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

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

Stock Code : 390

Annual Report
2019

CONTENTS

COMPANY PROFILE

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

We are one of the largest multi-functional integrated construction group in the PRC and Asia in terms of the total revenue of the engineering contract, and rank 55th on the 2019 Fortune Global 500 list. We offer a full range of construction-related services, including infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, and also expand to property development and other businesses such as mining.

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

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

FINANCIAL SUMMARY

Summary of Consolidated Income Statement

	For the year ended 31 December					Change 2019 vs 2018
	2019	2018	2017	2016	2015	**2018**
			RMB million			*(%)*
Revenue						
Infrastructure Construction	**762,084**	646,914	611,095	559,223	544,207	17.8
Survey, Design and Consulting Services	**17,031**	15,095	13,761	12,312	10,711	12.8
Engineering Equipment and Component Manufacturing	**24,322**	20,787	18,521	17,063	15,782	17.0
Property Development	**43,662**	43,991	30,951	32,976	29,260	-0.7
Other Businesses	**70,402**	67,730	53,074	42,671	40,044	3.9
Inter-segment Eliminations and Adjustments	**(66,658)**	(54,134)	(38,629)	(31,389)	(40,062)	
Total	**850,843**	740,383	688,773	632,856	599,942	14.9
Gross Profit	**79,864**	71,658	62,729	49,789	48,686	11.5
Profit before Tax	**33,187**	24,945	20,828	18,772	17,017	33.0
Profit for the Year	**25,379**	17,436	14,204	12,703	11,786	45.6
Profit for the Year attributable to Owners of the Company	**23,678**	17,198	16,067	12,509	12,258	37.7
Basic Earnings per Share *(RMB)*	**0.950**	0.718	0.669	0.517	0.530	32.3

FINANCIAL SUMMARY

Summary of Consolidated Balance Sheet

	As at 31 December					Change 2019 vs
	2019	2018	2017	2016	2015	**2018**
	RMB million					*(%)*
Assets						
Current Assets	**709,770**	652,040	641,668	595,147	565,601	8.9
Non-current Assets	**346,271**	290,473	202,254	159,198	147,904	19.2
Total Assets	**1,056,041**	942,513	843,992	754,345	713,505	12.0
Liabilities						
Current Liabilities	**676,034**	622,475	579,303	506,603	470,447	8.6
Non-current Liabilities	**134,679**	98,057	95,061	98,746	103,820	37.3
Total Liabilities	**810,713**	720,532	674,364	605,349	574,267	12.5
Total Equity	**245,328**	221,981	169,558	148,996	139,238	10.5
Total Equity and Liabilities	**1,056,041**	942,513	843,992	754,345	713,505	12.0

CHAIRMAN'S REPORT

ZHANG Zongyan

Chairman, Executive Director and Secretary to the CPC Committee

Dear shareholders and investors,

History gets richer during times of change, while dreams blossom when one tries to reach higher. We had an extraordinary year in 2019 and we enter 2020 full of promise. Looking back over the past year, guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, we have remained committed to our mission of creating value and contributing to the society. Guided by the entrepreneurial spirit of "pursuing excellence and making bold strides", we are seizing the day and living it to the fullest, forged ahead, and successfully accomplished our goals and tasks. Major economic indicators, such as new orders signed, revenue and profit, have reached record highs, resulting in high-quality development based on high-level, large-scale operations.

This year, our corporate governance has become more standardized and efficient. We fully implemented the spirit of the Fourth Plenary Session of the 19th Central Committee of the Communist Party of China ("**CPC**") and vigorously modernized our governance system and capabilities. We successfully completed our leadership transition; continued to improve our decision-making mechanisms and decision-making processes; and comprehensively strengthened the establishment of a dedicated team of directors and supervisors on assignment. We further promoted management laboratory activities, enhancing the establishment of Company's managerial mechanism and basic business management, optimized the management chain, improved management mechanisms and processes, and won the most national management innovation awards this year. We attach great importance to the development of a talent pool and are focused on strengthening the cultivation of high-end talent. Respect for labor, respect for knowledge, respect for talent, and respect for creation have become inevitable trends.

CHAIRMAN'S REPORT

This year, we have become more dynamic in our reform and innovation. We continued to pursue both development and reform, prudently carried out mergers and reorganizations, streamlined and improved our internal management in an orderly manner, and launched institutional reforms abroad, in order to constantly cultivate new driving forces for the Company's development. We fully implemented the "three transformations" proposed by General Secretary Xi Jinping. Relying on three national key laboratories and 106 national and provincial technology centers, we tackled key core technologies and common industrial challenges in the engineering field. A large number of world-class construction technologies and equipment products have emerged to fill the gap between domestic and international technologies. We strived to create value, coordinated and optimized the allocation of various resources, promoted the adjustment and optimization of business structures, and actively entered rising markets, such as urban complex development, ecological restoration and urban renovation, water and environmental protection, to further expand our business. We continued to orientate ourselves towards customers' needs, and strived to transform from being a traditional construction contractor to a modern service provider for the construction industry. We strengthened our marketing innovation, deepened regional operations, optimized three-dimensional operations, made every effort to build a high-end industrial value chain, improved our ability to integrate industry with finance and management across the full cycle, and ensured the effective alignment of our operations with market conditions, achieving stronger growth momentum.

This year, China Railway has been able to full demonstrate its key strengths. With a global vision and a focus on national strategy, China Railway contributed its wisdom, planning capabilities and strength to global economic and social development. We have been actively involved in the construction of the Beijing-Tianjin-Hebei Integration Plan, Xiong'an New Area, the Yangtze River Delta Economic Belt, the ecological protection of the Yellow River Basin, the Guangdong-Hong Kong-Macau Greater Bay Area and the Hainan Free Trade Zone, giving full play to the advantages of the entire industrial chain and promoting the implementation of a large number of major projects. We have proactively sought to make building China into a strong transportation country a key part of our strategy and vigorously promoted a spirit of craftsmanship. A number of key infrastructure projects, including Beijing Daxing International Airport, Beijing-Zhangjiakou High-Speed Railway and Wuhan Yangsigang Yangtze River Bridge, have been completed, and the "China name card" – represented by Chinese roads, bridges and high-speed railways – has been continuously updated. We actively integrated ourselves into the "One Belt, One Road" global market layout to build a China Railway "ocean liner"; continued to improve deployments in foreign markets to share the positive story of China overseas; and continued to achieve breakthroughs in high-end markets along the "One Belt, One Road". The China-Laos Railway, Jakarta-Bandung High-Speed Railway, Bangladesh Padma Bridge and other landmark projects under the "One Belt, One Road" Initiative have made good progress. We have enhanced our corporate brand reputation and impact by exchanging documents on the construction of the railways from Muse to Mandalay with the Ministry of Transport and Communications of Myanmar in the presence of President Xi Jinping and Myanmar State Counsellor Aung San Suu Kyi, and signing an agreement on the restoration of the Malaysian city project in the presence of Malaysian Prime Minister Mahathir Mohamad.

CHAIRMAN'S REPORT

This year, our development philosophy will be more upright and far-reaching. We continued to accelerate our development in line with risk prevention and control measures, as well as strengthened internal controls and management. Progress was made in preventing major risks arising from debt, investment and financing, overseas operations, safety and quality, and compliance risks. We adhered to the concept of joint contribution and shared development, assumed major responsibilities, actively fulfilled our social responsibilities, as well as played our part to alleviate poverty. Three poverty-stricken counties have been lifted out of poverty with our assistance. We adhered to the concept of green and sustainable development, as well as developed and put green equipment and technology into use, in order to actively protect our blue skies, clear water, clean land and green mountains. Green development is rooted in the core values of the Company. We continued to promote positive energy and celebrated the 70th anniversary of the founding of the People's Republic of China with the China Railway version of the song "My Motherland and Me" and the original song "Cantabile Flourishing Age".

