accounting policies	Less: Other comprehensive income carried forward to retained earnings			
					1 January 2018	Increase/ (decrease)	31 December 2018	31 December 2018
Re-measurement of defined benefit, net of tax	(141,596)	90,429	(51,167)	-	(51,167)	60,896	603	9,126
Effect of deferred tax from changes in remeasurement of defined benefit, net of tax	(21,464)	(14,630)	(36,094)	-	(36,094)	(12,146)	-	(48,240)
Other comprehensive income to be reclassified to profit or loss in subsequent periods, share of other comprehensive income of investee, under the equity method	(60,187)	(75,943)	(136,130)	-	(136,130)	13,550	-	(122,580)
Losses from changes in fair value of available-for-sale financial assets	995,922	(212,062)	783,860	(783,860)	/	/	/	/
Effect of deferred tax from losses from changes in fair value of available- for-sale financial assets	(206,648)	60,747	(145,901)	145,901	/	/	/	/
Gains from changes in fair value of other debt investments	/	/	/	-	-	513	-	513
Losses from changes in fair value of other equity instrument investments	/	/	/	700,428	700,428	(480,632)	(100)	219,896
Effect of deferred tax from losses from changes in fair value of other equity instrument investments	/	/	/	(145,901)	(145,901)	100,181	-	(45,720)
Exchange differences on translation of foreign operation	(283,083)	(223,932)	(507,015)	-	(507,015)	(21,039)	-	(528,054)
Total	282,944	(375,391)	(92,447)	(83,432)	(175,879)	(338,677)	503	(515,059)

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other comprehensive income (Continued)

Other comprehensive income in the statement of profit or loss and other comprehensive income:

2018:

RMB'000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Re-measurement of defined benefit, net of tax	59,224	12,146	48,750	(1,672)
Losses from changes in fair value of other equity instrument investments	(492,114)	(101,679)	(380,451)	(9,984)
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	13,550	-	13,550	-
Gains from changes in fair value of other debt investments	513	-	513	-
Exchange differences on translation of foreign operations	(20,962)	-	(21,039)	77
Total	(439,789)	(89,533)	(338,677)	(11,579)

2017:

RMB'000

Item	Other comprehensive income before tax	Less: Income tax effect	Attributable to owners of the Company	Attributable to non-controlling interests
Other comprehensive income not to be reclassified to profit or loss				
Re-measurement of defined benefit, net of tax	90,429	14,630	75,799	-
Other comprehensive income to be reclassified to profit or loss				
Share of other comprehensive income of the investee under the equity method	(75,943)	-	(75,943)	-
Losses from changes in fair value of available-for-sale financial assets	(195,771)	(58,304)	(151,315)	13,848
Exchange differences on translation of foreign operations	(224,338)	-	(223,932)	(406)
Total	(405,623)	(43,674)	(375,391)	13,442

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Special reserve

The Group provided for the safety production expenses at 1.5% and 2% of the cost of construction projects, and utilised them according to the Management Measures on the Enterprises Production Safety Expense of Enterprises Appropriation and Utilization (Cai Qi [2012]No.16) issued by the Ministry of Finance and the State Administration of Work Safety. Further details are stated in Note III. 29.

42. Surplus reserve

2018:

RMB'000

Item		31 December 2017	Effect of changes in accounting policies	1 January 2018	Increase	31 December 2018
Statutory surplus reserve	<i>Note</i>	2,891,462	(1,025)	2,890,437	339,444	3,229,881

2017:

RMB'000

Item		1 January 2017	Increase	31 December 2017
Statutory surplus reserve	<i>Note</i>	2,394,128	497,334	2,891,462

Note: In accordance with the Company Law and the Company's articles of association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of the surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

The Company and certain of its subsidiaries are authorized to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to offset previous years' losses or increase the share capital.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Retained earnings

RMB'000

Item	Notes	2018	2017
Retained earnings at the end of last year		79,204,629	66,099,855
Changes in accounting policies	<i>Note III.33</i>	(721,313)	–
Retained earnings at the beginning of year		78,483,316	66,099,855
Net profit attributable to the owners		17,935,281	16,057,235
Less: Appropriation to statutory surplus reserve		339,444	497,334
Cash dividend declared for ordinary shares	<i>Note 1</i>	2,444,317	2,172,727
Interest distributed to other equity instrument holders	<i>Note 2</i>	866,983	282,400
Others	<i>Note V.40</i>	503	–
Retained earnings at the end of the year	<i>Note 3</i>	92,768,356	79,204,629

Note 1: In accordance with the resolution at the 2017 annual general meeting of shareholders on 11 June 2018, the Company declared a cash dividend for the year ended 31 December 2017 of RMB0.18 per share (2017: RMB0.16 per share), which amounted to RMB2,444,317,000 (2017: RMB2,172,727,000) based on 13,579,541,500 ordinary shares in issue. The above dividends had been paid on 3 August 2018.

Note 2: For the year ended 31 December 2018, due to the trigger of a mandatory interest payment event, the Group accrued interest of renewable corporate bonds and renewable loans amounting of RMB866,983,000 (2017: RMB282,400,000).

Note 3: As at 31 December 2018, the Group's retained earnings include interest of renewable corporate bonds and renewable loans amounting to RMB148,950,000 (31 December 2017: RMB148,950,000) which was not accrued as mandatory interest payment events have not been triggered.

44. Revenue and cost of sales

RMB'000

Item	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from principal operations	726,325,658	656,255,482	677,985,910	616,097,041
Other operating revenue	3,797,387	2,455,784	2,995,217	1,962,345
Total	730,123,045	658,711,266	680,981,127	618,059,386

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Revenue and cost of sales (Continued)

- (1) An analysis of the Group's operating revenue by sector is as follows:

RMB'000

Sector	2018	2017
Construction operations	622,822,165	576,173,510
Real estate development operations	36,913,777	42,587,234
Manufacturing operations	14,596,953	12,531,803
Survey, design and consultancy operations	16,295,241	14,367,124
Other business operations	39,494,909	35,321,456
Total	730,123,045	680,981,127

- (2) Disaggregation of revenue:

RMB'000

	Construction operations	Real estate development operations	Manufacturing operations	Survey, design and consultancy operations	Other business operations	Total
Timing of revenue recognition						
Over time	622,822,165	-	-	15,509,854	2,367,560	640,699,579
A point in time	-	36,913,777	14,596,953	785,387	37,127,349	89,423,466
Total	622,822,165	36,913,777	14,596,953	16,295,241	39,494,909	730,123,045

- (3) The construction services provided by the Group are mainly identified as single performance obligation and met the criteria of performance obligation performed over time. As at 31 December 2018, for the construction services in progress, the transaction prices allocated to their unsatisfied (including partially unsatisfied) performance obligations are based on their performance progress over the relevant construction contract periods and would be recognised as revenue based on their performance progress in future construction contract periods.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Taxes and surcharges

RMB'000

Item	2018	2017
Land appreciation tax	2,276,058	1,786,758
City maintenance and construction tax	790,454	847,209
Stamp duty	364,656	358,274
Property tax	222,972	204,623
Business tax	63,479	514,260
Others	1,088,261	1,239,359
Total	4,805,880	4,950,483

46. Selling and distribution expenses

RMB'000

Item	2018	2017
Employee compensation costs	2,334,989	2,423,014
Advertising and publicity expenses	1,137,664	1,026,522
Transportation expenses	269,505	424,962
Others	689,172	656,403
Total	4,431,330	4,530,901

47. General and administrative expenses

RMB'000

Item	2018	2017
Employee compensation costs	12,200,212	11,177,981
Depreciation expenses	727,386	940,925
Office, traveling and transportation expenses	1,172,341	1,006,057
Others	3,135,693	2,535,283
Total	17,235,632	15,660,246

The above general and administrative expenses include audit fees for the year 2018, amounting to RMB33,364,000 (2017: RMB33,583,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Research and development expenses

<i>RMB'000</i>		
Item	2018	2017
Personnel and material expenses	11,571,783	10,397,720

49. Finance costs

<i>RMB'000</i>		
Item	2018	2017
Interest expenses	9,633,595	9,305,096
Less: Interest income	3,077,852	3,290,583
Interest capitalised	3,022,879	3,369,436
Exchange gains	(130,803)	(470,699)
Bank charges and others	2,135,663	701,530
Total	5,537,724	2,875,908

An analysis of the Group's interest expenses are listed as follows:

<i>RMB'000</i>		
Item	2018	2017
Interest on bank loans and other loans	7,240,756	6,827,729
Interest on finance leases	51,908	108,023
Interest on discounted bills	337,337	293,153
Interest on corporate bonds	2,003,594	2,076,191
Total	9,633,595	9,305,096

The amount of capitalised interest has been included in the balances of construction in progress (Note V.16), intangible assets (Note V.17) and properties under development (Note V.7 (1)).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Impairment losses on assets

<i>RMB'000</i>		
Item	2018	2017
Provisions for bad debts	/	1,145,084
Losses from decline in value of inventories	56,217	3,128,697
Impairment losses on investment properties	–	45,745
Impairment losses on available-for-sale financial assets	/	1,950
Impairment losses on fixed assets	3,009	–
Losses from impairment of loans to customers	/	17,000
Others	120,409	131,024
Total	179,635	4,469,500

51. Impairment of credit losses

<i>RMB'000</i>		
Item	2018	2017
Losses from impairment of trade receivables and contract assets	4,133,172	/
Losses from impairment of loans to customers	38,000	/
Others	121,593	/
Total	4,292,765	/

52. Other income

<i>RMB'000</i>		
Item	2018	2017
Government grants relating to daily operations	241,778	152,158
Others	18,362	–
Total	260,140	152,158

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Investment income/(loss)

Item	<i>RMB'000</i>	
	2018	2017
Share of profits of long-term equity investments under the equity method	1,257,184	280,711
Investment income/(loss) from disposal of long-term equity investments under the equity method	24,373	(166,256)
Investment income from remeasurement of the remaining shares at fair value after disposal of part of shares	10,029	139,481
Investment income from remeasurement of the shares previously held at fair value after acquisition of control	98,302	95,759
Investment income from holding the available-for-sale financial assets	/	79,933
Investment income from holding other equity instruments	65,287	/
Investment income/(loss) from disposal of financial assets at fair value through profit or loss	/	(60,858)
Investment income from holding held-for-trading financial assets	5,278	/
Investment income from disposal of held-for-trading financial assets	20,168	/
Investment income from disposal of available-for-sale financial assets	/	8,666
Others	(79,461)	(40,432)
Total	1,401,160	337,004

54. Gains/(Losses) on fair value changes

Item	<i>RMB'000</i>	
	2018	2017
Financial assets and liabilities at fair value through profit or loss	(226,347)	367,903

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Non-operating income

RMB'000

Item	2018	2017	Non-recurring profit or loss of the year
Approved unpayable balances	287,740	76,340	287,740
Gains on compensation, penalties and fines	176,532	102,742	176,532
Government grants	165,614	524,068	165,614
Gains on debt restructuring	133,650	112,646	133,650
Others	333,462	274,474	333,462
Total	1,096,998	1,090,270	1,096,998

Government grants credited to profit or loss for the year are as follows:

RMB'000

Nature	2018	2017	Related to assets/ income
Enterprise development funds	141,398	236,393	Related to income
Refund of taxes	108,485	155,931	Related to income
Relocation compensation	70,623	226,132	Related to income
Others	86,886	57,770	Related to income
Total	407,392	676,226	–
Including: Other income	241,778	152,158	–
Non-operating income	165,614	524,068	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Non-operating expenses

RMB'000

Item	2018	2017	Non-recurring profit or loss of the year
Loss on compensation, penalties and fines	359,491	339,529	359,491
Donations	19,025	10,067	19,025
Losses on debt restructuring	675	109,842	675
Others (Note)	934,311	284,872	934,311
Total	1,313,502	744,310	1,313,502

Note: Others is mainly comprised of expenses related to the Separation and Transfer of "Water/Electricity/Gas Supply and Property". According to the "Notice of the Office of the State Council on the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance Regarding the Guidelines Related to the Separation and Transfer of "Water/Electricity/Gas Supply and Property" in the Employee Family Area of the State-owned Enterprises" (Guobanfa [2016] No. 45), the "Notice of Management Measures on Fiscal subsidies on Separation and Transfer of "Water/Electricity/Gas Supply and Property" in the Employee Family Area of the State-owned Enterprises" (Cai Zi [2016] No.38) and other related management documents, the transfer and renovation expenses involved in the Separation and Transfer will be borne collectively by the Ministry of Finance of the Central Government, the controlling shareholder of the Company and the Company. The expenses borne by the Company is RMB710,165,000.

57. Costs and expenses classified by nature

The Group's costs and expenses classified by nature are listed as follows:

RMB'000

Item	2018	2017
Cost of services rendered (Note V.44)	591,924,435	549,807,322
Cost of goods sold (Note V.44)	66,786,831	68,252,064
Employee benefits (Note V.46 and 47)	14,535,201	13,600,995
Research and development expenses (Note V.48)	11,571,783	10,397,720
Depreciation expenses on fixed assets	783,796	1,001,654
Amortisation expenses on intangible assets	198,136	173,128

Note 1: For the year of 2018, depreciation of fixed assets included in the Cost of services rendered and Cost of goods sold is RMB12,389,560,000 (2017: RMB10,686,049,000).

Note 2: For the year of 2018, amortisation of intangible assets included in the Cost of services rendered and Cost of goods sold is RMB241,201,000 (2017: RMB438,223,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Income tax expenses

	<i>RMB'000</i>	
Item	2018	2017
Current tax expenses – Mainland China	6,532,972	4,942,941
Current tax expenses – Others	43,659	102,656
Deferred tax expenses	(1,309,777)	(709,023)
Total	5,266,854	4,336,574

A reconciliation of the income tax expense applicable to profit before tax is listed as follows:

	<i>RMB'000</i>	
Item	2018	2017
Profit before tax	25,105,262	21,255,764
Income tax at the statutory income tax rate of 25% (2017: 25%)	6,276,316	5,313,941
Tax effect of preferential tax rates for some subsidiaries	(829,445)	(1,333,780)
Tax effect of share of profits and losses of joint ventures and associates	(316,274)	(14,699)
Effect of non-taxable income	(349,111)	(379,320)
Effect of non-deductible expenses	314,312	122,680
Effect of utilisation of unrecognised deductible tax losses	(464,940)	(401,141)
Income tax benefits on research and development expenses (<i>Note</i>)	(953,030)	(506,465)
Effect of unrecognised deductible tax losses	1,116,199	976,543
Deductible temporary differences not recognised as deferred tax assets	430,402	579,093
Adjustments in respect of current income tax of previous years	27,024	(17,291)
Others	15,401	(2,987)
Income tax expense at the Group's effective tax rate	5,266,854	4,336,574

Note: Pursuant to Cai Shui [2018] No. 99, for the period from 1 January 2018 to 31 December 2020, the weighted deduction proportion of research and development expenses increased to 75%.

The income tax of the Group is calculated based on the estimated taxable profit arising in China and the applicable tax rate. Tax arising from the taxable income in other regions is calculated at the statutory tax rate according to existing laws, interpretations and practices of the country or jurisdiction in which the Group operates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Earnings per share

The basic earnings per share is calculated based on the net profit for the year attributable to ordinary shareholders of the Company and the weighted average number of outstanding ordinary shares during the year.

Item	<i>RMB'000</i>	
	2018	2017
Earnings		
Net profit attributable to shareholders of the Company	17,935,281	16,057,235
Including: profit or loss from continuing operations	17,935,281	16,057,235
Less: attributable to holder of other equity instruments	866,983	290,150
Net profit attributable to ordinary shareholders	17,068,298	15,767,085
Shares		
Number of the outstanding ordinary shares of the Company	13,579,541,500	13,579,541,500
Basic earnings per share (<i>RMB/share</i>)	1.26	1.16
Diluted earnings per share (<i>RMB/share</i>) (<i>Note</i>)	1.23	1.09

Note: On 29 January 2016, the Company issued a five-year Zero Coupon Convertible Bond at USD500 million with the expiration date on 29 January 2021. Based on the adjusted conversion price of HK\$9.83 per share, the bonds are convertible to 396,459,817 shares. On 21 December 2016, the Company issued a five-year 1.5% Coupon Convertible Bond at RMB3.45 billion with the expiration date on 21 December 2021. Based on the adjusted conversion price of HK\$13.34 per share, the bonds are convertible to 290,650,359 shares.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Notes to items in the statement of cash flows

RMB'000

Item	2018	2017
(1) Cash received relating to other operating activities:		
Rental income of fixed assets	698,621	677,648
Sale of raw materials	741,354	318,505
Government grants	425,754	411,467
Others	11,414,345	9,784,218
Total	13,280,074	11,191,838

RMB'000

Item	2018	2017
(2) Cash paid relating to other operating activities:		
Office and traveling expenses	1,441,846	1,430,948
Repair and maintenance costs	418,039	448,153
Business development and promotion expenses	1,137,664	1,026,522
Others	7,564,800	3,955,407
Total	10,562,349	6,861,030

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the statement of cash flows

Item	2018	2017
<i>RMB'000</i>		
Reconciliation of net profit to cash flows generated from operating activities:		
Net profit	19,838,408	16,919,190
Plus: Impairment losses on assets	179,635	4,469,500
Impairment of credit losses	4,292,765	/
Depreciation of fixed assets	13,173,356	11,687,703
Amortisation of intangible assets	439,337	611,351
Amortisation of investment properties	207,411	120,684
Gains from disposal of fixed assets, intangible assets and other long-term assets	(529,783)	(15,756)
Losses on retirement of fixed assets	85,770	-
Losses/(Gains) from changes in fair value	226,347	(367,903)
Finance costs	5,496,938	6,267,530
Investment income	(1,401,160)	(337,004)
Increase in deferred tax assets	(1,427,819)	(780,267)
Increase in deferred tax liabilities	118,042	71,244
Increase in inventories	(28,684,693)	(13,756,153)
Increase in contract assets	3,091,041	/
Increase in operating receivables	(40,272,020)	(34,452,341)
Increase in operating payables	26,627,982	35,203,827
Increase in the deposits with the central bank	3,986,304	(237,427)
Net Cash Flows Generated from (used in) Operating Activities	5,447,861	25,404,178

Changes in cash and cash equivalents:

Item	2018	2017
<i>RMB'000</i>		
Cash at the end of the year	128,786,704	109,326,251
Less: opening balance of cash	109,326,251	113,584,200
Plus: closing balance of cash equivalents	1,301,013	20,066,469
Less: opening balance of cash equivalents	20,066,469	3,949,822
Net increase in cash and cash equivalents	694,997	11,858,698

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplementary information to the consolidated statement of cash flows (Continued)

(2) Cash and cash equivalents

RMB'000

Item	31 December 2018	31 December 2017
Cash	128,786,704	109,326,251
Including: Cash on hand	88,145	110,347
Cash with banks/financial institutions without restriction	128,698,559	109,215,904
Cash equivalents	1,301,013	20,066,469
Closing balance of cash and cash equivalents	130,087,717	129,392,720

62. Assets with title restrictions

RMB'000

Item	31 December 2018	31 December 2017	Reason
Intangible assets	41,455,348	28,101,597	Pledged for loans
Inventories	14,401,283	14,710,869	Mortgaged for loans
Cash and bank balances	11,062,511	9,899,905	<i>Note</i>
Fixed assets	60,969	653,950	Mortgaged for loans
Construction in progress	48,600	–	Mortgaged for loans
Long-term receivables	149,599	–	Pledged for loans
Bills receivable and trade receivables	389,222	–	Pledged for loans
Other non-current assets	1,888,875	–	Pledged for loans
Total	69,456,407	53,366,321	–

Note: As at 31 December 2018, the Group held frozen deposits of RMB250,126,000 (31 December 2017: RMB106,691,000), the residual amount of RMB5,601,630,000 (31 December 2017: RMB5,672,818,000) was a deposit. CRCC Finance Company Limited placed RMB5,210,755,000 (31 December 2017: RMB4,120,396,000) in the central bank as statutory reserves.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Foreign currency monetary items

31 December 2018:

RMB'000

Item	Closing balance of foreign currencies ('000)	Exchange rate	Closing balance in RMB
Cash and bank balances			13,982,815
Including: U.S. Dollar	1,878,148	6.8632	12,890,103
Euro	56,191	7.8473	440,944
Others			651,768
Bills receivable and trade receivables			1,637,309
Including: U.S. Dollar	93,140	6.8632	639,241
Algeria Dinars	12,135,869	0.0580	703,498
Others			294,570
Other receivables			527,740
Including: U.S. Dollar	53,559	6.8632	367,588
Others			160,152
Bills payable and trade payables			967,710
Including: U.S. Dollar	111,791	6.8632	767,247
Others			200,463
Other payables			246,809
Including: U.S. Dollar	20,769	6.8632	142,539
Others			104,270
Short-term loans			660,361
Including: U.S. Dollar	66,700	6.8632	457,775
Malaysian Ringgit	91,800	1.6479	151,278
Others			51,308
Long-term loans			757,406
Including: U.S. Dollar	10,000	6.8632	68,632
Euro	87,772	7.8473	688,774
Bonds payable			8,504,563
Including: U.S. Dollar	1,239,154	6.8632	8,504,563

VI. CHANGES OF CONSOLIDATION SCOPE

In the current year, the Company invested to establish the wholly-owned subsidiaries CRCC Beibuwan Construction and Investment Co., Ltd., CRCC Xibei Investment and Construction Co., Ltd. and CRCC Urban Construction and Investment Group Co., Ltd.. Except the above, the consolidation scope of the Group's consolidated financial statements has no significant changes compared to last year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VII. EQUITY IN OTHER ENTITIES

1. Subsidiaries

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

Subsidiaries acquired through establishment or investment

RMB'000

Company name	Principal place of business	Place of registration	Principal activities	Registered capital	Shareholding proportion %	
					Direct	Indirect
China Civil Engineering Construction Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
China Railway 11th Bureau Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Construction	5,030,000	100	-
China Railway 12th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	5,060,677	100	-
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100	-
China Railway 14th Bureau Group Co., Ltd.	Jinan, Shandong	Jinan, Shandong	Construction	3,110,000	100	-
China Railway 15th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	3,000,000	100	-
China Railway 16th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
China Railway 17th Bureau Group Co., Ltd.	Taiyuan, Shanxi	Taiyuan, Shanxi	Construction	3,003,724	100	-
China Railway 18th Bureau Group Co., Ltd.	Tianjin	Tianjin	Construction	3,000,000	100	-
China Railway 19th Bureau Group Co., Ltd.	Beijing	Beijing	Construction	5,080,000	100	-
China Railway 20th Bureau Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Construction	3,130,000	100	-
China Railway 21st Bureau Group Co., Ltd.	Lanzhou, Gansu	Lanzhou, Gansu	Construction	1,880,000	100	-
China Railway 22nd Bureau Group Co., Ltd.	Beijing	Beijing	Construction	2,000,000	100	-
China Railway 23rd Bureau Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Construction	2,000,000	100	-
China Railway 24th Bureau Group Co., Ltd.	Shanghai	Shanghai	Construction	2,000,000	100	-
China Railway 25th Bureau Group Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Construction	2,000,000	100	-
China Railway First Survey and Design Institute Group Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Survey and design	200,000	100	-
China Railway Siyuan Survey and Design Group Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Survey and design	1,000,000	100	-
China Railway Construction Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
China Railway Electrification Bureau Group Co., Ltd.	Beijing	Beijing	Construction	710,000	100	-
China Railway Material Group Co., Ltd.	Beijing	Beijing	Purchase and sales of goods and materials	3,000,000	100	-
CRCC High-tech Equipment Co., Ltd.	Kunming, Yunnan	Kunming, Yunnan	Manufacturing operations	1,519,884	63.7	1.3
China Railway Construction Real Estate Group Co., Ltd.	Beijing	Beijing	Real estate development and operation	7,000,000	100	-
China Railway Construction Heavy Industry Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Manufacturing operations	3,855,540	99.5	0.5
China Railway Construction Investment Group Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Project investment	12,000,000	100	-
CRCC Finance Company Limited	Beijing	Beijing	Finance agency service	9,000,000	94	-
CRCC International Group Co., Ltd.	Beijing	Beijing	Construction	3,000,000	100	-
CRCC Assets Management Co., Ltd.	Beijing	Beijing	Assets management	3,000,000	100	-
CRCC Urban Construction Group Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Construction	2,000,000	100	-
CRCC Kunlun Investment Group Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Project investment	5,000,000	100	-
CRCC Chongqing Investment Group Co., Ltd.	Chongqing	Chongqing	Project investment	3,000,000	100	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Subsidiaries (Continued)

The subsidiary with significant non-controlling interests is as follows:

31 December 2018:

RMB'000

Subsidiary	Shareholding proportion of non-controlling interests	Net profit attributable to non-controlling interests	Dividends distribute to non-controlling shareholders	Accumulated balances of non-controlling interests at the reporting date
CRCC High-tech Equipment Co., Ltd.	35%	54,726	5,320	1,923,404

RMB'000

	31 December 2018	31 December 2017
Current assets	5,543,680	4,828,472
Non-current assets	1,924,472	2,011,462
Total assets	7,468,152	6,839,934
Current liabilities	1,944,283	1,428,710
Non-current liabilities	28,430	32,909
Total liabilities	1,972,713	1,461,619

RMB'000

	2018	2017
Operating revenue	2,410,714	1,818,308
Net profit	156,360	55,087
Total comprehensive income	132,323	93,399
Net cash flows generated from (used in) operating activities	261,481	796,554

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in joint ventures and associates

The Group did not have an individually significant joint venture, the aggregate financial information of the individually insignificant joint ventures is summarized as follows:

RMB'000

Items	31 December 2018	31 December 2017
Shares of net profit (loss) of the joint ventures attributable to the Group	921,082	(20,645)
Shares total comprehensive income (loss) of the joint ventures attributable to the Group	921,082	(20,645)
Carrying amount of investments in the joint ventures attributable to the Group	13,085,418	7,652,042

The Group did not have an individually significant associate, the aggregate financial information of the individually insignificant associates is summarized as follows:

RMB'000

Items	31 December 2018	31 December 2017
Shares of net profit of the associates attributable to the Group	336,102	301,356
Shares of other comprehensive income (loss) of the associates attributable to the Group	13,550	(75,943)
Shares of total comprehensive income of the associates attributable to the Group	349,652	225,413
Carrying amount of investments in the associates attributable to the Group	15,893,137	10,217,483

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

1. Financial instruments by category

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows:

31 December 2018:

Financial assets

RMB'000

Item	Classified as financial assets at fair value through other comprehensive income	Designated as financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets measured at amortised cost	Total
Bills receivable and trade receivables	-	-	-	109,162,550	109,162,550
Loans and advances to customers	-	-	-	2,145,000	2,145,000
Other receivables (excluding petty cash)	-	-	-	63,288,905	63,288,905
Other current assets	-	-	-	2,999,900	2,999,900
Long-term receivables	-	-	-	54,442,045	54,442,045
Cash and bank balances	-	-	-	143,801,598	143,801,598
Held-for-trading financial assets	-	-	3,344,458	-	3,344,458
Debt investments	-	-	-	41	41
Other debt investments	100,513	-	-	-	100,513
Other equity instrument investments	-	8,268,378	-	-	8,268,378
Other non-current financial assets	-	-	779,049	-	779,049
Current portion of non-current assets	-	-	-	5,891,453	5,891,453
Total	100,513	8,268,378	4,123,507	381,731,492	394,223,890

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows:

31 December 2018: (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	61,781,084	61,781,084
Due to customers	–	5,881,497	5,881,497
Bills payable and trade payables	–	334,707,334	334,707,334
Other payables	–	55,429,042	55,429,042
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	19,374,376	19,374,376
Other current liabilities	–	4,998,272	4,998,272
Long-term loans	–	69,840,477	69,840,477
Bonds payable	–	37,458,422	37,458,422
Long-term payables (excluding special payables)	–	1,406,579	1,406,579
Other non-current liabilities	850,865	231,600	1,082,465
Total	850,865	591,108,683	591,959,548

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows:

31 December 2017:

Financial assets

RMB'000

Item	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Held-to-maturity investments	–	41	–	–	41
Available-for-sale financial assets	–	–	–	8,382,301	8,382,301
Bills receivable and trade receivables	–	–	153,528,817	–	153,528,817
Loans and advances to customers	–	–	1,683,000	–	1,683,000
Other receivables (excluding petty cash)	–	–	55,085,692	–	55,085,692
Long-term receivables	–	–	40,662,087	–	40,662,087
Current portion of non-current assets	–	–	8,591,799	–	8,591,799
Financial assets at fair value through profit or loss	489,712	–	–	–	489,712
Cash and bank balances	–	–	141,206,185	–	141,206,185
Total	489,712	41	400,757,580	8,382,301	409,629,634

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

1. Financial instruments by category (Continued)

The carrying amount of each categories of financial instruments at the end of the reporting period are as follows:

31 December 2017: (Continued)

Financial liabilities

RMB'000

Item	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term loans	–	29,499,098	29,499,098
Due to customers	–	804,834	804,834
Bills payable and trade payables	–	323,491,509	323,491,509
Other payables	–	49,797,546	49,797,546
Other current liabilities	–	67,200	67,200
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	–	29,880,184	29,880,184
Long-term loans	–	58,826,793	58,826,793
Bonds payable	–	35,677,923	35,677,923
Long-term payables (excluding special payables)	–	1,962,636	1,962,636
Other non-current liabilities	712,677	55,000	767,677
Total	712,677	530,062,723	530,775,400

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

2. Transfer of financial assets

Transferred financial assets that are derecognised in their entirety but continuously involved

As at 31 December 2018, the Group have endorsed and discounted the bills receivable amounting to RMB908,101,000 (31 December 2017: RMB1,080,233,000). As at 31 December 2018, for bills within 12 months, if acceptance banks dishonored the bills, endorsees shall have the right to turn to the Group for recourse according to the Law of Bill. The Group considered the risks and rewards of the bills have been transferred. Therefore, the Group has derecognised the related bills receivable and trade payables that have been settled by the bills. The undiscounted cash flows and maximum losses of continuing involvement and repurchase equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

In 2018, the Group did not recognised any profit or loss at the date of transfer. The Group had no current or accumulated gains or expenses related to continuing involvement of financial assets which had been derecognised. The endorsement and discount happens evenly throughout the year.