At the beginning of 2020, in the face of the outbreak of COVID-19, we resolutely responded to the call of the Party and the country. With the community's shared vision and desire for mankind to combat the epidemic, we rallied domestic and international forces and joined the frontlines of the battle against the virus. We promptly assisted with the construction of the Wuhan Fire God Mountain Hospital and Mobile Cabin Hospital, Guizhou Fire God Mountain Hospital, Xi'an Xiaotangshan Hospital and a large number of other "places of hope", and made every effort to purchase and donate medical supplies, becoming one of the "most beautiful retrograders" in the battle against the epidemic. We were flexible to adjust ourselves to the change, turning a crisis into an opportunity. We have coordinated our efforts to promote epidemic prevention and treatment, as well as the resumption of work and production, with the aim to further contribute to the construction of key projects, the healthy and stable development of the Company, and the steady growth of the national economy.

Humans are the peak of a high mountain, as long as you are willing to climb. The curtain has been drawn for the year of 2020. We will focus on the strategic positioning of our "diversified and construction-oriented related business", and make overall plans for both domestic and international markets. We will follow trends, deepen enterprise reform, improve quality and efficiency, and accelerate transformation and upgrades. We will strive to improve our business chain, refine the management chain, strengthen our industrial chain, consolidate our value chain, and expand our energy chain. We will enhance our competitiveness, innovation, control, influence and ability to resist risks facing the Company, and strive to build a globally competitive world-class enterprise, in order to reward employees and shareholders with excellent performance and make great achievements in this new era.

We firmly believe that as long as we double our efforts, we will be able to achieve our mission!

Zhang Zongyan
Chairman

Beijing, China
30 March 2020

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Changes in Share Capital

1. Changes in Shares

(1) Changes in shares

	Before the change		Increase/decrease in the change (+, -)		After the change	
	Number	Percentage (%)	Issuance of new shares	Sub-total	Number	Percentage (%)
I. Shares with selling restrictions	0	0	1,726,627,740	1,726,627,740	1,726,627,740	7.03
1. Shares held by the State	0	0	0	0	0	0
2. Shares held by the State-owned legal person	0	0	1,548,489,232	1,548,489,232	1,548,489,232	6.30
3. Shares held by other domestic shareholders	0	0	178,138,508	178,138,508	178,138,508	0.73
Including: Shares held by domestic non-State-owned legal person	0	0	178,138,508	178,138,508	178,138,508	0.73
Shares held by domestic natural person	0	0	0	0	0	0
4. Shares held by foreign shareholders	0	0	0	0	0	0
Including: Shares held by foreign legal person	0	0	0	0	0	0
Shares held by foreign natural person	0	0	0	0	0	0
II. Tradable shares without selling restrictions	22,844,301,543	100	0	0	22,844,301,543	92.97
1. RMB-denominated ordinary shares	18,636,911,543	81.58	0	0	18,636,911,543	75.85
2. Domestically-listed foreign shares	0	0	0	0	0	0
3. Overseas listed foreign shares	4,207,390,000	18.42	0	0	4,207,390,000	17.12
4. Other	0	0	0	0	0	0
III. Total number of ordinary shares	22,844,301,543	100	1,726,627,740	1,726,627,740	24,570,929,283	100.00

(2) Explanation on changes in shares

Upon the approval of the China Securities Regulatory Commission ("**CSRC**") in the Zheng Jian Xu Ke [2019] No. 913 file on 21 May 2019, the Company non-publicly issued 1,726,627,740 RMB-denominated ordinary shares by way of acquisition of assets by issuance of shares, and such shares shall not be transferred within 12 months from the date of completion of the issuance. On 19 September 2019, the Company completed the share registration procedure regarding the additional shares issued under the acquisition of assets by issuance of shares and obtained the Registration Certificate for Change in Securities from Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The total share capital of the Company changed to be 24,570,929,283 shares. The targets of issuance and the number of subscribed shares are set out in the table below.

Unit: Shares

No.	Counterparty	Number of shares
1	China Reform Holdings Corporation Ltd.	387,050,131
2	China Great Wall Asset Management Co., Ltd.	372,192,507
3	China Orient Asset Management Co., Ltd.	223,271,744
4	China Structural Reform Fund Corporation Limited	223,296,399
5	Suida (Jiaxing) Investment Partnership (LLP)	178,138,508
6	BOC Financial Asset Investment Co., Ltd.	119,095,464
7	China Cinda Asset Management Co., Ltd.	74,715,953
8	ICBC Financial Asset Investment Co., Ltd.	74,433,517
9	BOCOM Financial Asset Investment Co., Ltd.	74,433,517
Total		**1,726,627,740**

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

Financial indicator (under Chinese Accounting Standard ("CAS"))	Whole year of 2019		Fourth Quarter of 2019 (October to December)	
	Taking into account the issuance of additional shares	Without taking into account the issuance of additional shares	Taking into account the issuance of additional shares	Without taking into account the issuance of additional shares
Earnings per share (RMB)	0.950	0.968	0.332	0.358
Net assets per share (RMB)	9.990	10.746	9.990	10.746

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

Not applicable

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. Changes in Shares with Selling Restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Increase in the number of shares with selling restrictions during the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Date of releasing selling restrictions
China Reform Holdings Corporation Ltd.	0	0	387,050,131	387,050,131	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
China Great Wall Asset Management Co., Ltd.	0	0	372,192,507	372,192,507	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
China Orient Asset Management Co., Ltd.	0	0	223,271,744	223,271,744	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
China Structural Reform Fund Corporation Limited	0	0	223,296,399	223,296,399	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
Suida (Jiaxing) Investment Partnership (LLP)	0	0	178,138,508	178,138,508	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
BOC Financial Asset Investment Co., Ltd.	0	0	119,095,464	119,095,464	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
China Cinda Asset Management Co., Ltd.	0	0	74,715,953	74,715,953	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
ICBC Financial Asset Investment Co., Ltd.	0	0	74,433,517	74,433,517	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
BOCOM Financial Asset Investment Co., Ltd.	0	0	74,433,517	74,433,517	Selling restrictions imposed by non-public issuance of A shares	2020.9.19
Total	**0**	**0**	**1,726,627,740**	**1,726,627,740**		

II. Information on Securities Issuance and Listing

1. Information on Securities Issuance as of the End of the Reporting Period

Type of Stocks and Their Derivative Securities	Issuance Date	Issuance Price	Number of Shares Issued	Listing Date	Number of Shares Permitted to Be Listed	Trading Termination Date
Ordinary Share						
RMB-denominated Ordinary Share	2019.9.19	RMB6.75 per share	1,726,627,740	2019.9.21	1,726,627,740	–

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Description of securities issuance as of the end of the reporting period:

Upon the approval of the CSRC in the Zheng Jian Xu Ke [2019] No. 913 file on 21 May 2019, the Company non-publicly issued 1,726,627,740 RMB-denominated ordinary shares by way of acquisition of assets by issuance of shares, and such shares shall not be transferred within 12 months from the date of completion of the issuance. On 19 September 2019, the Company completed the share registration procedure regarding the additional shares issued under the acquisition of assets and by issuance of shares and obtained the Registration Certificate for Change in Securities from Shanghai Branch of Securities from China Securities Depository and Clearing Corporation Limited. The total share capital of the Company changed to be 24,570,929,283 shares. More details of such issuance are set out in the Announcement of China Railway Group Limited on Results of the Acquisition of Assets by Issuance of Shares of the Company and Changes in Share Capital disclosed on the website of the Hong Kong Stock Exchange on 23 September 2019 and the website of the Shanghai Stock Exchange on 24 September 2019 respectively.