Transferred financial assets that are not derecognised in their entirety

In 2018, the Group sold trade receivables of RMB22,743,781,000 ("receivables") to the assets-backed specific plan which set up by the financial institute who are also the managers of the assets-backed specific plan. The managers represented the assets-backed specific plan to issue senior assets-backed securities and subordinate assets-backed securities to investors. The Group holds some portion of the subordinate assets-backed securities. Meanwhile, the Group acts as a receivables service provider to provide management services associated with receivables and their collection, contracts revision and other services to the assets-backed specific plan. In 2018, the related proceeds of the above sale of receivables is RMB21,588,745,000, and related expenses is RMB1,155,036,000.

As the Group has restriction in the ability of guiding the operations of assets-backed specific plan, resulting in the degree which the Group using substantial rights to influence to obtain variable returns limited, the Group does not need to consolidate the assets-backed specific plan. Meanwhile, the Group has neither transferred nor retained substantially all the risks and rewards of the receivables ownership, and it retained control of the receivables transferred, the Group recognised the asset and associated liability to the extent of its continuing involvement in the transferred asset. As at 31 December 2018, the Group recognised an asset of RMB231,600,000 related to continuing involvement of receivables.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks

The Group's major financial instruments include loans, due to customers, bonds, convertible bonds and finance lease liabilities. The purpose of these financial instruments is to support daily operations of the Group. The Group also has various financial assets and liabilities arising from operation, such as bills receivable and trade receivables, other receivables, long-term receivables, bills payable and trade payables, other payables and long-term payables.

The major risks from the Group's financial instruments are credit risk, liquidity risk and market risk. The management will hold meetings at least four times a year to analyze and make plans to manage these risks. Besides, the board will hold meetings at least twice a year to discuss and approve the suggestions from management. Generally, the Group introduces conservative strategies in risk management. As these risks for the Group are kept at a low level, the Group does not use any derivative instrument and other instruments to hedge these risks in the whole year.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the balances and collection of bills receivable and trade receivables and contract assets are monitored on an ongoing basis to ensure that the Group's exposure to credit loss is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group. Besides, the Group reviews collections of financial assets at each end of the Reporting Period to ensure sufficient provisions for estimated credit loss have been made for relevant financial assets.

Other financial assets of the Group include cash and bank balances, other receivable, debt investments, other debt investments, loans and advances to customers and long-term receivable. Credit risk of such financial assets is resulted from defaults of counterparties. The largest risk exposure equals to the carrying amount of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note XI.3 to the financial statements. Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limit the amount of credit exposure to any single financial institution.

The Group adopts the provision matrix based on portfolio to assess the credit losses of trade receivables, except for trade receivables that are individually significant and credit-impaired. The Group's trade receivables involve a large number of customers. Aging information may reflect these customers' solvency in regard of such trade receivables. According to the credit risk characteristics of different types of customers, trade receivables are divided into several group. The Group calculates the historical loss rate of different aging periods based on historical data, taking into consideration of the forward-looking information like growth rate of GDP, investment in infrastructure construction and monetary policies of central bank, and makes adjustments to estimate the provision rate. For contract assets and long-term receivables, the Group comprehensively considers billing period, contractual payment period, the debtor's financial position and economic situation of the debtor's industry, takes into account the above forward-looking information and makes adjustments, and works out reasonable assessment on expected credit loss. For other financial assets, the Group calculates the expected credit loss through default exposure and the expected credit loss rate for the next 12 months or the full lifetime. In 2018, there is no significant change in the forward-looking information.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2018, the credit risk exposure and expected credit-impairment losses are disclosed as follows:

RMB'000

Item	Gross carrying amount		Total
	Phase II (Not credit impaired)	Phase III (Credit impaired)	
31 December 2018	100,246,949	3,841,201	104,088,150

Item	Impairment of credit losses		Total
	Phase II (Not credit impaired)	Phase III (Credit impaired)	
1 January 2018	1,297,528	2,388,189	3,685,717
Transferred to impairment of credit losses occurred	(11,596)	11,596	–
Provision for the year	1,072,314	696,196	1,768,510
Reversal for the year	(534,504)	(117,167)	(651,671)
Write-off for the year	–	(56,811)	(56,811)
Others	(39,900)	–	(39,900)
31 December 2018	1,783,842	2,922,003	4,705,845

As at 31 December 2018, there is no significant credit impaired contract asset in the Group. The Group measure the provision according to the lifetime expected amount of credit losses in the whole duration, based on the billing period, settlement overdue time, the financial status of the debtor and the economic situation of the industry which the debtor is located of different types of construction projects.

RMB'000

	1 January 2018	Provision for the year	Reversal for the year	Others	31 December 2018
Impairment of credit losses	2,715,042	2,945,024	(388,736)	(2,592)	5,268,738

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Credit risk (Continued)

As at 31 December 2018, the credit risk exposure and expected credit losses of long-term receivables (includes retention receivables due within one year) generated from transactions scoped in ASBE No.14 are disclosed as follows:

RMB'000

Item	Gross carrying amount		Total
	Phase II (Not credit impaired)	Phase III (Credit impaired)	
31 December 2018	41,462,149	594,388	42,056,537

Item	Impairment of credit losses		Total
	Phase II (Not credit impaired)	Phase III (Credit impaired)	
1 January 2018	10,173	342,484	352,657
Provision for the year	71,783	9,259	81,042
Reversal for the year	(1,005)	–	(1,005)
31 December 2018	80,951	351,743	432,694

As at 31 December 2018, the Group's contract assets in other non-current assets including retention receivables, A-land development receivables and other project receivables (includes retention receivables due within one year), are amounting to RMB56,577,184,000, with no credit impaired. The Group recognises loss provision amounting to RMB393,160,000 based on lifetime expected credit loss.

As at 31 December 2018, external financial guarantees and mortgages for real estate development operations provided by the Group amounted to RMB1,649,070,000 and RMB19,643,712,000 respectively. Details of financial guarantee contracts are set out in Note XI.3. As at 1 January 2018, management of the Group assessed overdue status of relevant borrowings, financial position of relevant debtor, and economic condition in the debtor's industry. Management is of view that relevant credit risk of such part of financial guarantee contract has not increased significantly since initial recognition. Therefore, loss allowance for the Group's financial guarantee contracts are not determined based on the amount of lifetime expected credit loss, but measured at the amount of the future 12-month expected credit loss of the above financial guarantee contracts. During the period from 1 January 2018 to 31 December 2018, the Group's assessment method and significant assumptions did not change. The Group has not recognised expected loss allowance for guarantees and mortgages based on management's assessment.

As the Group's major customers are PRC government agencies at the national, provincial and local levels and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. As the Group's exposure to credit risk spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit facility to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group already has banking facilities from several PRC banks of up to RMB1,187,370,339,000 as at 31 December 2018, of which an amount of approximately RMB465,491,626,000 has been utilised.

The Group's policy is that not more than 75% of the borrowings shall mature in the following 12 months based on the carrying amount of borrowings reflected in the financial statements. As at 31 December 2018, the Group has 44.4% of loans and bonds payable that will expire within one year (As at 31 December 2017: 38.1%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities at the end of the Reporting Period, based on the undiscounted contractual cash flows:

RMB'000

Item	31 December 2018					Total
	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	63,157,274	-	-	-	63,157,274
Due to customers	5,881,497	-	-	-	-	5,881,497
Bills payable and trade payables	-	334,707,334	-	-	-	334,707,334
Other payables	-	55,429,042	-	-	-	55,429,042
Other current liabilities	-	5,120,058	-	-	-	5,120,058
Current portion of non- current liabilities (excluding current portion of long-term employee benefits payable)	-	19,795,446	-	-	-	19,795,446
Long-term loans	-	3,374,077	23,466,448	16,827,343	62,731,433	106,399,301
Bonds payable	-	1,523,395	14,217,428	25,014,249	964,356	41,719,428
Long-term payables (excluding special payables)	-	38,451	581,534	783,260	169,044	1,572,289
Other non-current liabilities	-	-	231,600	-	-	231,600
Financial guarantees (<i>Note X/3</i>)(excluding the real estate mortgage guarantee)	1,649,070	-	-	-	-	1,649,070
Total	7,530,567	483,145,077	38,497,010	42,624,852	63,864,833	635,662,339

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Liquidity risk (Continued)

RMB'000

Item	On demand	31 December 2017				Total
		Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Short-term loans	-	29,650,632	-	-	-	29,650,632
Due to customers	804,834	-	-	-	-	804,834
Bills payable and trade payables	-	323,491,509	-	-	-	323,491,509
Other payables	-	49,797,546	-	-	-	49,797,546
Other current liabilities	-	67,200	-	-	-	67,200
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	-	30,995,295	-	-	-	30,995,295
Long-term loans	-	2,495,993	18,697,514	22,471,313	42,652,736	86,317,556
Bonds payable	-	483,421	2,368,704	30,667,936	6,294,711	39,814,772
Long-term payables	-	28,272	745,071	1,043,623	280,716	2,097,682
Other non-current liabilities	-	-	-	55,000	-	55,000
Financial guarantees (<i>Note XI.3</i>)(excluding the real estate mortgage guarantee)	1,575,007	-	-	-	-	1,575,007
Total	2,379,841	437,009,868	21,811,289	54,237,872	49,228,163	564,667,033

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. Interest-bearing borrowings, cash and short term deposits are stated at amortised cost and are not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the profit or loss as earned/incurred.

As at 31 December 2018, floating interest rate loans and fixed interest rate loans accounted for approximately 88.22% and 11.78% of the Group's borrowings respectively. Management would adjust the proportion of floating and fixed rate loans based on changes in the market interest rates to reduce the significant impact arising from interest rate risk.

If there was a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by 0.25% (2017: 0.25%), with all other variables held constant, the consolidated operating results (the effect of capitalization of borrowing costs has been taken into account) would have decreased/increased by approximately RMB178,734,000 for the year ended 31 December 2018 (2017: RMB116,013,000), and there is no impact on other components of the consolidated equity, except for retained earnings, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at 31 December 2018 and the exposure to interest rate risk has been applied to those loans in existence at that date. The estimated 0.25% (2017: 0.25%) of increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period from now until the end of the next annual reporting period.

Foreign currency risk

As a result of its significant business operations in Mainland China, the Group's revenue and expenses are mainly denominated in RMB and over 90% of the financial assets and liabilities are denominated in RMB. The effect of the fluctuations in the exchange rates of RMB against foreign currencies on the Group's results of operations is therefore minimal and the Group has not entered into any hedging transactions for the year ended 31 December 2018 and 31 December 2017 in order to reduce the Group's exposure to foreign currency risk in this regard.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the United States dollar, Euro and Algerian dinar, with all other variables held constant, of the Group's net profit and shareholder's equity net of tax.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

3. Financial instrument risks (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

2018:

RMB'000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	4%	86,532	86,532
Decrease in the United States dollar rate	(4%)	(86,532)	(86,532)
Increase in the Euro rate	5%	(8,399)	(8,399)
Decrease in the Euro rate	(5%)	8,399	8,399
Increase in the Algerian dinar rate	6%	55,696	55,696
Decrease in the Algerian dinar rate	(6%)	(55,696)	(55,696)

2017:

RMB'000

Item	Exchange Rate Increase/ (Decrease)	Net profit or loss Increase/ (Decrease)	Total equity Increase/ (Decrease)
Increase in the United States dollar rate	3%	56,917	56,917
Decrease in the United States dollar rate	(3%)	(56,917)	(56,917)
Increase in the Euro rate	5%	(11,406)	(11,406)
Decrease in the Euro rate	(5%)	11,406	11,406
Increase in the Algerian dinar rate	6%	(9,486)	(9,486)
Decrease in the Algerian dinar rate	(6%)	9,486	9,486

The sensitivity analysis above has been determined assuming that the changes in foreign exchange rates had occurred as at 31 December 2018 and the exposure to foreign currency risk has been applied to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the period from now until the end of the next annual reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

4. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders and other equity investors.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes all loans, amounts due to customers, other current liabilities, bills payable and trade payables, other payables, bonds payable, long-term payables (excluding special payables), the current portion of non-current liabilities (excluding the current portion of employee benefits payable) and other non-current liabilities less cash and bank balances. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratios at the end of the reporting periods are as follows:

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

VIII. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

4. Capital management (Continued)

RMB'000

Item	31 December 2018	31 December 2017
Short-term loans	61,781,084	29,499,098
Long-term loans	69,840,477	58,826,793
Due to customers	5,881,497	804,834
Bills payable and trade payables	334,707,334	323,491,509
Other payables	55,429,042	49,797,546
Current portion of non-current liabilities (excluding current portion of long-term employee benefits payable)	19,374,376	29,880,184
Other current liabilities	4,998,272	67,200
Bonds payable	37,458,422	35,677,923
Long-term payables (excluding special payables)	1,406,579	1,962,636
Other non-current liabilities	1,082,465	767,677
Less: cash and bank balances	143,801,598	141,206,185
Net debt	448,157,950	389,569,215
Owners of the Company	169,889,912	149,411,983
Non-controlling interests	37,444,943	29,236,862
Total equity	207,334,855	178,648,845
Total equity and net debt	655,492,805	568,218,060
Gearing ratio	68%	69%

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

31 December 2018

RMB'000

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Held-for-trading financial assets	235,657	2,964,966	143,835	3,344,458
Other debt investments	–	100,513	–	100,513
Other equity instrument investments	1,461,847	242,232	6,564,299	8,268,378
Other non-current financial assets	436	–	778,613	779,049
Other non-current liabilities	–	–	850,865	850,865
Total	1,697,940	3,307,711	8,337,612	13,343,263

31 December 2017

RMB'000

	Inputs of fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Continuous measurement of fair value				
Financial assets at fair value through profit or loss	257,408	–	232,304	489,712
Available-for-sale financial assets	1,929,900	570,761	380,415	2,881,076
Other non-current liabilities	–	–	712,677	712,677
Total	2,187,308	570,761	1,325,396	4,083,465

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Assets and liabilities measured at fair value (Continued)

The Derivative financial instruments hold by the Group include the forward equity contracts to the unlisted companies' equity and embedded derivative of convertible bonds both adopted the Binomial tree option pricing model for valuation. The valuation model for the forward equity contracts to the unlisted companies' equity comprises several unobservable inputs, including volatility of the unlisted companies' income, expected volatility of the stock price of the unlisted companies' comparable companies. The valuation model for the embedded derivative of convertible bonds comprises several unobservable inputs, including expected volatility of stock price and risk-free interest rate, etc.

Fair value of listed equity instruments is determined based on a quoted market price.

For the year of 2018, there was no transfer of fair value measurements between each level for both financial assets and financial liabilities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Fair value of assets and liabilities that are not measured at fair values

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate to their fair values except the following items:

RMB'000

Item	Carrying amount		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Long-term loans	69,840,477	58,826,793	69,176,793	58,417,600
Bonds payable				
– Convertible bonds (Note)	7,472,604	6,937,052	6,627,318	6,778,214
– Others	31,244,812	29,861,677	31,261,788	30,057,285

Note: The carrying amounts of convertible bonds include the carrying amounts of corresponding embedded derivative instruments and equity components.

The fair value of the convertible bond is an unadjusted price quoted in an active market, which is determined by applying the first-level input value.

Fair value of long-term loans and bonds payable (excluding the convertible bonds) is determined by discounted future cash flow method, with market yield of other financial instruments with similar contractual terms, credit risk and remaining period, which used as the discount rate. As at 31 December 2018, its own default risk of long-term and short-term loans is evaluated as insignificant.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent

RMB'000

Company name	Place of registration	Business scope	Registered capital	Percentage of ownership interest in the Company	Percentage of voting rights in the Company
CRCCG	Beijing	Construction and management	9,000,000	51.13	51.13

Note: Upon approval by the State-owned Assets Supervision and Administration Commission of the State Council, CRCCG, the controlling shareholder of the Company, has transferred 624,658,910 A shares of the Company to Beijing Chengtong Financial Investment Co., Ltd. and Guoxin Investment Co., Ltd. without consideration in September 2018. After completion of the above transfer, CRCCG directly holds 6,942,736,590 A shares of CRCC, representing 51.13% of the total share capital of the Company; Beijing Chengtong Financial Investment Co., Ltd. holds 312,329,455 A shares of CRCC, representing 2.30% of the total share capital of the Company; Guoxin Investment Co., Ltd. holds 312,329,455 A shares of CRCC, representing 2.30% of the total share capital of the Company.

2. Subsidiaries

Please refer to Note XIV. 3(i) "Subsidiaries".

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates

Company name	Related party relationship
Hangzhou Lin'an Changxi Investment and Construction Management Co., Ltd.	Joint venture
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	Joint venture
Chongqing Tiefa Jianxin Highway Co., Ltd.	Joint venture
Hohhot Metro Line 2 Construction & Management Co., Ltd.	Joint venture
Tianjin China Railway Yuhua Real Estate Co., Ltd.	Joint venture
Chengdu Tiecheng Real Estate Co., Ltd.	Joint venture
Beijing Jiehai Real Estate Co., Ltd.	Joint venture
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	Joint venture
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	Joint venture
Tianjin Wanhe Real Estate Co., Ltd.	Joint venture
Beijing Liuzhuang Real Estate Co., Ltd.	Joint venture
Dalian Jingcheng Real Estate Co., Ltd.	Joint venture
Chengdu China Railway Huafu Real Estate Co., Ltd.	Joint venture
Guangzhou Jingyue Bay Industry Development Co., Ltd.	Joint venture
Hangzhou Jingping Real Estate Co., Ltd.	Joint venture
Hangzhou Jingbin Real Estate Co., Ltd.	Joint venture
Hangzhou Jianshen Real Estate Co., Ltd.	Joint venture
Shanghai Hongjun Real Estate Co., Ltd.	Joint venture
CRCC-HC-CR15G Joint Venture	Joint venture
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	Joint venture
Hangzhou Jingke Real Estate Co., Ltd.	Joint venture
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	Joint venture
Xi'an China Railway Jingmao Real Estate Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	Joint venture
CRCC Xinjiang Jingxin Expressway Co., Ltd.	Joint venture
Beijing Xinda Real Estate Co., Ltd.	Joint venture
Beijing Ruida Real Estate Co., Ltd.	Joint venture
Guangzhou Xintie Xinjian Investment Co., Ltd.	Joint venture
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	Joint venture
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	Joint venture
Chongqing Jianlian New Real Estate Co., Ltd.	Joint venture
Chongqing Pinjinyue Real Estate Co., Ltd.	Joint venture
Nanjing Jingrui Real Estate Investment Co., Ltd.	Joint venture
PetroChina & CRCC Petroleum Marketing Co., Ltd.	Joint venture
Sichuan Tianfu Airport Expressway Co., Ltd.	Joint venture
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.	Joint venture
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	Joint venture
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	Joint venture
Inner Mongolia Dongyun Sports Investment Co., Ltd.	Joint venture

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint venture and associate (Continued)

Company name	Related party relationship
CRCC Shaanxi Highway Co., Ltd.	Joint venture
Changzhou Jingrui Real Estate Development Co., Ltd.	Joint venture
Deqing Jingsheng Real Estate Development Co., Ltd.	Joint venture
Ningbo Jingwan Investment Management Co., Ltd.	Joint venture
Ningbo Jinghai Investment Management Co., Ltd.	Joint venture
Fuzhou Xinchun Real Estate Co., Ltd.	Joint venture
Yunnan Yulin Expressway Construction Co., Ltd.	Joint venture
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.	Joint venture
Inner Mongolia BERUN New Energy Co., Ltd.	Associate
Chongqing Monorail Transit Engineering Co., Ltd.	Associate
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	Associate
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	Associate
CRCC (Shandong) Gaodong Highway Co., Ltd.	Associate
Shenzhen China Railway Daweijun Storage & Transportation Co., Ltd.	Associate
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	Associate
Changde Yuanjiang Tunnel Co., Ltd.	Associate
Xinjiang Taqia Highway Project Management Co., Ltd.	Associate
Ningxia Inter-City Railway Co., Ltd.	Associate
Changzhou China Railway Blue Flame Component Co., Ltd.	Associate
Yuxi China Railway Infrastructure Construction Co., Ltd.	Associate
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	Associate
Gansu Zhuzhong Railway Co., Ltd.	Associate
Zhengzhou Jiaotou East Fourth Ring Project Management Co., Ltd.	Associate
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	Associate
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	Associate
Tianjin China Railway Guancheng Real Estate Co., Ltd.	Associate
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.	Associate
China Railway Construction Group Beijing Yongsheng Investment & Development Co., Ltd.	Associate
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	Associate
Guizhou China Railway Construction Engineering Investment Co., Ltd.	Associate
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.	Associate
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	Associate
Chongqing Yurong Highway Co., Ltd.	Associate
CRCC-Tongguan Investment Co., Ltd.	Associate
CRCC Real Estate Co., Ltd.	Associate

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint venture and associate (Continued)

Company name	Related party relationship
Wuhan Lvyin Lawn Engineering Co., Ltd.	Associate
CRCC (Shandong) Deshang Highway Co., Ltd.	Associate
CRCC Shandong Jixu Highway Jiyu Co., Ltd.	Associate
CRCC Shandong Jinghu Highway Jile Co., Ltd.	Associate
CRCC Gansu Zhangbian Highway Co., Ltd.	Associate
Gansu Jinhe Highway Project Management Co., Ltd.	Associate
Hunan Maglev Transportation Development Co., Ltd.	Associate
Kunming Metro Line 5 Construction & Operation Co., Ltd.	Associate
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	Associate
CRCC Financial Leasing Co., Ltd.	Associate
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.	Associate
Guangzhou Hongxuan Real Estate Co., Ltd.	Associate
Guangzhou Hongjia Real Estate Co., Ltd.	Associate
Guangzhou Baorui Real Estate Co., Ltd.	Associate
Guangzhou Jingye Real Estate Co., Ltd.	Associate
Chongqing Tiefa Xiusong Highway Co., Ltd.	Associate
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)	Associate
Kunming Sanqing Highway Co., Ltd.	Associate
Kunming Fuyi Highway Co., Ltd.	Associate
Qingyuan Maglev Transportation Co., Ltd.	Associate
Guangxi Jingcheng Real Estate Development Co., Ltd.	Associate
Jiaxing Jingkai Real Estate Development Co., Ltd.	Associate
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	Associate
Hangzhou Beikong Jiandejiang Investment Co., Ltd.	Associate
Shaanxi Huangpu Highway Co., Ltd.	Associate
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.	Associate

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Company name	Related party relationship
Beijing Tongda Jingcheng Highway Co., Ltd.	Fellow subsidiary
Beijing Railway Construction Technology Magazine Co., Ltd.	Fellow subsidiary
China Railway Construction Jinli Assets Management Co., Ltd.	Fellow subsidiary

5. Related party transactions

Item	2018	2017
(1) Revenue from construction services		
<i>Note 1</i>		
Sichuan Tianfu Airport Expressway Co., Ltd.	3,503,490	1,306,106
Yunnan Yulin Expressway Construction Co., Ltd.	3,016,082	-
Hohhot Metro Line 2 Construction & Management Co., Ltd.	2,852,330	1,437,836
CRCC Xinjiang Jingxin Expressway Co., Ltd.	2,423,985	-
CRCC Shaanxi Highway Co., Ltd.	2,027,547	221,223
Shaanxi Huangpu Highway Co., Ltd.	1,823,757	-
CRCC Gansu Zhangbian Highway Co., Ltd.	1,513,262	-
Kunming Metro Line 5 Construction & Operation Co., Ltd.	931,060	-
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.	869,488	-
CRCC (Shandong) Gaodong Highway Co., Ltd.	677,310	-
Guizhou China Railway Construction Engineering Investment Co., Ltd.	656,276	414,522
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	644,693	-
Qingyuan Maglev Transportation Co., Ltd.	576,739	-
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	518,167	-
Gansu Zhuzhong Railway Co., Ltd.	476,225	529,816
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	470,740	-
Chongqing Tiefu Jianxin Highway Co., Ltd.	460,023	1,726,563
Changde Yuanjiang Tunnel Co., Ltd.	417,576	287,122
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	402,620	174,948
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.	332,130	94,779
Tianjin China Railway Yuhua Real Estate Co., Ltd.	289,730	219,211
Zhengzhou Jiaotou East Fourth Ring Project Management Co., Ltd.	243,044	-
Tianjin China Railway Guancheng Real Estate Co., Ltd.	242,194	173,794
Yuxi China Railway Infrastructure Construction Co., Ltd.	222,801	774,710
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	222,243	185,650
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	212,914	112,276
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	125,137	63,089
Chongqing Monorail Transit Engineering Co., Ltd.	98,570	198,274

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

		<i>RMB'000</i>	
Item		2018	2017
(1) Revenue from construction services (Continued)			
Hunan Maglev Transportation Development Co., Ltd.		31,622	189,148
CRCC-HC-CR15G Joint Venture		22,913	36,213
Chongqing Yurong Highway Co., Ltd.		14,475	87,101
Ningxia Inter-City Railway Co., Ltd.		1,771	232,925
Changchun Chengyue Ecological Management Construction & Investment Co., Ltd.		–	612,933
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.		–	372,547
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.		–	45,792
Total		26,320,914	9,496,578
(2) Revenue from sales of goods	<i>Note 2</i>		
CRCC Financial Leasing Co., Ltd.		2,109,300	1,546,705
Chongqing Tiefa Jianxin Highway Co., Ltd.		1,056,427	742,142
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.		303,136	31,915
Total		3,468,863	2,320,762
(3) Other income	<i>Note 3</i>		
Tianjin Wanhe Real Estate Co., Ltd.		207,667	83,634
Beijing Xinda Real Estate Co., Ltd.		194,994	–
Chengdu China Railway Huafu Real Estate Co., Ltd.		168,892	137,631
Ningbo Jinghai Investment Management Co., Ltd.		142,892	–
Nanjing Jingrui Real Estate Investment Co., Ltd.		117,507	–
CRCCG	<i>Note 4</i>	77,410	58,173
Beijing Liuzhuang Real Estate Co., Ltd.		53,731	75,041
Guangzhou Baorui Real Estate Co., Ltd.		40,262	38,933
Shanghai Hongjun Real Estate Co., Ltd.		19,725	96,132
Chengdu Tiecheng Real Estate Co., Ltd.		15,305	19,775
Guangzhou Jingyue Bay Industry Development Co., Ltd.		13,762	6,284
Dalian Wancheng Zhiguang Real Estate Co., Ltd.		8,573	26,981
Guangzhou Hongjia Real Estate Co., Ltd.		7,323	4,792
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		6,621	55,842
Beijing Jiehai Real Estate Co., Ltd.		4,919	39,757
Guangzhou Hongxuan Real Estate Co., Ltd.		1,056	7,475
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.		999	10,688
Guangzhou Jingye Real Estate Co., Ltd.		428	2,022
Tianjin China Railway Yuhua Real Estate Co., Ltd.		217	10,685
CRCC Financial Leasing Co., Ltd.		–	57,841
Hangzhou Jingbin Real Estate Co., Ltd.		–	39,251
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.		–	10,871
Hangzhou Jingping Real Estate Co., Ltd.		–	3,267
Total		1,082,283	785,075