2. Information on Changes in Total Ordinary Shares and Shareholding Structure and Changes in the Structure of Assets and Liabilities of the Company

(1) Impact of changes in ordinary shares on the total number of shares and shareholding structure

	Prior to the issuance		Upon completion of the issuance	
Type of shares	Number (Shares)	Percentage (%)	Number (Shares)	Percentage (%)
I. Tradable shares with selling restrictions				
Tradable A shares with selling restrictions	–	–	1,726,627,740	7.03
Tradable H shares with selling restrictions	–	–	–	–
II. Tradable shares without selling restrictions				
Tradable A shares without selling restrictions	18,636,911,543	81.58	18,636,911,543	75.85
Tradable H shares without selling restrictions	4,207,390,000	18.42	4,207,390,000	17.12
III. Total number of shares	22,844,301,543	100.00	24,570,929,283	100.00

(2) Impact of changes in ordinary shares on the structure of assets and liabilities

Unit: ten thousand Currency: RMB

Financial Indicator (under CAS)	Taking into account the issuance of additional shares	Without taking into account the issuance of additional shares
Total Assets	1,056,185,927	1,056,185,927
Total Liabilities	810,710,931	810,710,931
Owners' Equity	245,474,996	245,474,996
Liabilities to Assets Ratio (%)	76.76	76.76

(3) Existing shares held by internal employees

Not applicable

III. Information of Shareholders and Ultimate Controller

1. Number of Shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period	621,215
Total number of shareholders of ordinary shares at the end of the month preceding the date of this announcement	620,519
Total number of shareholders of preference shares with reinstated voting rights as at the end of the reporting period	0
Total number of shareholders of preference shares with reinstated voting rights at the end of the month preceding the date of this announcement	0

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

Unit: Shares

Shareholdings of the top ten shareholders

No.	Name of shareholder	Increase/decrease during the reporting period	Total number of shares held at the end of the period	Shareholding percentage (%)	Number of shares with selling restriction	Number of pledged or frozen shares: Conditions of share	Number of pledged or frozen shares: Number	Nature of shareholder
1	CREC *(Note 1)*	15,827,500	11,598,764,390	47.21	0	Nil	0	State-owned legal person
2	HKSCC Nominees Limited *(Note 2)*	164,638,563	4,173,233,799	16.98	0	Nil	0	Other
3	China Securities Finance Corporation Limited	0	683,615,678	2.78	0	Nil	0	Other
4	China Reform Holdings Corporation Ltd.	387,050,131	387,050,131	1.58	387,050,131	Nil	0	State-owned legal person
5	China Great Wall Asset Management Co., Ltd.	372,192,507	372,192,507	1.51	372,192,507	Nil	0	State-owned legal person
6	Guoxin Investment Co., Ltd.	-164,241,014	260,662,995	1.06	0	Nil	0	State-owned legal person
7	Central Huijin Asset Management Ltd.	0	235,455,300	0.96	0	Nil	0	State-owned legal person
8	China Structural Reform Fund Corporation Limited	223,296,399	223,296,399	0.91	223,296,399	Nil	0	State-owned legal person
9	China Orient Asset Management Co., Ltd.	223,271,744	223,271,744	0.91	223,271,744	Nil	0	State-owned legal person
10	The Hong Kong Securities Clearing Company Limited	52,119,164	210,997,012	0.86	0	Nil	0	Other
Statement on the related relations and concerted actions between the shareholders above		CREC, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.						

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders of shares without selling restrictions

No.	Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
			Type	Number
1	CREC *(Note 1)*	11,434,370,390	RMB-denominated ordinary shares	11,434,370,390
		164,394,000	Overseas listed foreign shares	164,394,000
2	HKSCC Nominees Limited *(Note 2)*	4,173,233,799	Overseas listed foreign shares	4,173,233,799
3	China Securities Finance Corporation Limited	683,615,678	RMB-denominated ordinary shares	683,615,678
4	Guoxin Investment Co., Ltd.	260,662,995	RMB-denominated ordinary shares	260,662,995
5	Central Huijin Asset Management Ltd.	235,455,300	RMB-denominated ordinary shares	235,455,300
6	The Hong Kong Securities Clearing Company Limited	210,997,012	RMB-denominated ordinary shares	210,997,012
7	Beijing Chengtong Financial Control Investment Co., Ltd.	162,780,809	RMB-denominated ordinary shares	162,780,809
8	Boshi Fund – Agricultural Bank of China – Boshi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Yifangda Fund – Agricultural Bank of China – Yifangda China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Jiashi Fund – Agricultural Bank of China – Jiashi China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Guangfa Fund – Agricultural Bank of China – Guangfa China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
8	Southern Fund – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	131,135,600	RMB-denominated ordinary shares	131,135,600
9	ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan	119,642,589	RMB-denominated ordinary shares	119,642,589
10	Hexie Health Insurance Co., Ltd. – Traditional – General Insurance Product	97,372,138	RMB-denominated ordinary shares	97,372,138
Statement on the related relations and concerted actions between the shareholders above		CREC, the controlling shareholder, does not have related relations or perform concerted actions with the above other shareholders. The Company is not aware of any related relationships or concerted action relationships between the above shareholders.		

Note 1: During the period from 20 November 2018 and 20 May 2019, CREC acquired additional 23,788,100 A shares of the Company through centralized price bidding on Shanghai Stock Exchange, representing approximately 0.1276% of the total issued shares of the Company. Following the increase in shareholding, CREC held 11,598,764,390 shares of the Company (including 11,434,370,390 A shares and 164,394,000 H shares), representing approximately 47.21% of the total number of shares of the Company.

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

Note 3: The data shown in the table is based on the register of members of the Company as at 31 December 2019.

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

Unit: Shares

No.	Name of shareholder of shares with selling restrictions	Number of shares held with selling restrictions	Permission for public trading for shares with selling restrictions: Permitted timing for public trading	Permission for public trading for shares with selling restrictions: Number of new shares permitted for public trading	Terms of selling restrictions
1	China Reform Holdings Corporation Ltd.	387,050,131	2020.9.21	0	12 months
2	China Great Wall Asset Management Co., Ltd.	372,192,507	2020.9.21	0	12 months
3	China Structural Reform Fund Corporation Limited	223,296,399	2020.9.21	0	12 months
4	China Orient Asset Management Co., Ltd.	223,271,744	2020.9.21	0	12 months
5	ABC Capital Management Co., Ltd. – Suida (Jiaxing) Investment Partnership (LLP)	178,138,508	2020.9.21	0	12 months
6	BOC Financial Assets Investment Co., Ltd.	119,095,464	2020.9.21	0	12 months
7	China Cinda Asset Management Co., Ltd.	74,715,953	2020.9.21	0	12 months
8	ICBC Financial Asset Investment Co., Ltd	74,433,517	2020.9.21	0	12 months
9	BOCOM Financial Asset Investment Co., Ltd.	74,433,517	2020.9.21	0	12 months

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

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

Not applicable

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

IV. Information on Controlling Shareholder and Ultimate Controller

1. Details of Controlling Shareholder

(1) Legal person

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

(2) Natural person

Not applicable

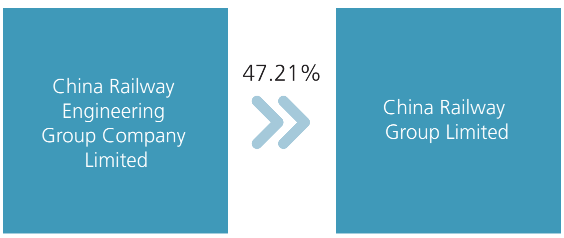
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

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



CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. Details of Ultimate Controller

(1) Legal person

Ultimate controller of the Company – State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"), which is the ministry level institution directly under the State Council, and was set up in accordance with the institutional reform plan of the State Council and the Notice of the State Council on Establishment of Institutions passed at the First Session of the 10th National People's Congress. The State-owned Assets Supervision and Administration Commission is authorised by the State Council to perform its duties as an investor on behalf of the State. The scope of supervision of the State-owned Assets Supervision and Administration Commission extends to the state-owned assets of central government owned enterprises (excluding financial enterprises). Currently, the State-owned Assets Supervision and Administration Commission holds 90% equity interests in CREC and National Social Security Fund holds 10% equity interests in CREC.

(2) Natural person

Not applicable

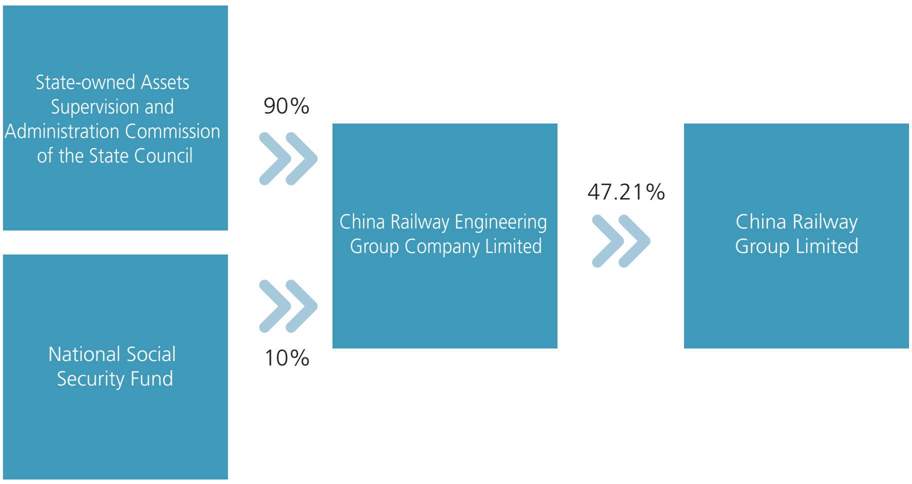
(3) Special explanation that the Company does not have any controlling shareholder

Not applicable

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

Not applicable

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



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

Not applicable

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

As of the end of the reporting period, except for HKSCC Nominees Limited, the Company has no other legal person shareholders with shareholding over 10%.

VI. Information on the Restrictions on Reduction of Shareholdings

Not applicable

CHEN Yun

Executive director, President and
Deputy Secretary to the CPC Committee

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

BUSINESS OVERVIEW

I. Industry Development Overview

1. Infrastructure Construction Business

Domestically, with the steady advance of the national transportation infrastructure plan, China has gradually strengthened its infrastructure construction capacity, accelerated the upgrading of energy conservation standards on construction, and significantly improved the level of green development in the construction sector. In 2019, investment in fixed assets continued to grow steadily areas the country, with investment in infrastructure continuing to gain momentum, investment in some areas of weakness strengthened, and investment in central and western regions accelerated. For the year of 2019, China's investment in fixed assets in transportation amounted to RMB3.2 trillion, and the investment scale remained at a high level. In September 2019, the CPC Central Committee and the State Council issued the Outline for the Construction of a Transportation Power, drawing an ambitious blueprint for high-quality development of transportation. In terms of railways, the scale of investment in fixed assets in railways during the period of 13th Five-year Plan was relatively stable, basically maintaining at around RMB800 billion. In 2019, the investment projects of RMB802.9 billion were completed, new railway lines with a total length of 8,489 kilometers were put into operation, and the length of railways in operation nationwide reached over 139,000 kilometers (among which, the length of high-speed railways reached 35,000 kilometers). In terms of roads and waterways, since 2017, China's fixed asset investment in roads and waterways has been running at a high level, basically around RMB2.3 trillion. The state steadily implemented the National Highway Network Plan 2020-2030 in highway construction, and gradually improved the network system of modern comprehensive transportation infrastructure through investment policy guidance. In respect of urban rail transit, steady progress was made in urban rail transit projects nationwide in 2019, with a total length of 968.77 kilometers of new lines put into operation, representing an increase of 32.94% over the previous year. As of the end of 2019, a total of 6,730.2 kilometers of urban rail transit lines were in operation in 40 cities across Mainland China. In addition, with the implementation of such documents as "Opinions on Promoting Standardized Development of Government-Private Capital Cooperation", "Regulations on Government Investment", "Notice on Strengthening Investment and Construction Management of PPP Projects in Accordance with Laws and Regulations" and the continuous standardization and improvement of the PPP model by the state, the implementation rate of PPP projects and the rate of operation have been gradually increased. The number of cancelled projects is gradually reduced, the quality of PPP projects in the database is constantly improved, and the PPP model has gradually entered the stage of stable and sustainable development. As of 31 December 2019, the Ministry of Finance had a total of 12,341 PPP projects with a total investment of RMB17.78 trillion, of which 9,383 projects were in the database with an investment of RMB14.48 trillion.

Internationally, against the backdrop of sluggish world economic recovery, rising anti-globalization and trade protectionism, the infrastructure development index of the countries along the "One Belt, One Road" in 2019 dropped slightly, but still remained at a high level. There is a huge demand for connectivity projects such as roads, railways, ports and airports in various countries, and there are more diverse sources of funds for participating in and supporting the "One Belt, One Road" infrastructure construction. For the year of 2019, the value of new contracts from 62 countries and regions along the "One Belt, One Road" entered into by enterprises in China was US$154.89 billion, accounting for 59.5% of the value of new contracts of foreign contracting projects of China during the same period, representing a year-on-year growth of 23.1%; the turnover completed was US$97.98 billion, accounting for 56.7% of the total turnover during the same period, representing a year-on-year growth of 9.7%.

2. Survey, Design and Consulting Services Business

Being a technology- and intelligence-intensive production-based service industry, the survey, design and consulting services business offers technical and management services throughout the decision-making and implementation process of the construction work of various industries, including construction, transportation, electricity and irrigation works. It has a leading position in project construction, plays an important supporting role in improving the investment benefits and social benefits of construction projects, and is a key link in project construction. With the steady growth of China's infrastructure investment in 2019, the survey, design and consulting market as a whole also kept growing. In particular, with the further expansion of the service supply capacity of engineering survey and design and consulting units, its service scope gradually extended to the whole life cycle of construction projects of engineering consulting industry chain, including investment decision-making consultation and post-assessment consultation, are gradually gaining access to energy conservation and emissions reduction, green low carbon economic consulting, land use and ecological environmental protection consulting, safety evaluation consulting, circular economy and comprehensive utilization of resources consulting and project operation management consulting, and other fields. In the meantime, the operating income of traditional survey and design business kept decreasing and the industry profit was decreasing. In the future, with the steady implementation of national infrastructure construction, further promotion of the concept of "innovative, coordinated, green, open and shared" development, and the in-depth implementation of Guiding Opinions on Promoting the Development of Engineering Consulting Services in the Whole Process, the survey, design and consulting industry will maintain a sustained, healthy and rapid development trend, and cultivating and developing the comprehensive consulting in investment decision-making and the consulting throughout the project construction process will become a new trend, so as to provide high-quality intellectual and technical services for fixed asset investment and project construction activities, comprehensively improve investment efficiency, the quality of project construction and operational efficiency, and promote high-quality development. At the same time, the survey, design and consulting services business is also facing new challenges, mainly reflected in the increasingly fierce inter-industry and cross-industry competition and competition in the entire industry chain. The market will impose increasingly strict requirements on the enterprises in terms of various aspects including innovation capability, technical know-how, quality standard, business scope and service price.