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

		<i>RMB'000</i>	
Item		2018	2017
(4) Purchase of goods and receipt of services	<i>Note 5</i>		
Changzhou China Railway Blue Flame Component Co., Ltd.		59,581	10,175
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.		41,830	40,841
PetroChina & CRCC Petroleum Marketing Co., Ltd.		34,230	180,569
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		24,840	18,956
Total		160,481	250,541
(5) Other expenses	<i>Note 5</i>		
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.		72,981	–
CRCCG	<i>Note 4</i>	44,453	43,518
China Railway Construction Jinli Assets Management Co., Ltd.	<i>Note 4</i>	4,518	3,009
Beijing Tongda Jingcheng Highway Co., Ltd.	<i>Note 4</i>	3,189	1,884
CRCC Real Estate Co., Ltd.		402	96
Guangzhou Xintie Xinjian Investment Co., Ltd.		386	307
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.		158	–
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		62	41
Beijing Railway Construction Technology Magazine Co., Ltd.	<i>Note 4</i>	16	11
PetroChina & CRCC Petroleum Marketing Co., Ltd.		8	28
Beijing Xinda Real Estate Co., Ltd.		4	–
CRCC Financial Leasing Co., Ltd.		–	2,815
Chongqing Tiefu Jianxin Highway Co., Ltd.		–	1,269
Total		126,177	52,978

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

- (6) Related party leasing

As the lessee:

RMB'000

Lessor	Leasing asset types	Amount recognised in the current year	Amount recognised in the prior year
CRCC Financial Leasing Co., Ltd.	Machinery	966,147	485,559
CRCCG	Buildings	74,141	75,786
China Railway Construction Jinli Assets Management Co., Ltd.	Buildings	27,051	26,690
Total	–	1,067,339	588,035

- (7) Guarantees granted to a related party

31 December 2018:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	1,029,480	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	296,490	20 May 2015	20 November 2023	No
CRCC Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2023	No
Total	1,520,970	–	–	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(7) Guarantees granted to a related party (Continued)

31 December 2017:

RMB'000

Secured party	Amount of guarantee	Inception of guarantee	Termination of guarantee	Whether the guarantee is fulfilled
CRCC-Tongguan Investment Co., Ltd.	980,130	17 March 2014	30 December 2023	No
CRCC-Tongguan Investment Co., Ltd.	282,277	20 May 2015	20 November 2023	No
CRCC Shandong Jinghu Highway Jile Co., Ltd.	195,000	8 December 2016	7 December 2023	No
Total	1,457,407	–	–	–

(8) Key management's remuneration

RMB'000

Item	2018	2017
Key management's remuneration	10,313	8,982

Note 1: The terms of the construction service agreements entered into by the Group and related parties were mutually agreed by the parties.

Note 2: The terms of the sales agreements of goods entered into by the Group and related parties were mutually agreed by the parties.

Note 3: The terms of the agreements relating to rendering of or receiving other services entered into by the Group and related parties were mutually agreed by the parties. The other income from related parties was mainly interest income from loans receivable.

Note 4: The above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Note 5: The terms of the purchase agreements of goods and services entered into by the Group and related parties were mutually agreed by the parties.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

RMB'000

		31 December 2018		31 December 2017	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Provision for bad debts
Bills receivable and trade receivables	<i>Note 1</i>				
CRCC Financial Leasing Co., Ltd.		1,235,603	1,236	346,831	–
CRCC Shaanxi Highway Co., Ltd.		952,416	952	202,552	–
Chongqing Tiefu Jianxin Highway Co., Ltd.		941,470	941	31,402	–
Hohhot Metro Line 2 Construction & Management Co., Ltd.		928,501	1,857	324,589	–
CRCC Gansu Zhangbian Highway Co., Ltd.		904,848	905	–	–
CRCC Xinjiang Jingxin Expressway Co., Ltd.		844,572	845	–	–
CRCC (Shandong) Gaodong Highway Co., Ltd.		673,255	673	–	–
Gansu Zhuzhong Railway Co., Ltd.		556,995	557	307,603	–
Shaanxi Huangpu Highway Co., Ltd.		539,229	539	–	–
Nanjing Jiangbei New Area Guanglian Pipeline Corridor Construction Co., Ltd.		404,631	405	–	–
Qingyuan Maglev Transportation Co., Ltd.		390,551	391	–	–
Guizhou China Railway Construction Engineering Investment Co., Ltd.		210,000	210	168,047	–
CITIC Railway Construction (Luoyang) Excavating Equipment Co., Ltd.		165,852	706	16,343	–
Hunan Maglev Transportation Development Co., Ltd.		144,402	289	144,402	–
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.		109,941	110	–	–
Yuxi China Railway Infrastructure Construction Co., Ltd.		108,138	654	153,439	–
CRCC (Shandong) Deshang Highway Co., Ltd.		94,182	94	119,944	–
Tianjin China Railway Yuhua Real Estate Co., Ltd.		81,594	99	–	–
Chongqing Monorail Transit Engineering Co., Ltd.		73,049	73	192,122	–
Qingdao Qingping Tiecheng Construction Engineering Co., Ltd.		49,462	99	30,618	–
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.		33,874	67	69,341	–
Yunnan Yulin Expressway Construction Co., Ltd.		33,348	33	–	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2018		31 December 2017	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Provision for bad debts
Bills receivable and trade receivables (Continued)				
CRCC-HC-CR15G Joint Venture	29,600	30	28,239	–
Hangzhou Lin'an Changxi Investment and Construction Management Co., Ltd.	26,029	26	26,065	–
China Railway Construction Group Rongsheng Chengdu Tianfu New Area Investment Co., Ltd.	8,932	9	206,004	–
Chongqing Yurong Highway Co., Ltd.	6,122	49	6,924	–
Kunming Metro Line 5 Construction & Operation Co., Ltd.	4,614	5	–	–
Hubei Provincial Communications Investment ZiYun Railway Co., Ltd.	2,469	5	40,531	–
Tianjin China Railway Guancheng Real Estate Co., Ltd.	9	9	–	–
Inner Mongolia BERUN New Energy Co., Ltd.	–	–	29,797	–
Total	9,553,688	11,868	2,444,793	–
Loans and advances to related parties				
CRCCG	2,200,000	55,000	1,700,000	17,000
Total	2,200,000	55,000	1,700,000	17,000
Other receivables				
Beijing Xinda Real Estate Co., Ltd.	3,697,681	3,698	3,927,327	–
Tianjin Wanhe Real Estate Co., Ltd.	2,865,484	2,865	2,752,386	–
Chengdu China Railway Huafu Real Estate Co., Ltd.	2,805,537	2,806	2,666,937	–
Guangzhou Xintie Xinjian Investment Co., Ltd.	2,749,694	2,750	–	–
Ningbo Jinghai Investment Management Co., Ltd.	1,906,619	1,907	–	–
CRCC Xinjiang Jingxin Expressway Co., Ltd.	1,720,716	1,721	–	–
Beijing Liuzhuang Real Estate Co., Ltd.	1,554,083	1,554	1,592,548	–
Foshan City Shunde District Shunhao Real Estate Co., Ltd.	1,393,008	1,393	–	–
Ningbo Jingwan Investment Management Co., Ltd.	1,370,231	1,370	–	–
Changzhou Jingrui Real Estate Development Co., Ltd.	1,369,520	1,370	–	–
China Railway Construction Kunlun Yunnan Real Estate Co., Ltd.	1,345,664	1,346	704,837	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2018		31 December 2017	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Provision for bad debts
Other receivables (Continued)				
CRCC (Shandong) Gaodong Highway Co., Ltd.	1,194,944	1,195	–	–
Beijing Jiehai Real Estate Co., Ltd. <i>Note 2</i>	1,069,068	1,069	181,371	–
Nanjing Jingrui Real Estate Investment Co., Ltd. <i>Note 2</i>	1,024,314	1,024	–	–
CRCC Shaanxi Highway Co., Ltd.	979,441	979	262,290	–
Beijing Ruida Real Estate Co., Ltd. <i>Note 2</i>	873,203	874	1,892,899	–
Deqing Jingsheng Real Estate Development Co., Ltd. <i>Note 2</i>	637,224	637	–	–
Guangzhou Baorui Real Estate Co., Ltd. <i>Note 2</i>	570,298	570	549,786	–
Jiaxing Jingkai Real Estate Development Co., Ltd. <i>Note 2</i>	535,378	535	–	–
CRCC-Tongguan Investment Co., Ltd.	510,902	511	433,581	–
CRCC Shandong Jinghu Highway Jile Co., Ltd.	474,382	474	435,000	–
CRCC Real Estate Co., Ltd. <i>Note 2</i>	425,374	426	207,101	–
Chongqing Pinjinyue Real Estate Co., Ltd. <i>Note 2</i>	353,764	354	–	–
Fuzhou Xincheng Real Estate Co., Ltd. <i>Note 2</i>	279,054	279	–	–
Guangzhou Jingyue Bay Industry Development Co., Ltd. <i>Note 2</i>	247,473	247	291,100	–
Chongqing Jianlian New Real Estate Co., Ltd. <i>Note 2</i>	238,933	239	–	–
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	200,000	200	–	–
Taiyuan City Jinyuan East Zone Comprehensive Pipeline Corridor Construction & Management Co., Ltd.	176,361	176	–	–
Chengdu Tiecheng Real Estate Co., Ltd. <i>Note 2</i>	86,371	86	842,027	–
Tianjin China Railway Guancheng Real Estate Co., Ltd. <i>Note 2</i>	68,352	68	153,555	–
Xinjiang Taqia Highway Project Management Co., Ltd.	56,000	56	–	–
Guangxi Jingcheng Real Estate Development Co., Ltd.	45,638	46	–	–
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	34,060	34	–	–
CRCC Shandong Jixu Highway Jiyu Co., Ltd.	30,000	30	30,000	–
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	24,136	48	–	–
Chongqing Tiefa Jianxin Highway Co., Ltd.	22,265	22	202,924	–
Tianjin China Railway Yuhua Real Estate Co., Ltd. <i>Note 2</i>	16,062	16	18,185	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2018		31 December 2017	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Provision for bad debts
Other receivables (Continued)				
Chongqing Monorail Transit Engineering Co., Ltd.	15,652	16	15,652	–
CRCC Financial Leasing Co., Ltd.	12,623	13	6,033	69
Guangzhou Hongxuan Real Estate Co., Ltd. <i>Note 2</i>	7,354	7	120,457	–
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	1,961	2	192	–
Shanghai Hongjun Real Estate Co., Ltd. <i>Note 2</i>	–	–	1,072,139	–
Xi'an China Railway Jingmao Real Estate Co., Ltd. <i>Note 2</i>	–	–	448,612	–
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd. <i>Note 2</i>	–	–	337,407	–
Yuxi China Railway Infrastructure Construction Co., Ltd.	–	–	261,000	–
Dalian Wancheng Zhiguang Real Estate Co., Ltd. <i>Note 2</i>	–	–	198,640	–
Guangzhou Hongjia Real Estate Co., Ltd. <i>Note 2</i>	–	–	182,331	–
Hohhot Metro Line 2 Construction & Management Co., Ltd.	–	–	100,000	–
Guangzhou Jingye Real Estate Co., Ltd. <i>Note 2</i>	–	–	47,411	–
Changzhou China Railway Blue Flame Component Co., Ltd.	–	–	4,763	–
Shenzhen China Railway Daweijun Storage & Transportation Co., Ltd.	–	–	1,383	–
Total	32,988,824	33,013	19,939,874	69

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

RMB'000

		31 December 2018		31 December 2017	
		Gross carrying amount	Impairment of credit losses	Gross carrying amount	Provision for bad debts
Long-term receivables					
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.	<i>Note 2</i>	5,344,453	6,242	4,902,454	–
Yuxi China Railway Infrastructure Construction Co., Ltd.		332,925	562	–	–
Inner Mongolia Dongyun Sports Investment Co., Ltd.		165,690	331	–	–
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.		70,230	120	32,337	–
Total		5,913,298	7,255	4,934,791	–

RMB'000

		31 December 2018	31 December 2017
Bills payable and trade payables			
PetroChina & CRCC Petroleum Marketing Co., Ltd.	<i>Note 1</i>	47,006	54,566
Ningbo Hangtong Prefabricated Components Engineering Co., Ltd.		22,697	19,083
Changzhou China Railway Blue Flame Component Co., Ltd.		21,138	–
Wuhan Lvyin Lawn Engineering Co., Ltd.		1,369	2,374
China Railway First Survey and Design Institution Group Shandong Architecture Design Institute Co., Ltd.		–	15,834
Total		92,210	91,857

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2018	31 December 2017
Contract liabilities		
	<i>Note 4</i>	
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.	337,930	/
Gansu Jinhe Highway Project Management Co., Ltd.	180,314	/
Chongqing Tiefu Jianxin Highway Co., Ltd.	172,354	/
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	152,932	/
Yangzhou Wantou Jade Characteristics Town Co., Ltd.	66,320	/
Changde Yuanjiang Tunnel Co., Ltd.	64,281	/
CRCC Shaanxi Highway Co., Ltd.	15,307	/
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	9,158	/
Total	998,596	/
Advances from customers		
Chongqing Tiefu Jianxin Highway Co., Ltd.	–	206,104
China Railway 14th Bureau Group Wuhan Metro Investment & Construction Co., Ltd.	–	138,722
Lanzhou Matan Pipeline Corridor Project Management Co., Ltd.	–	82,088
CRCC-HC-CR15G Joint Venture	–	57,950
Huizhou CRCC Harbor & Channel Engineering Bureau Infrastructure Investment Co., Ltd.	–	38,425
Total	–	523,289