BUSINESS OVERVIEW

3. Engineering Equipment and Component Manufacturing Business

The State Council issued a series of industrial plans including Made in China 2025 and 13th Five-Year Plan for the Development of National Strategic Emerging Industries, which laid down the transformation and upgrading direction of the manufacturing industry in China in the following decade. During the period of the 13th Five-Year Plan, China's fixed asset investment in railways will stay at a high level, and there is still much room for highways, bridges, urban rail transit, irrigation works and underground development. In addition, with the in-depth promotion of joint pursuit of the "One Belt, One Road" Initiative, the markets of turnouts, tunnel construction equipment and services and construction machinery will continue to grow. In terms of policies, the release of the Action Plan for Promoting the Production and Application of Green Building Materials and the Guiding Opinions on Vigorously Developing Prefabricated Construction has provided strong policy support for the development of the steel structure industry. With the increasing application of steel structure products with the characteristics of "green, environmental friendly and circular economy" such as municipal bridge steel structure and high-rise building steel structure, the market demand for steel structure will further expand. However, the intensified competition in the industry has brought about some new changes in the market environment. To a certain extent, it has brought uncertain effects on the demand for tunnel construction equipment, turnout products for urban rail transit and electric equipment products in the future. In 2019, the added value of large-scale industries recorded a year-on-year increase of 5.7%. In particular, the added value of high-tech manufacturing industry increased by 8.8% year-on-year.

4. Property Development Business

In 2019, with the continuous adjustment of China's economic structure, the real estate industry shifted from high-speed growth to steady growth. All localities resolutely implemented the plans of the CPC Central Committee and the State Council, and adhered to the general position that houses are for living in, not for speculation. It was clearly stated for the first time that "real estate should not be used as a means to stimulate the economy in the short term", and the long-term management and regulation mechanism that is based on the city's policies, and stabilize land prices, housing prices and expectations was fully implemented. With respect to land market transaction, the financing channels of the real estate industry have been tightened, and the turnover and transaction amount of the national land market have been significantly reduced. According to the National Bureau of Statistics, the land purchased by real estate developers totaled 258.22 million square meters in 2019, representing a year-on-year decrease of 11.4%. The land transaction price was RMB1,470.9 billion, representing a year-on-year decrease of 8.7%. With respect to the turnover of commodity housing market, the overall turnover of the year remained stable, the residential transaction area increased slightly, and the office and commercial housing transaction area significantly shrank. In 2019, China's investment in real estate development totaled RMB13,219.4 billion, representing a year-on-year increase of 9.9%. The sales area of commodity housing was 1,715.58 million square meters, representing a year-on-year decrease of 0.1%. In particular, the sales area of residential housing increased by 1.5%, the sales area of office buildings decreased by 14.7% and the sales area of commercial housing decreased by 15.0%. The sales amount of commodity housing was RMB15,972.5 billion, representing a year-on-year increase of 6.5%. In particular, the sales amount of residential housing increased by 10.3%, the sales amount of office buildings decreased by 15.1% and the sales amount of commercial housing decreased by 16.5%. In terms of the competition pattern of real estate enterprises, data show that the performance scale and industry concentration degree of real estate enterprises in China have been further improved, and the growth rate of the industry's overall sales has slowed down. Leading real estate enterprises are accelerating the stock depletion, improving their own organic development capacity, strengthening the management and control of investment risks, and steadily promoting diversified development while centering on the main business of real estate.

BUSINESS OVERVIEW

II. Business Development Overview

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

In 2019, the Group organized the main operation entities at all levels to earnestly implement the three-year special action plan and innovative development plan of the SASAC for deepening the reform of state-owned enterprises, and promoted the comprehensive reform of mixed ownership and "double hundred action" in an orderly manner. The internal restructuring was carried out steadily, and the mixed ownership reform was carried out with the help of the capital market to select the companies with synergies with the main businesses of the Group. We made great efforts to expand the kinetic energy chain and truly lead the high-quality development of the Company with creation and innovation.

In 2019, the Group continued to maintain its leading position in the market, constantly deepened the reform of operation system and mechanism, expanded the operation scale and made efforts to ensure the growth of quantity. We worked on the reform of management system and mechanism to achieve quality improvement. On the basis of adhering to the traditional contract operation and continuously deepening the investment and financing operation, we have effectively expanded the specific operation modes of various business models and further improved the Group's market competitiveness.

In 2019, with the continual expansion of the Group's production and operation scale, especially the investment scale, the Group continued to pay equal attention to broadening income source and reducing expenditure, vigorously strengthened the research, management and control of the enterprise macro-cost and micro-cost, vigorously carried out centralized management of capital and procurement of materials, actively expanded financing channels and enhanced the proportion of direct financing, resulting in a decrease in management costs from various aspects. In 2019, the average financing cost of the Group was 4.52%, representing a year-on-year decrease of 0.1 percentage point. The financing cost continued to decline. The Group successfully completed the first market-oriented debt-to-equity conversion project in China's construction industry. As the state-owned capital investment and operation companies, financial asset management and other institutions became new shareholders of the Company, the shareholder structure of the Company was further optimized; as the controlling equity interests of the expressway asset platform company has been successfully transferred, the introduction of excellent expressway investors effectively reduced the Company's liability and increased the return on asset.

In 2019, the Group further strengthened the "red line" awareness and "bottom line" thinking, firmly established the concept of caring for people, safe development and "zero accident", and actively promoted the laboratory activities of project management and the standardized and refined management of safety to ensure that the Group's safe production situation was generally stable, and the quality of projects was steady and controllable.

In 2019, the value of new contracts of the Group was RMB2,164.87 billion, representing a year-on-year increase of 27.9%. In particular, the value of new contracts of domestic business was RMB2,037.27 billion, representing a year-on-year increase of 28.4%; the value of new contracts of overseas business was RMB127.60 billion, representing a year-on-year increase of 21.6%. As at the end of the reporting period, the value of contract backlog of the Group was RMB3,171.37 billion, with an increase of 9.3% as compared with the end of 2018. The value of new contracts by business segment is set out as below:

Unit: 100 million Currency: RMB

Value of New Contracts			
Business segments	2019	2018	Increase/ decrease over same period last year *(%)*
Infrastructure construction business	**17,946.3**	14,346.3	25.1
Including: Railway	**3,112.4**	2,540.8	22.5
Highways	**3,090.6**	3,016.3	2.5
Municipal works and others	**11,743.2**	8,789.2	33.6
Among which: Urban rail transit	**2,014.0**	2,364.0	-14.8
Municipal works	**4,644.9**	3,066.8	51.5
Housing construction	**4,360.3**	2,489.0	75.2
Survey, design and consulting services	**288.1**	221.1	30.3
Engineering equipment and component manufacturing	**420.9**	368.0	14.4
Property development	**696.8**	530.0	31.5
Other businesses	**2,296.6**	1,456.2	57.7
Total	**21,648.7**	16,921.6	27.9

BUSINESS OVERVIEW

1. Infrastructure Construction Business

The Group has always been a leader in China's infrastructure construction industry. As one of the largest construction contractors in the world, the Group has 18 general contracting projects for railway construction at special grade, accounting for over 50% of the total number of general contracting projects for railway construction at special grade in China; 27 general contracting projects for highway construction at special grade, accounting for 19.3% of the total general contracting projects for highway construction at special grade; 19 general contracting projects for engineering construction at special grade and 10 general contracting projects for municipal public engineering at special grade. The Group is the largest construction group in the fields of railway infrastructure and urban rail transit infrastructure in China. It has the only National Key Laboratory of High Speed Railway Construction Technology, National Key Laboratory of Bridge Structural Stability and Safety and National Key Laboratory of Shield Tunneling and Drilling Technology in China, representing the most advanced technological level in terms of railway and urban rail transit construction in China. In addition, the Group is one of the major infrastructure construction forces in the construction of the "One Belt, One Road" Initiative. It is the main contractor of the representative projects along the "One Belt, One Road" including China-Laos Railway, the Indonesian Jakarta-Bandung High-speed Railway and the Budapest-Belgrade Railway. About 85% of the new overseas business contracts entered into by the Group in 2019 are from countries along the "One Belt, One Road". In the domestic market, the Group's share in the railway's large and medium-sized infrastructure market has remained above 45%, its share in the urban rail transit infrastructure market is over 40%, and its share in the expressway infrastructure market is over 10%.

In 2019, the value of the Group's new contracts of infrastructure construction business was RMB1,794.63 billion, representing a year-on-year increase of 25.1%. As at the end of 2019, the value of the Group's contract backlog of infrastructure construction business was RMB3,164.18 billion, representing an increase of 17.8% from the end of 2018. **From a business area perspective:** ① **In respect of railway business,** thanks to the increase in the total scale of bidding for large and medium-sized railway infrastructure projects by various railway bureaus and key railway companies, the amount of new contracts in the Group's railway business increased, and the new contracts reached RMB311.24 billion in 2019, representing a year-on-year increase of 22.5%. The contract backlogs amounted to RMB617.95 billion, representing a year-on-year increase of 10.8%. The Group's market share in domestic large and medium-sized railway construction reached 50.5% in 2019, maintaining the first place in China. ② **In respect of highway business,** in 2019, the growth rate of national highway fixed asset investment was basically unchanged, and the amount of new contracts in the Group's highway business increased slightly. The new contracts amounted to RMB309.06 billion, representing a year-on-year increase of 2.5%. Among them, the highway orders obtained by the investment mode (PPP, BOT, etc.) had a large year-on-year growth, while the highway orders obtained by the construction contract mode are relatively reduced. The contract backlogs amounted to RMB562.00 billion, representing a year-on-year increase of 9.2%. ③ **In respect of municipal works and other businesses,** benefiting from the acceleration of urbanization and the promotion of the construction of major city clusters, the Group has strengthened the market development of urban construction. The value of new contracts signed for municipal and other businesses reached RMB1,174.32 billion, representing a year-on-year increase of 33.6%. The contract backlogs amounted to RMB1,984.23 billion, representing a year-on-year increase of 22.9%. Among them, the new contracts for municipal business reached RMB464.49 billion, representing a year-on-year increase of 51.5%; new contracts for the housing construction business amounted to RMB436.03 billion, representing a year-on-year increase of 75.2%. The new contracts for urban rail transit business totaled RMB201.40 billion, representing a year-on-year decrease of 14.8%. **From a business model perspective:** In 2019, the amount of new contracts for infrastructure construction obtained by the Group through the construction contracting mode was RMB1,410.07 billion, representing a year-on-year increase of 27.6%. The new contracts for infrastructure construction obtained through investment mode reached RMB384.56 billion, representing a year-on-year increase of 16.6%.

During the reporting period, key projects under construction and investment projects contracted or participated in by the Group progressed smoothly. A number of key projects participated by the Group have been put into operation or completed successfully, including important supporting projects for the Beijing Winter Olympic Games, Beijing-Zhangjiakou High-speed Railway, China's first intelligent high-speed railway, and Haoji Railway, the world's longest heavy-haul railway. Wuhan Yangsigang Yangtze River Bridge, the longest double-deck suspension bridge in the world constructed by the Group, and Wufengshan Yangtze River Bridge for Lianzhen Railway, the world's first suspension bridge for high-speed railway constructed by the Group, have been put into service. The south main tower of Shanghai-Nantong Yangtze river bridge, the world's largest double-span cable-stayed bridge for railway and highway constructed by the Group, was successfully capped. The construction of Chengdu-Kunming Railway, the Shangqiu-Hefei-Hangzhou High-speed Railway, the Beijing Metro, the Guangzhou Metro, the China-Laos Railway, the Jakarta-Bandung High-Speed Railway, the Padma Bridge railway connecting line in Bangladesh and other key projects under construction proceeded in an orderly manner. The Xi'an-Chengdu High-speed Railway, the Yunnan-Guizhou Railway and the Parrot Island Yangtze River Bridge were awarded the FIDIC outstanding project award and the excellent project award respectively.

BUSINESS OVERVIEW

2. Survey, Design and Consulting Services Business

As a backbone enterprise in China's survey and design and consulting industry, the Group has played an important leading role in the field of engineering construction, especially in assisting in the formulation of construction codes and quality acceptance standards of the railway industry. In ENR's 2019 ranking of the world's 150 largest design companies and 225 largest international design companies, China railway ranked 20th and 94th respectively.

In 2019, the value of new contracts of the Group's survey, design and consulting services business was RMB28.81 billion, representing a year-on-year increase of 30.3%, mainly because of the growth of the overseas survey and design business undertaken by the Group. As at the end of 2019, the Group's contract backlog of survey, design and consulting services business was RMB54.60 billion, representing an increase of 32.0% from the end of 2018. In 2019, the planning work of Sichuan-Tibet Railway in which the Group participated and which has attracted worldwide attention, has been efficiently and orderly pushed ahead. The Padma Bridge railway connecting line project in Bangladesh, whose survey and design work was undertaken by the Group, was under smooth construction. The Beijing-Zhangjiakou high-speed railway, the nation's first automated high-speed railway, of which the Group is responsible for design and participated in construction, commenced operation.

3. Engineering Equipment and Component Manufacturing Business

The Group has a leading position in the field of high-end equipment manufacturing related to transportation infrastructure such as railways, highways, urban rail transit and underground engineering in the country and even the world. The Group is the world's largest shield/TBM R&D manufacturer in terms of sales volume, the world's largest steel structure manufacturer of turnouts and bridges, and the largest railway construction equipment manufacturer in China. In the domestic market, the Group's market share of high-speed turnout business with high technical requirements (above 250 km/h) is approximately 65%, and its market share in heavy-haul turnout market is over 50%. In the urban rail transit business, the market share of turnout is over 60%. The market share in the market of large steel structure bridge is over 60%. The market share in the 300km/h or above high-speed railway catenary components is more than 70%. China Railway Hi-Tech Industry Co., Ltd. (600528.SH), a controlling subsidiary of the Company, is the only industrial enterprise in A share market that mainly engages in rail transit and underground excavation of high-end equipment. It has outstanding competitiveness in scientific and technological innovation strength, core technology advantages, production and manufacturing level, brand awareness and other aspects.

In 2019, the value of new contracts of the engineering equipment and component manufacturing business of the Group was RMB42.09 billion, representing a year-on-year increase of 14.4%. As at the end of 2019, the Company's contract backlog of engineering equipment and component manufacturing business was RMB54.16 billion, representing an increase of 35.1% from the end of 2018. The Group's market share in large steel structure bridges exceeds 60%; and in the high speed switch with high technical barriers (above 250km/h), its market share is about 65%. As Asia's largest and the world's second largest shield research and development manufacturer, the Company has maintained the leading position in tunnel construction equipment and related services market in China for consecutive years, and ranked first in terms of production and sales volume in the world for three consecutive years from 2017 to 2019. In 2019, the Group sold 109 units of shield/TBM and 91 units of rebuilt shield, and manufactured 109 units of shield/TBM. Meanwhile, while continuing to consolidate the domestic shield market, the Group stepped further into the international market, selling its shield products to 20 countries and regions including Singapore, Italy, Denmark and France.