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

		RMB'000
	31 December 2018	31 December 2017
Other payables	<i>Note 1</i>	
Hangzhou Jingbin Real Estate Co., Ltd.	1,130,475	586,739
Hangzhou Jingke Real Estate Co., Ltd.	861,900	178,482
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.	525,666	–
Nanjing Xincheng Guanghong Real Estate Co., Ltd.	437,000	437,000
Shanghai Hongjun Real Estate Co., Ltd.	426,524	–
Chongqing Tiefa Jianxin Highway Co., Ltd.	414,548	–
Taiyuan Rongchuang Huifeng Real Estate Co., Ltd.	382,888	132,595
Hangzhou Jingping Real Estate Co., Ltd.	357,000	392,000
Dalian Wancheng Zhiguang Real Estate Co., Ltd.	344,685	–
Hangzhou Jianshen Real Estate Co., Ltd.	300,000	500,000
Chongqing Tiefa Xiusong Highway Co., Ltd.	228,646	184,161
CRCC (Shandong) Deshang Highway Co., Ltd.	191,739	–
Hangzhou Beikong Jiandejiang Investment Co., Ltd.	122,353	–
Guangzhou Huangpu Light Rail Line 1 Investment Construction Co., Ltd.	119,796	85,000
Chongqing Tiefa Shuanghe Expressway Co., Ltd.	100,501	–
Guangzhou Hongjia Real Estate Co., Ltd.	87,041	–
Guangzhou Jingye Real Estate Co., Ltd.	70,253	–
CRCC-HC-CR15G Joint Venture	57,179	69,241
CRCC Shaanxi Highway Co., Ltd.	52,101	–
CRCC Financial Leasing Co., Ltd.	45,184	–
China Railway Construction Yudongnan (Chongqing) Expressway Co., Ltd.	27,833	–
CRCCG	24,176	5,180
China Railway Construction Group Beijing Yongsheng Investment & Development Co., Ltd.	20,000	–
Xi'an China Railway Jingmao Real Estate Co., Ltd.	14,942	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

	31 December 2018	31 December 2017
Other payables (Continued)		
Changzhou China Railway Blue Flame Component Co., Ltd.	14,243	–
Dalian Jingcheng Real Estate Co., Ltd.	13,365	8,372
CRCC Gansu Zhangbian Highway Co., Ltd.	10,425	–
China Railway Construction Jinli Assets Management Co., Ltd.	2,046	8,145
PetroChina & CRCC Petroleum Marketing Co., Ltd.	1,969	400
Sichuan Tianfu Airport Expressway Co., Ltd.	1,126	161,686
Kunming Sanqing Highway Co., Ltd.	584	200,000
Kunming Fuyi Highway Co., Ltd.	517	190,829
Beijing Jiehai Real Estate Co., Ltd.	100	–
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.	–	32,097
China Railway Construction Real Estate Group Jinan 6th Continent Real Estate Co., Ltd.	–	12,194
Total	6,386,805	3,184,121
Advances to suppliers		
CRCC Financial Leasing Co., Ltd.	33,261	37,740
Total	33,261	37,740

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

		<i>RMB'000</i>	
		31 December 2018	31 December 2017
Due to customers	<i>Note 5</i>		
Beijing Xinda Real Estate Co., Ltd.		1,888,105	456
China Railway Construction Real Estate Group Suzhou Real Estate Co., Ltd.		1,284,780	–
China Railway Construction Jinli Assets Management Co., Ltd.		613,288	337,721
CRCCG		580,401	170,549
Chongqing Tiefa Jianxin Highway Co., Ltd.		400,000	–
Shijiazhuang Runshi Ecological Protection Management Service Co., Ltd.		356,343	–
Guangzhou Xintie Xinjian Investment Co., Ltd.		340,381	20,256
Beijing Tongda Jingcheng Highway Co., Ltd.		270,673	242,485
CRCC Real Estate Co., Ltd.		63,233	27,518
CRCC (Guangzhou) North Railway Station Xincheng Investment Construction Co., Ltd.		42,994	–
Shijiazhuang Jiasheng Pipeline Corridor Engineering Co., Ltd.		37,782	974
Beijing Railway Construction Technology Magazine Co., Ltd.		3,517	3,136
PetroChina & CRCC Petroleum Marketing Co., Ltd.		–	1,714
China Railway Construction Real Estate Group Ningbo Jingping Real Estate Co., Ltd.		–	25
Total		5,881,497	804,834
Long-term loans (including current portion)	<i>Note 6</i>		
CRCCG		780,564	780,564
Total		780,564	780,564
Long-term payables (including current portion)	<i>Note 7</i>		
CRCC Financial Leasing Co., Ltd.		749,725	538,938
Tianjin Tiejian Hongtu Fengchuang Investment Partnership (Limited Partnership)		89,291	–
Total		839,016	538,938

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

Note 1: The amounts due from/to related parties were interest-free, unsecured, and had no fixed terms of repayment.

Note 2: The amounts due from related parties were loans for cooperative development project from the Group's real estate development operation segments, with the interest rate agreed in the contracts.

Note 3: The amounts due from CRCCG were borrowings from CRCC Finance Company Limited.

Note 4: The amounts were mainly advances from related parties and were interest-free.

Note 5: The amounts were the deposit of related parties in CRCC Finance Company Limited, a subsidiary of the Group.

Note 6: The amounts are appropriations from the Ministry of Finance to CRCCG and considered as the entrusted loans granted to the Group by CRCCG. The interest rate of such entrusted loans is determined by the benchmark interest rate in the market.

Note 7: The amounts due to CRCC Financial Leasing Co., Ltd. are rental expenses on financial leasing.

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

RMB'000

	31 December 2018	31 December 2017
Contracted, but not provided for:		
Capital commitments	290,993	364,024
Investment commitments	8,974,629	3,515,230
Other commitments	5,581,502	8,462,504
Total	14,847,124	12,341,758

2. Contingencies

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account legal advices. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

3. Guarantees

The Group had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	<i>RMB'000</i>	
The Group	31 December 2018	31 December 2017
Associates	1,520,970	1,457,407
Other entities	128,100	117,600
Total	1,649,070	1,575,007

The above guarantees exclude guarantees in respect of the banking facilities other than mortgages. As at 31 December 2018, the Group's guarantees (excluding guarantees in respect of the banking facilities other than mortgages) amounted to RMB1,649,070,000 (31 December 2017: RMB1,575,007,000), the guarantees in respect of mortgages amounted to RMB19,643,712,000 (31 December 2017: RMB21,552,828,000). Until 31 December 2018, the guarantees rarely defaulted payments to the banks, thus the Group considered the risks related to the guarantees were low and the fair value was immaterial.

The above guarantees in respect of mortgages are granted to the purchasers of the Group's properties and secured by the mortgages.

The Company had issued guarantees to banks in respect of the banking facilities granted to the following parties:

	<i>RMB'000</i>	
The Company	31 December 2018	31 December 2017
Subsidiaries	18,009,998	19,754,232
Associates	1,520,970	1,457,407
Other entities	128,100	117,600
Total	19,659,068	21,329,239

In addition, no interest-bearing bank and other loans of the Company were guaranteed by the subsidiaries of the Company as at 31 December 2018 (31 December 2017: Nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XII. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. Profit distribution

Pursuant to the resolution approved in the 18th session of the 4th board of directors meeting held on 29 March 2019, the Board of Directors proposed that cash dividends may be distributed to all shareholders by the Company at RMB 2.1 per 10 shares (i.e. cash dividend of RMB 0.21 per share). The cash dividend of RMB 2,851,704,000 is proposed to be distributed based on the issued shares of 13,579,541,500, and the above proposal is yet to be approved by the shareholders' general meeting.

XIII. OTHER SIGNIFICANT EVENTS

1. Leases

As lessee

Finance leases: As at 31 December 2018, the balance of unrecognised financing charges was RMB 71,513,000 (31 December 2017: RMB110,802,000), which was amortised using the effective interest rate method over the lease terms. The future minimum lease payments under non-cancellable finance leases are as follows:

RMB'000

	31 December 2018
Less than 1 year (including 1 year)	360,357
1 to 2 years (including 2 years)	324,172
2 to 3 years (including 3 years)	118,036
Over 3 years	176,465
Total	979,030

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Leases (Continued)

As lessee (Continued)

Significant operating leases: according to the leases entered into with the lessors, the minimum lease payments under non-cancellable leases are as follows:

RMB'000

	31 December 2018
Less than 1 year (including 1 year)	2,332,494
1 to 2 years (including 2 years)	1,885,774
2 to 3 years (including 3 years)	1,320,837
Over 3 years	1,137,329
Total	6,676,434

2. Segment reporting

Operating segments

For management purposes, the Group is organized into the following five operating segments based on their products and services:

- (1) The construction operations segment engages in the construction of infrastructure such as railways, highways, metropolitan railways and real estate projects;
- (2) The survey, design and consultancy operations segment engages in the provision of survey, design and consultancy services for civil engineering and infrastructure construction, such as railways, highways and urban rail transport, etc.;
- (3) The manufacturing operations segment engages in the research and development, production and sale of mechanical equipment, such as the large railway track maintenance machinery, tunnel boring machinery as well as the manufactures of track system, etc.;
- (4) The real estate development operations segment engages in the development, construction and sale of residential properties and commercial properties; and
- (5) The other business operations segment mainly comprises trade and logistics, finance and insurance and highway operation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss. The Group does not manage income tax based on operating segments and hence income tax has not been allocated to the operating segments.

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
2018							
Revenue from external customers	622,822,165	16,295,241	14,596,953	36,913,777	39,494,909	-	730,123,045
Inter-segment sales	11,925,876	410,657	1,885,374	-	25,112,211	(39,334,118)	-
Total	634,748,041	16,705,898	16,482,327	36,913,777	64,607,120	(39,334,118)	730,123,045
Share of profits/(losses) of joint ventures and associates	143,971	30,338	194,522	882,553	5,800	-	1,257,184
Impairment losses on assets and impairment of credit losses	4,138,410	102,834	85,352	76,792	69,012	-	4,472,400
Depreciation and amortisation	12,709,004	226,306	323,084	58,541	503,169	-	13,820,104
Profit before tax	10,943,270	2,922,143	1,997,980	5,880,947	3,443,582	(82,660)	25,105,262
Other disclosures:							
Increase in non-current assets other than long-term equity investments	18,740,377	520,119	1,416,219	197,970	12,696,956	-	33,571,641
31 December 2018							
Segment assets (Note 1)	599,072,020	27,761,778	34,121,477	193,315,413	247,817,568	(184,417,674)	917,670,582
Segment liabilities (Note 2)	493,737,351	17,431,926	17,761,230	161,878,875	201,124,437	(181,598,092)	710,335,727
Other disclosures:							
Long-term equity investments in joint ventures and associates	23,432,055	820,481	1,094,262	3,446,206	185,551	-	28,978,555

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Operating segments (Continued)

RMB'000

	Construction operations	Survey, design and consultancy operations	Manufacturing operations	Real estate development operations	Other business operations	Eliminations and adjustments	Total
2017							
Revenue from external customers	576,173,510	14,367,124	12,531,803	42,587,234	35,321,456	-	680,981,127
Inter-segment sales	7,954,225	171,511	1,703,515	-	23,848,971	(33,678,222)	-
Total	584,127,735	14,538,635	14,235,318	42,587,234	59,170,427	(33,678,222)	680,981,127
Share of profits/(losses) of joint ventures and associates	65,871	(44,488)	155,145	(19,269)	123,452	-	280,711
Impairment losses on assets	2,739,125	11,619	59,167	1,491,898	167,691	-	4,469,500
Depreciation and amortisation	11,159,374	201,677	333,960	59,421	665,306	-	12,419,738
Profit before tax	10,601,319	2,249,683	1,648,371	3,427,212	3,568,715	(239,536)	21,255,764
Other disclosures:							
Increase in non-current assets other than long-term equity investments	17,672,984	465,961	1,415,887	167,527	13,475,995	-	33,198,354
As at 31 December 2017							
Segment assets (<i>Note 1</i>)	515,723,414	25,133,993	30,396,750	181,530,772	218,358,762	(149,256,232)	821,887,459
Segment liabilities (<i>Note 2</i>)	417,738,497	17,375,465	15,841,303	154,822,322	182,588,213	(145,127,186)	643,238,614
Other disclosures:							
Long-term equity investments in joint ventures and associates	9,113,647	246,449	1,103,038	2,424,956	4,981,435	-	17,869,525

Note 1: Segment assets do not include deferred tax assets of RMB4,916,848,000 (31 December 2017: RMB3,577,034,000), as the Group does not manage these assets based on operating segments. In addition, inter-segment receivables of RMB189,334,522,000 (31 December 2017: RMB152,833,266,000) are eliminated on consolidation.

Note 2: Segment liabilities do not include deferred tax liabilities of RMB233,522,000 (31 December 2017: RMB289,431,000) and corporate income tax payable of RMB2,513,210,000 (31 December 2017: RMB2,146,938,000) as the Group does not manage these liabilities based on operating segments. In addition, inter-segment payables of RMB184,344,824,000 (31 December 2017: RMB147,563,555,000) are eliminated on consolidation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Segment reporting (Continued)

Group information

Geographical information

Revenue from external customers

	<i>RMB'000</i>	
	2018	2017
Mainland China	694,568,568	643,004,000
Outside Mainland China	35,554,477	37,977,127
Total	730,123,045	680,981,127

Total non-current assets (*Note*)

	<i>RMB'000</i>	
	31 December 2018	31 December 2017
Mainland China	137,417,430	109,155,101
Outside Mainland China	2,985,937	2,684,943
Total	140,403,367	111,840,044

In the geographical information above, revenue from external customers is based on the locations of the customers. Non-current asset information above is based on the locations of the non-current assets.

Note: Non-current assets consisted of investment properties, fixed assets, construction in progress, intangible assets, long-term prepayments and investments in joint ventures and associates.

Information about major customers

The Group did not derive more than 10% of its total revenue from any single customer in 2018 (2017: Nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information

(i) Pension scheme contributions

	<i>RMB'000</i>	
Item	2018	2017
Pension scheme contributions (defined contribution plans)	5,748,805	5,195,765
Pension scheme costs (defined benefit plans)	28,130	35,310

As at 31 December 2018, there were no forfeited contributions available to reduce the Group's contributions to its pension scheme in the next year (31 December 2017: Nil).