4. Property Development Business

The Group is one of 16 central enterprises that the SASAC has identified as taking the real estate development as the main business. The Group's real estate development business complied with the national policy guidance and adhered to the new development concept. We carefully studied the new policies, identified new markets, set up new targets, constantly optimized the project mix, and played the role of "real estate +". We enhanced efforts to develop the market for building properties on subways, developing urban areas, industrial parks, and renovating old urban neighborhoods, strengthened risk prevention and control, and paid more attention to investment safety and return on investment, with an aim to effectively improve the efficiency and performance of real estate project development.

In 2019, the Group had a total of 204 secondary property development projects located in 50 cities including Beijing, Shanghai, Guangzhou and Shenzhen. During the reporting period, the Group's property development business achieved a sales amount of RMB69.68 billion, representing a year-on-year increase of 31.5%, and its sales area was 5.03 million square meters, representing a year-on-year increase of 16.4%. The area that has commenced construction was 8.07 million square meters, representing a year-on-year increase of 62.4%; the area that has completed construction was 3.15 million square meters, representing a year-on-year decrease of 24.1%. As at the end of 2019, the Group's property projects under construction cover an area of 41.23 million square meters, and the land reserve area to be developed was 16.876 million square meters.

5. Other Businesses

Mining business

In 2019, there was no major change in the fundamentals of the non-ferrous metals industry. However, with the intensification of economic and trade frictions, the subsequent evolution of the global economic situation is not optimistic, and the prices of industrial products will increasingly show the downward pressure. Therefore, for commodities, the market will be more volatile, and the marginal impact will gradually weaken. In the process of infrastructure construction at home and abroad, the Group has obtained a number of mineral resources projects through acquisitions and mergers based on "fiscalization of resources" and "exchange of resources for projects". China Railway Resources Group Co., Ltd., the Company's wholly-owned subsidiary, is responsible for the development business of mineral resources. The Group's mining business is mainly based on the management and development of mines. Currently, it wholly owns, controls or holds shares in 5 modern mines at home and abroad. The main mineral products produced and sold include concentrate of copper, cobalt, molybdenum, lead and zinc, copper cathode and cobalt hydroxide. In 2019, the prices of copper, cobalt, lead and zinc, the main mineral products of the Group, were in a downward trend, while the price of molybdenum remained on the rise. At present, the Group's retained resources/reserves mainly include copper of approximately 9 million tons, cobalt of approximately 600,000 tons, and molybdenum of approximately 700,000 tons. In particular, the retained reserves of copper, cobalt and molybdenum are in the leading position in the same industry in China, and its mines' production capacity for copper and molybdenum has been at the forefront in the same industry in China.

Financial business

The financial business of the Group has always followed the principle of developing business around the main businesses, and formed a strategic synergy with the main businesses. At present, it mainly engages in trust, fund, factoring, insurance broker and financial leasing. In 2019, the national economic growth slowed down, financial credit spreads further narrowed, and financial enterprises faced significantly more risks and challenges. The Group continued to promote the high-quality development of the enterprise, while adhering to the general tone of seeking improvement in stability, and the same requirements are applicable to the financial sector business. Taking China Railway Trust Co., Ltd. ("**China Railway Trust**"), the main player in the financial sector, as an example, since the acquisition of China Railway Trust by the Group, the timely payment rate of historically issued products has been kept at 100%, enjoying a good reputation in the industry, and its rating by the CBIRC and China Trustee Association has been kept at the forefront of the industry. Under the macro policy of "maintaining financial stability", China Railway Trust is gradually transforming from developing high-risk trust business to developing low-risk business. Although it shows a decrease in revenue in the short term, in the long term, the development of China Railway Trust will be more stable under the strategy of "risk control". Since the beginning of this year, the Group has further strengthened the risk management of financial business and financial enterprises in accordance with the requirements of the regulatory authorities. At present, the financial businesses carried out by the Group are running steadily and the risks are controllable.

Merchandise trading business

The merchandise trading business of the Group represents the trading business carried out by the trading enterprises at all levels of the Group relying on the demand advantage, product advantage and resource channel advantage and centralized purchase and supply based on the main businesses of the Company. It mainly serves the internal trading demand of the Group and provides external services in an appropriate manner. China Railway Material Trade Co., Ltd, a wholly-owned subsidiary of the Company, has established a national-wide operation and service network, and maintained good cooperative relationship with domestic large-scale production enterprises of steel, cement, petrochemical, components for communications engineering, signal engineering, electrical engineering and electrification engineering, building decoration materials and other products. It carries out centralized procurement and supply of major materials at the company level, and supplies materials to other domestic construction enterprises.

PPP (BOT) operation business

The Group obtains operational rail transit, expressway, water utilities and other assets through investment and construction, and achieves operating income by providing operation and management services and collecting fees according to relevant charging standards. As of the end of the reporting period, the Group operated 37 PPP (BOT) projects, including rail transit, expressway, water supplies, municipal roads, industrial parks and underground pipe corridors, with the operating period ranging from 8 to 40 years. The Group operated 11 expressways with a total length of 952 kilometers, contributing more than 90% of the revenue of PPP (BOT) operation business during the reporting period. The Company disposed of the 51% equity interest in Guangxi China Railway Communications Expressway Management Co., Ltd. ("**CRCE**"), the platform company holding the operating assets of such 11 expressways in December 2019, upon which the Company still holds 49% equity interests in CRCE and the revenue arised from which will decrease. However, as the other PPP (BOT) investment projects undertaken by the Group have been completed and entered the operation period, the revenue and profit of the Group's PPP (BOT) operation business will gradually increase.

In 2019, mining development projects such as Luming Molybdenum Mine in Yichun, Heilongjiang controlled by the Group and Sicomines Copper-Cobalt Mine in which the Group invested have been operating smoothly. Thanks to the comprehensive enhancement of on-site production management, the production system of exploitation, processing and smelting was under smooth operation, the output of major non-ferrous metal products increased steadily compared with the same period last year. The overall operation of the investment and operation projects for expressways and sewage treatment plants of the Group remained satisfactory. In order to improve the operation efficiency of expressway assets and reduce the operating cost, the Group listed and transferred 51% equity interests of 11 operating highways, and introduced excellent strategic investors of highways by the end of 2019. The merchandise trading business focused on the internal centralized procurement of the Group and achieved stable external operations. Thanks to an increase in market demand, the financial business grew at a high speed. By further consolidating internal resources, the Group solidly promoted the integration of industry and finance, created innovative investment and financing models and set up an industry-chain financial service system, which in turn helped to supplement the development of its principal operations.

III. Scientific Research Investment and Technological Achievements

As one of the country's first "innovation-oriented enterprises" awarded by the Ministry of Science and Technology, the State-owned Assets Supervision and Administration Commission of the State Council and the All-china Federation of Trade Unions, the Group has 3 national laboratories (the National Key Laboratory of High Speed Railway Construction Technology, National Key Laboratory of Bridge Structural Stability and Safety and National Key Laboratory of Shield Tunneling and Drilling Technology), 7 postdoctoral workstations, 1 national local joint research center, 23 provincial research and development centers (laboratories), 18 nationally recognized technology centers and 98 provincially recognized technical centers. It has also set up 20 professional R&D centers and invested in the national technology innovation center for Sichuan-Tibet railway.