(ii) Directors' and supervisors' remuneration

	<i>RMB'000</i>	
Item	2018	2017
Directors' and supervisors' remuneration	6,438	6,871

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

Name and remuneration of directors and supervisors for the current year are as follows:

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
2018				
Executive director				
Mr. MENG Fengchao (Note 1)	138	688	64	890
Mr. CHEN Fenjian (board chairman Note 2)	103	155	34	292
Mr. ZHUANG Shangbiao (president)	207	773	62	1,042
Mr. XIA Guobin	176	702	61	939
Mr. LIU Ruchen	176	696	60	932
Sub-total	800	3,014	281	4,095
Non-executive director				
Mr. GE Fuxing	–	–	–	–
Subtotal	–	–	–	–
Independent non-executive director				
Mr. WANG Huacheng	171	–	–	171
Mr. Patrick SUN	128	–	–	128
Mr. CHENG Wen	60	–	–	60
Ms. Amanda Xiao Qiang LU	141	–	–	141
Sub-total	500	–	–	500

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
Supervisor				
Mr. CAO Xirui	165	448	56	669
Mr. LIU Zhengchang	251	320	53	624
Mr. ZHANG Liangcai (Note 3)	116	306	5	427
Mr. KANG Fuxiang (Note 4)	79	29	15	123
Sub-total	611	1,103	129	1,843
Total	1,911	4,117	410	6,438

Note 1: On 21 July 2018, Mr. MENG Fengchao has ceased to hold his positions as the chairman and an executive director of the Company and the chairman of the nomination committee of the Board in light of his age.

Note 2: On 17 September 2018, Mr. CHEN Fenjian was elected as an executive director of the Company at the first extraordinary general meeting of shareholders. On the same day, the eleventh meeting of the fourth session of the board of directors was held for the election of Mr. CHEN Fenjian as the Chairman of the Company.

Note 3: On 6 September 2018, Mr. ZHANG Liangcai has ceased to hold his position as the supervisor of the Company in light of his age.

Note 4: On 6 September 2018, Mr. KANG Fuxiang was elected as a supervisor at the employee representative general meeting of the fourth session of the supervisory committee of the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

RMB'000

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
2017				
Executive director				
Mr. MENG Fengchao (board chairman)	195	563	64	822
Mr. ZHUANG Shangbiao (president)	195	563	61	819
Mr. XIA Guobin (<i>Note. 1</i>)	166	505	60	731
Mr. LIU Ruchen (<i>Note. 1</i>)	166	502	60	728
Sub-total	722	2,133	245	3,100
Non-executive director				
Mr. GE Fuxing	–	–	–	–
Subtotal	–	–	–	–
Independent non-executive director				
Mr. WANG Huacheng	190	–	–	190
Mr. Patrick SUN	155	–	–	155
Mr. CHENG Wen	60	–	–	60
Ms. Amanda Xiao Qiang LU	147	–	–	147
Sub-total	552	–	–	552

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

	Salaries, housing welfare and other allowances and physical benefits	Performance bonus	Defined benefit plan	Total remuneration
Supervisor				
Mr. CAO Xirui (<i>Note.2</i>)	239	387	49	675
Mr. LIU Zhengchang (<i>Note.2</i>)	240	273	50	563
Mr. ZHANG Liangcai	264	427	53	744
Mr. HUANG Shaojun (resignation since December 2017)	16	476	–	492
Mr. LI Xuefu (resignation since December 2017)	267	427	51	745
Sub-total	1,026	1,990	203	3,219
Total	2,300	4,123	448	6,871

Note 1: Mr. XIA Guobin and Mr. LIU Ruchen have been executive directors of the Company since December 2017. Their annual remuneration in 2017 is their remuneration as the key management personnel of the Company to provide services for the Company.

Note 2: Mr. CAO Xirui and Mr. LIU Zhengchang have been supervisors of the Company since December 2017. Their annual remuneration in 2017 is their remuneration as the other position of the Company to provide services for the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

Top 5 paid employees

The analysis of top 5 paid employees of the Group is as follows:

	2018	2017
Employee that is neither a director nor a supervisor	5	5

Details of remuneration of the above employee that is neither a director nor a supervisor:

	2018	2017
Salaries, housing welfare and other allowances and physical benefits	1,282	1,433
Performance bonus	18,672	22,918
Defined benefit plan	316	380
Total	20,270	24,731

RMB'000

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information (Continued)

(ii) Directors' and supervisors' remuneration (Continued)

Number of employee that is neither a director nor a supervisor of the following remuneration ranges is as follows:

Item	2018	2017
HKD2,500,000 to 3,000,000 (including 3,000,000)	–	–
HKD3,000,000 to 3,500,000 (including 3,500,000)	3	–
HKD3,500,000 to 4,000,000 (including 4,000,000)	1	1
HKD4,500,000 to 5,000,000 (including 5,000,000)	–	3
HKD10,000,000 to 10,500,000 (including 10,500,000)	1	1
Total	5	5

4. Comparative figures

The presentation of several items have been modified to meet relevant requirements in Note III. 33. Accordingly, several comparative figures have been reclassified and restated to meet the presentation and accounting treatment requirements for this year.

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Bills receivable and trade receivables

An aging analysis of trade receivables is listed as follows:

Aging	<i>RMB'000</i>	
	31 December 2018	31 December 2017
Within 1 year	2,319,959	3,869,332
1 to 2 years	774,107	501,066
2 to 3 years	90,247	–
Subtotal	3,184,313	4,370,398
Less: Impairment of credit losses/Provision for bad debts	32,377	–
Total	3,151,936	4,370,398

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Bills receivable and trade receivables (Continued)

Trade receivables and impairment of credit losses/provision for bad debts by category are listed as follows:

RMB'000

Category	31 December 2018				Net book value
	Gross carrying amount		Impairment of credit losses		
	Amount	Percentage %	Amount	Percentage %	
Impairment of credit losses assessed by credit risk portfolio	3,184,313	100.00	32,377	1.02	3,151,936
Total	3,184,313	100.00	32,377	1.02	3,151,936

RMB'000

Category	31 December 2017				Net book value
	Gross carrying amount		Impairment of credit losses		
	Amount	Percentage %	Amount	Percentage %	
Individually significant and subject to separate provision for bad debts	4,370,398	100.00	-	-	4,370,398
Total	4,370,398	100.00	-	-	4,370,398

As at 31 December 2018, trade receivables whose impairment of credit losses assessed by credit risk portfolio are listed as follows:

RMB'000

Aging	31 December 2018			
	Gross carrying amount		Impairment of credit losses	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	2,319,959	72.86	4,641	0.20
1 to 2 years	774,107	24.31	23,223	3.00
2 to 3 years	90,247	2.83	4,513	5.00
Total	3,184,313	100.00	32,377	1.02

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Bills receivable and trade receivables (Continued)

As at 31 December 2018, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	1,147,228	Within 1 year	36.03
Company 2	Third party	449,877	Within 2 years	14.13
Company 3	Third party	308,243	Within 2 years	9.68
Company 4	Third party	304,670	Within 2 years	9.57
Company 5	Third party	258,427	Within 1 year	8.12
Total	—	2,468,445	—	77.53

As at 31 December 2017, trade receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total trade receivables (%)
Company 1	Third party	901,890	Within 1 year	20.64
Company 2	Third party	764,339	Within 1 year	17.49
Company 3	Third party	653,529	Within 1 year	14.95
Company 4	Third party	618,377	Within 1 year	14.15
Company 5	Third party	383,035	Within 2 years	8.76
Total	—	3,321,170	—	75.99

As at 31 December 2018 and 31 December 2017, no amount due from shareholders that held 5% or more of the Company's voting rights or other related parties was included in the aforesaid balance of trade receivables.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

An aging analysis of other receivables is listed as follows:

RMB'000

Aging	31 December 2018	31 December 2017
Within 1 year	22,826,391	32,005,039
1 to 2 years	3,225,268	429,877
2 to 3 years	69,508	30
Over 3 years	165,591	173,237
Subtotal	26,286,758	32,608,183
Less: Impairment of credit losses/Provision for bad debts	842	–
Total	26,285,916	32,608,183

Impairment of credit losses are as follows:

- (1) As at 31 December 2018, analysis of impairment of credit losses of other receivables at phase I are listed as follows:

RMB'000

Item	Gross carrying amount	Impairment of credit losses	Provision percentage
Amounts due from subsidiaries	26,234,844	–	–
Others	51,914	842	1.62
Total	26,286,758	842	–

- (2) For the year ended 31 December 2018, the Company does not have other receivables at phase II.
- (3) For the year ended 31 December 2018, the Company does not have other receivables at phase III.

In 2018, no other receivables has been written off. (2017: Nil)

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 31 December 2018, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	9,901,087	Within 2 years	37.67
Company 2	Subsidiary	5,646,597	Within 1 year	21.48
Company 3	Subsidiary	3,399,829	Within 2 years	12.93
Company 4	Subsidiary	2,070,542	Within 2 years	7.88
Company 5	Subsidiary	1,772,905	Within 1 year	6.74
Total	—	22,790,960	—	86.70

As at 31 December 2017, other receivables from the five largest customers are listed as follows:

RMB'000

Due from	Relationship with the Company	Amount	Aging	Percentage of total other receivables (%)
Company 1	Subsidiary	20,515,014	Within 1 year	62.91
Company 2	Subsidiary	5,498,231	Within 1 year	16.86
Company 3	Subsidiary	2,119,142	Within 1 year	6.50
Company 4	Subsidiary	1,128,468	Within 1 year	3.46
Company 5	Subsidiary	731,297	Within 1 year	2.24
Total	—	29,992,152	—	91.97

As at 31 December 2018 and 31 December 2017, no amount due from shareholders that held 5% or more of the Company's voting rights was included in the aforesaid balance of other receivables.

As at 31 December 2018, amount due from related parties is listed as follows:

RMB'000

Item	31 December 2018	31 December 2017
Amount due from subsidiaries	26,234,844	32,256,606

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

RMB'000

Item		31 December 2018	31 December 2017
Equity investment accounting for cost method			
– Subsidiaries	(i)	93,806,835	90,125,915
Equity investment accounting for equity method			
– Interests in joint ventures	(ii)	680,455	678,396
Total		94,487,290	90,804,311

Note: All the long-term equity investments are investments in unlisted companies, except for CRCC High-tech Equipment Co., Ltd..

(i) Subsidiaries

RMB'000

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2018 (%)	Carrying amount as at 31 December 2018	Carrying amount as at 31 December 2017
China Civil Engineering Construction Co., Ltd.	100	2,946,507	2,946,507
China Railway 11th Bureau Group Co., Ltd.	100	1,893,912	1,893,912
China Railway 12th Bureau Group Co., Ltd.	100	1,957,277	1,957,277
China Railway Construction Bridge Engineering Bureau Group Co., Ltd.	100	2,460,480	2,460,480
China Railway 14th Bureau Group Co., Ltd.	100	2,130,105	2,130,105
China Railway 15th Bureau Group Co., Ltd.	100	1,585,152	1,585,152
China Railway 16th Bureau Group Co., Ltd.	100	1,482,412	1,482,412
China Railway 17th Bureau Group Co., Ltd.	100	1,717,837	1,717,837
China Railway 18th Bureau Group Co., Ltd.	100	1,103,234	1,103,234
China Railway 19th Bureau Group Co., Ltd.	100	3,954,638	3,954,638
China Railway 20th Bureau Group Co., Ltd.	100	1,615,144	1,615,144

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Subsidiaries (Continued)

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2018 (%)	Carrying amount as at 31 December 2018	Carrying amount as at 31 December 2017
China Railway 21st Bureau Group Co., Ltd.	100	1,557,251	1,557,251
China Railway 22nd Bureau Group Co., Ltd.	100	1,295,286	1,295,286
China Railway 23rd Bureau Group Co., Ltd.	100	1,545,004	1,545,004
China Railway 24th Bureau Group Co., Ltd.	100	1,346,917	1,346,917
China Railway 25th Bureau Group Co., Ltd.	100	1,078,597	1,078,597
China Railway Construction Group Co., Ltd.	100	2,868,346	2,868,346
China Railway Construction Electrification Bureau Group Co., Ltd.	100	1,105,530	1,105,530
China Railway Construction Real Estate Group Co., Ltd.	100	7,233,191	7,233,191
China Railway First Survey and Design Institute Group Co., Ltd.	100	623,730	623,730
China Railway Siyuan Survey and Design Group Co., Ltd.	100	1,015,309	1,015,309
China Railway Fifth Survey and Design Institute Group Co., Ltd.	100	318,196	318,196
China Railway Shanghai Design Institute Group Co., Ltd.	100	267,624	267,624
China Railway Material Group Co., Ltd.	100	3,314,805	3,314,805
CRCC High-tech Equipment Co., Ltd.	63.70	1,714,797	1,714,797
China Railway Construction Heavy Industry Co., Ltd.	99.50	4,028,004	4,048,245
Chenghe Insurance Broker Co., Ltd.	100	113,290	113,290
China Railway Construction (Beijing) Business Management Co., Ltd.	100	28,313	28,313
China Railway Construction Investment Group Co., Ltd.	100	10,538,793	10,538,793
CRCC Harbor & Channel Engineering Bureau Group Co., Ltd.	100	1,385,891	1,385,891

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Subsidiaries (Continued)

Investee	Percentage of the investee's registered capital directly attributable to the Company as at 31 December 2018 (%)	Carrying amount as at 31 December 2018	Carrying amount as at 31 December 2017
CRCC Finance Company Limited	94.00	8,460,000	8,460,000
CRCC International Group Co., Ltd.	100	3,000,102	3,000,102
CRCC Assets Management Co., Ltd.	100	1,520,000	1,520,000
CRCC Urban Construction Group Co., Ltd.	100	2,000,000	2,000,000
Beijing CRCC Tianrui Machinery Equipment Co., Ltd.	98.04	2,000,000	2,000,000
China Railway Strait Construction Group Co., Ltd.	50	500,000	500,000
CRCC Kunlun Investment Group Co., Ltd.	100	3,000,000	3,000,000
CRCC Huabei Investment & Development Co., Ltd.	100	1,000,000	1,000,000
CRCC Nanfang Construction and Investment Co., Ltd.	100	1,000,000	200,000
CRCC Chongqing Investment Group Co., Ltd.	100	3,000,000	3,000,000
China Railway Maglev Transportation Investment Construction Co., Ltd.	70	700,000	700,000
CRCC Huanan Construction Co., Ltd.	100	1,000,000	500,000
CRCC Xibei Investment and Construction Co., Ltd. (Note. VI)	100	1,000,000	–
CRCC Beibuwan Construction and Investment Co., Ltd. (Note. VI)	100	300,000	–
CRCC Urban Investment & Construction Co., Ltd. (Note VI.)	100	1,000,000	–
CRCC Cyber Information Technology Co., Ltd.	100	101,161	–
Total		93,806,835	90,125,915

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Interests in joint ventures

2018:

RMB'000

Investee	Investment cost	1 January 2018	Increase in Investment	Share of profits under equity method	Distribution of dividends	31 December 2018	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	678,396	-	2,059	-	680,455	57.29	57.29
Total	654,930	678,396	-	2,059	-	680,455	-	-

2017:

RMB'000

Investee	Investment cost	1 January 2017	Recovery of Investment	Share of profits under equity method	Distribution of dividends	31 December 2017	Percentage of ownership of equity (%)	Percentage of voting rights (%)
China-Africa Lekkil Investment Co., Ltd. (Note)	654,930	667,490	-	10,906	-	678,396	57.29	57.29
Chongqing Tiefa Jianxin Highway Co., Ltd.	-	48,000	48,000	-	-	-	-	-
Total	654,930	715,490	48,000	10,906	-	678,396	-	-

Note: China-Africa Lekkil is accounted for as joint ventures by the Company with more details are included in Note V. 12.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Short-term loans

RMB'000

Item		31 December 2018	31 December 2017
Credit loans	<i>Note</i>	11,000,000	–
Total		11,000,000	–

Note: As at 31 December 2018, the annual interest rate of the above short-term interest rate is 2.92% to 4.57%.

5. Other payables

Other payables are disclosed by category:

RMB'000

Item		31 December 2018	31 December 2017
Payables for advances		23,832,765	20,770,858
Interests payable		304,514	368,021
Dividends payable		271,999	–
Guarantees and deposits		79,993	163,860
Others		844,662	1,395,309
Total		25,333,933	22,698,048

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Long-term loans

RMB'000

Item	31 December 2018	31 December 2017
Credit loans	5,750,439	8,424,271
Total	5,750,439	8,424,271

The maturity profile of the long-term loans as at the end of the reporting period is listed as follows:

RMB'000

Item	31 December 2018	31 December 2017
Within one year or paid on demand	2,630,917	7,037,479
In the second year (inclusive)	3,871,002	2,650,000
In the third year (inclusive)	90,437	3,780,564
Over three years	1,789,000	1,993,707
Total	8,381,356	15,461,750

7. Retained Earnings

RMB'000

Item	Notes	2018	2017
Retained earnings by the end of last year		10,910,084	8,889,206
Changes in accounting policies	(Note III.33)	(9,218)	-
Retained earnings at the beginning of year		10,900,866	8,889,206
Net profit attributable to the owners		3,394,438	4,973,339
Less: Appropriation to statutory surplus reserve		339,444	497,334
Cash dividend declared for ordinary shares	(Note V.43)	2,444,317	2,172,727
Interest distributed to other equity instrument holders	(Note V.43)	866,983	282,400
Retained earnings at the end of the year	(Note V.43)	10,644,560	10,910,084

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

8. Revenue and cost of sales

Revenue is presented as follows:

	<i>RMB'000</i>	
Item	2018	2017
Revenue from principal operations	16,612,311	16,586,511
Other operating revenue	366,527	73,813
Total	16,978,838	16,660,324

Operating cost is presented as follows:

Item	2018	2017
Operating cost	16,438,087	16,150,909

9. Finance costs

	<i>RMB'000</i>	
Item	2018	2017
Interest expenses	2,410,878	2,117,763
Less: interest income	2,332,272	1,868,243
Exchange losses/(gains)	309,912	(350,516)
Bank charges and others	58,431	46,989
Total	446,949	(54,007)

The Company's interest expenses are as follows:

	<i>RMB'000</i>	
Item	2018	2017
Interest on bank loans and other loans	1,163,318	816,791
Interest on corporate bonds	1,247,560	1,300,972
Total	2,410,878	2,117,763

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

10. Investment income/(loss)

Item	<i>RMB'000</i>	
	2018	2017
Share of net profits of the joint ventures	2,059	10,906
Investment income received from long-term equity investments under cost method	3,907,102	4,528,075
Investment income received from disposal of long-term equity investments	17,758	–
Others	2,970	9,817
Total	3,929,889	4,548,798

For the year ended 31 December 2018, the investment income mentioned above was composed of investment income of RMB12,653,000 (2017: RMB164,732,000) from listed companies and RMB3,917,236,000 from unlisted companies (2017: RMB4,384,066,000).

As at 31 December 2018, the remittance of the Company's investment income was not subject to significant restriction.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	<i>RMB'000</i>	
Item	2018	2017
Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,394,438	4,973,339
Plus: Impairment of credit losses	32,748	/
Depreciation of fixed assets	10,964	12,123
Amortisation of intangible assets	3,319	2,222
Amortisation of long-term prepayments	1,253	–
Profit or loss from disposal of assets	146	123
(Gains)/losses from changes in fair value	144,672	(436,066)
Finance costs	2,227,249	2,455,289
Investment income	(3,929,889)	(4,548,798)
Decrease/(increase) in deferred tax assets	3	89,867
Increase/(decrease) in deferred tax liabilities	(44,986)	19,910
Decrease/(increase) in inventories	–	2,970,906
Decrease/(increase) in contract assets	1,369,535	/
Increase in operating receivables	(8,557,159)	(2,502,185)
(Decrease)/increase in operating payables	1,353,105	(5,994,428)
Net cash flows generated from/(used in) operating activities	(3,994,602)	(2,957,698)

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Supplementary information to the statement of cash flows (Continued)

(2) Cash and cash equivalents

RMB'000

Item	31 December 2018	31 December 2017
Cash	13,393,575	12,318,553
Including: Cash on hand	36	28
Cash with banks/financial institutions without restrictions	13,393,539	12,318,525
Closing balance of cash and cash equivalents	13,393,575	12,318,553

12. Related party transaction

(1) Significant transactions between the Company and its related parties

RMB'000

Item	2018	2017
(1) Revenue from other related party transactions Subsidiaries	2,606,002	1,804,693
Total	2,606,002	1,804,693
(2) Purchase of goods and receipt of services Subsidiaries	16,149,246	15,987,777
Total	16,149,246	15,987,777
(3) Other expenses Subsidiaries	810,017	468,893
Other related parties	37,592	38,762
Total	847,609	507,655

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12. Related party transaction (Continued)

(2) Balance due to/from related parties

RMB'000

Item	31 December 2018		31 December 2017	
	Gross carrying amount	Impairment of credit losses	Gross carrying amount	Provision for bad debts
Other receivables Subsidiaries	26,234,844	—	32,256,606	—
Total	26,234,844	—	32,256,606	—
Advances to suppliers Subsidiaries	372,920	—	506,692	—
Total	372,920	—	506,692	—
Cash and bank balances Subsidiaries	10,644,772	—	8,257,321	—
Total	10,644,772	—	8,257,321	—
Long-term receivables Subsidiaries	17,776,000	—	10,129,000	—
Total	17,776,000	—	10,129,000	—
Current portion of non-current assets Subsidiaries	8,165,000	—	1,600,000	—
Total	8,165,000	—	1,600,000	—

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12. Related party transaction (Continued)

(2) Balance due to/from related parties (Continued)

RMB'000

Item	31 December 2018	31 December 2017
Trade payables		
Subsidiaries	7,172,159	6,864,045
Total	7,172,159	6,864,045
Other payables		
Subsidiaries	23,796,132	21,365,759
Other related parties	5,180	5,180
Total	23,801,312	21,370,939
Long-term loans		
Subsidiaries	3,500,000	3,500,000
Other related parties	280,564	780,564
Total	3,780,564	4,280,564
Non-current liabilities due within one year		
Other related parties	500,000	-
Total	500,000	-

Supplementary Information

For the year ended 31 December 2018

XV. SUPPLEMENTARY INFORMATION

1. Summary of non-recurring profit or loss

	<i>RMB'000</i>	
Item	2018	2017
Gains from disposal of non-current assets	529,783	15,756
Gains/(losses) from disposal of long-term equity investments	24,373	(166,256)
Investment income from remeasurement of the remaining shares at fair value after disposal of part of shares	10,029	139,481
Government grants recognised through profit or loss (other than government grants which are closely related to the Company's normal business operations, which comply with national policies and can be enjoyed continuously based on a fixed amount or a fixed quantity)	375,052	622,176
Investment gains from remeasurement of shares previously held at fair value after acquisition of control	98,302	95,759
Net gains from debt restructuring	132,975	2,804
Investment loss from disposal of financial instruments at fair value through profit or loss	/	(60,858)
Investment income from holding the held-for-trading financial assets	5,278	/
Investment income from disposal of held-for-trading financial assets	20,168	/
Investment income from disposal of available-for-sale financial assets	/	8,666
Investment income from holding the other equity instrument investments	65,287	/
(Losses)/gains on fair value changes	(226,347)	367,903
Reversal of impairment of receivables	1,062,689	766,248
Other non-operating income and expenses other than the above items	(515,093)	(180,912)
Impact on income tax	(332,008)	(328,627)
Impact on non-controlling interests (after tax)	(10,624)	4,145
Non-recurring profit or loss	1,239,864	1,286,285

Supplementary Information (continued)

For the year ended 31 December 2018

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

1. Summary of non-recurring profit or loss (Continued)

Government grants recognised in profit or loss but not included in non-recurring profit or loss items for being closely related to normal operating activities and continuously granted following the national policies and certain quota are as follows:

RMB'000

	2018	2017	Reason for being recognised in profit or loss
Special equipment appropriation from the Ministry of Finance	32,340	53,050	Related to normal operating activities
Special equipment appropriation from the Ministry of Railway	–	1,000	Related to normal operating activities
Total	32,340	54,050	–

2. Return on net assets and earnings per share (“EPS”)

2018:

	Weighted average return on net assets (%)	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	12.00	1.26	1.23
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	11.13	1.17	1.14

Supplementary Information (continued)

For the year ended 31 December 2018

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share (“EPS”) (Continued)

2017:

	Weighted average return on net assets (%)	EPS (RMB)	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	12.16	1.16	1.09
Net profit attributable to the Company's ordinary shareholders after deducting non-recurring profit or loss	11.17	1.07	1.00

The Company issued a five-year Zero Coupon Convertible Bond at USD500 million on 29 January 2016 and issued a five-year Coupon Convertible Bond at RMB3.45 billion on 21 December 2016. The Group has considered the impact result from the conversion of those issued convertible bonds.

The above weighted average return on equity and earnings per share are calculated in accordance with *Information Disclosure by Companies Offering Securities to the Public No.9-Calculation and Disclosure of Return on Equity and Earnings Per Share* (Revised in 2010).

Section XIV Five Years' Financial Summary

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Unit: '000 Currency: RMB

Item	2018	2017	2016	2015	2014 (Restated)
Revenue	730,123,045	680,981,127	629,327,090	600,538,730	593,302,675
Cost of sales	658,711,266	618,059,386	571,377,532	531,756,328	528,374,916
Taxes and surcharges	4,805,880	4,950,483	8,144,208	18,016,474	18,042,432
Selling and distribution expenses	4,431,330	4,530,901	4,177,673	3,703,662	3,272,163
General and administrative expenses	17,235,632	15,660,246	24,089,617	22,835,612	22,889,544
Research and development expenses	11,571,783	10,397,720	/	/	/
Finance costs	5,537,724	2,875,908	2,731,705	4,385,029	4,368,885
Impairment losses on assets	179,635	4,469,500	600,127	3,564,615	1,583,440
Impairment of credit losses	4,292,765	/	/	/	/
Gains on fair value change	-226,347	367,903	-222,416	-27,495	8,293
Investment income	1,401,160	337,004	147,524	359,528	179,240
Gains on disposal of assets	529,783	15,756	87,934	-	-
Other income	260,140	152,158	-	-	-
Operating profit	25,321,766	20,909,804	18,219,270	16,609,043	14,958,828
Non-operating income	1,096,998	1,090,270	933,679	808,618	830,662
Non-operating expenses	1,313,502	744,310	183,374	304,623	257,056
Net non-operating income	-216,504	345,960	750,305	503,995	573,606
Profit before tax	25,105,262	21,255,764	18,969,575	17,113,038	15,532,434
Income tax expenses	5,266,854	4,336,574	4,118,744	3,738,604	3,472,424
Net profit	19,838,408	16,919,190	14,850,831	13,374,434	12,060,010
Profit or loss attributable to owners of the Company	17,935,281	16,057,235	13,999,610	12,645,478	11,734,664
Profit or loss attributable to non-controlling interests	1,903,127	861,955	851,221	728,956	325,346
Basic earnings per share (RMB/share)	1.26	1.16	1.03	0.98	0.95
Diluted earnings per share (RMB/share)	1.23	1.09	1.01	0.98	0.95

Section XIV Five Years' Financial Summary (continued)

TOTAL CONSOLIDATED ASSETS AND LIABILITIES

Unit: '000 Currency: RMB

Item	2018	2017	2016	2015	2014 (Restated)
Total assets	917,670,582	821,887,459	759,345,034	696,096,330	623,565,997
Total liabilities	710,335,727	643,238,614	610,629,048	567,277,165	518,382,651
Total Shareholders' equity	207,334,855	178,648,845	148,715,986	128,819,165	105,183,346

Section XV Documents for Inspection

DOCUMENTS FOR INSPECTION

- I. Financial statements signed and sealed by the chairman, chief financial officer and head of accounting department;
- II. Original audit report with the seal of Deloitte Touche Tohmatsu Certified Public Accountants LLP and signed and sealed by certified public accountant;
- III. Original copies of all documents and announcements of the Company which had been disclosed to the public on the newspapers designated by CSRC and the website of Shanghai Stock Exchange during the Reporting Period;
- IV. CRCC 2018 Self-evaluation Report on Internal Control;
- V. CRCC 2018 Social Responsibility Report

Chairman: CHEN Fenjian
Submission Date Approved By the Board: 29 March 2019

Revision Information

Applicable Not Applicable



中国铁建

中國鐵建股份有限公司
China Railway Construction Corporation Limited