In 2019, to meet the needs of the actual development and engineering construction, the Group implemented new research projects focusing on Sichuan-Tibet railway bridge construction technology, high speed railway construction technology, bridge construction technology, tunnel and underground project construction technology, communications engineering, signal engineering, electrical engineering and electrification engineering technology, construction equipment and industrial products manufacturing technology, building technology, energy conservation and emissions reduction, and other new areas of technology, intelligent manufacturing and information technology. To cope with the actual needs for the production and operation of the Company, we focused on the research of reasonable structure system of super large span highway and railway dual-use bridge (1500m class), the key technology of super large diameter rock tunneling machine, the construction of super large razor shell type subterranean cavern and the key technology of safety guarantee during the service period based on such key projects as the Beijing-Zhangjiakou-Railway, Xi'an-Shiyan Railway, Guiyang-Nanning Railway, Xi'an-Yan'an High-speed Railway, Beijing-Xiong'an Intercity Railway, Shanghai-Nantong Yangtze River Bridge, Shenzhen-Zhongshan River Passage, Beijing Metro, Shenzhen Metro, Qingdao Metro, Fuzhou Metro, Chengdu Metro, and Hangzhou Metro.

In 2019, the Group won 4 National Prizes for Progress in Science and Technology, 1 Technological Invention Award, 14 Zhan Tianyou Civil Engineering Prizes, and 328 provincial and ministerial science and technology achievement awards. We have 2,065 authorized patents, including 311 invention patents. "Shield tunneling machine for tunnel connection and its tunneling method" won the gold prize of the 20th China Patent Prize. 3 patents, namely "integrated ballastless track", "hyperboloid ball bearing with anti-lifting beam and anti-falling beam function", "a rotatable spoke used for the blade of shield tunneling machine" won the outstanding awards. 542 engineering methods received provincial and ministerial level recognition.

IV. Establishment and Implementation of Safety and Quality System

In 2019, the Group conscientiously implemented and complied with the standards of the quality management system, environmental management system, occupational health and safety management system (international quality management system: ISO 9001:2015; national quality management systems: GB/T 19001-2016/ ISO9001:2015 and GB/T 50430-2007; international environmental management system: ISO 14001:2015; international environmental management system: GB/T 24001-2016/ISO 14001:2016; international occupational health and safety management system: GB/T28001-2011/OHSAS 18001:2007). It also strictly implemented the domestic and international industrial standards and continuously improved its internal quality assurance system to make sure that its system and rules (including the Measures for Supervision on and Management of Construction Quality) are effectively compatible with those currently in force in relation to construction quality control, quality assurance and management, quality accident handling, and accountability for accidents, and that the management process is in an orderly and controllable condition, thus providing a solid foundation for the highly effective operation of the Group's quality management system. During the year, 10 projects of the Group won the Luban Prize, 57 projects won the National Outstanding Quality Project Award and 20 projects entered the list of national construction sites for safe construction and standardized production. The brand reputation of the construction quality of the Group was further enhanced.

V. Implementation of Environmental Protection Measures

The details are set out in the "Environmental protection information" under the "Significant Events" on page 306 to page 308 of this annual report.

VI. Compliance with Laws and Regulations

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

VII. Maintenance of Relationship with Stakeholders

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

VIII. Prospects

At the beginning of 2020, downside risks to the global economy have increased with the spread of COVID-19 worldwide, continued trade frictions, turmoil in financial markets, and escalating geopolitical tensions. With the uncertainty factors further intertwined and the emerging of some risks and hidden dangers, the corporate operation will be faced with more difficulties. However, at present and for some time to come, the basic trend of steady and long-term growth in China's economy has not changed. In particular, the central economic work council and meetings held by CPC Central Committee and the State Council in the first quarter have put forward a series of measures to stabilize growth, which will provide new benefits for the development of construction enterprise. **Firstly,** the more active counter-cyclical adjustment policy will provide new opportunities for the development of the Group. According to the spirit of the central economic work council, the economy should operate within a reasonable range, and counter-cyclical adjustment policies should be intensified accordingly. Strengthening infrastructure development remains a major focus for steady growth, with particular emphasis on new types of infrastructure development. Intercity high-speed railway and intercity rail transit is one of the seven key "new infrastructure" sectors, indicating that investment in transportation infrastructure will continue to grow. In 2020, China will invest RMB800 billion in fixed assets in railways, RMB1.8 trillion in roads and waterways, and RMB90 billion in civil aviation. The investment remains high. In addition, the implementation of the renovation of old urban areas has further strengthened urban renewal and the improvement of housing stock. The "urban renovation" and "renovation of shanty towns" have a huge volume, and the market size is estimated to reach RMB3-5 trillion, with an annual volume of approximately RMB1 trillion. In particular, the meeting of the Political Bureau of the CPC Central Committee held on 27 March 2020 further pointed out that the adjustment and implementation of macro-policy will be strengthened. A comprehensive package of macro-policy measures will be studied and proposed as an active response, the active fiscal policy should be more active and effective, the prudent monetary policy should be more flexible and moderate, fiscal deficit rate could be raised appropriately, special treasury bonds could be issued, and the size of special local government bonds could be increased, so as to guide the downward of loan market interest rate, and maintain a reasonable abundant liquidity. **Secondly,** the constantly optimized regional economic pattern will provide a new world for the development of the Company. The state will continue to accelerate the implementation of the regional development strategy, promote the construction of the Xiong'an new area, implement measures to protect the Yangtze River Economic Belt, promote ecological protection and high-quality development of the Yellow River basin, and improve the comprehensive carrying capacity of central cities and city clusters. The development plan of the Yangtze River Delta, the development plan of the Guangdong-Hong Kong-Macao Greater Bay Area, and the master plan of the new land-sea corridor in western China will be fully implemented, which will provide a broad stage for the development of the Company. With the improvement of urbanization and the continuous increase of urban population, urban rail transit, represented by metro and light rail, will become an important means to promote green travel, create smart cities and ease congestion by virtue of its advantages of low per capita energy consumption, large carrying capacity and interconnectivity. **Thirdly,** infrastructure investment funds and increased approval efforts will provide new impetus for the development of the Company. The CPC Central Committee pointed out that it is necessary to speed up the issuance and use of special local government bonds, and step up the preliminary preparation and construction of key projects. The State Council has made clear that special debt funds of local governments are not allowed to be used in land reserve and real estate related areas, and it will expand the scope of use of special debt, focusing on railway, rail transit, urban parking and other transport infrastructure. The Ministry of Finance has explicitly instructed local governments to expand their issuance of special bonds, and guided the local governments to make reserves and preliminary preparations for projects so as to form effective investment as soon as possible, in accordance with the principle of "funds follow projects". The NDRC and other ministries and commissions have launched initiatives to accelerate the start of construction of major projects, speed up the project approval, encourage the implementation of new investment projects, and require the early commencement and work resumption of the major railway, highway, waterway and airport projects under the 14th Five-year Plan shall be achieved. According to publicly released data, Beijing, Guangdong, Jiangsu and Fujian plan to invest about RMB6.7 trillion in key projects in 2020, and the total investment scale of key projects announced by 15 provinces is about RMB37 trillion. **Fourthly,** the intensive introduction of a series of favorable policies and preferential policies will provide new conditions for the development of the Company. The state has made great efforts to reduce the burden on enterprises by introducing a series of policies of reducing taxes and fees. In addition, in order to ease the impact of COVID-19, the State Council further issued tax relief, credit support and other preferential measures to strengthen the role of fiscal and monetary policies in counter-cyclical adjustment, and ease market liquidity, which is conducive to the development of capital-intensive enterprises such as infrastructure construction and real estate enterprises. **Fifthly,** the continued deepening of high-level opening-up will provide new space for the development of the Company. The Decision of the fourth plenary session of the 19th CPC Central Committee made it clear that we shall open up, on a larger scope, in a wider range and at a deeper level. "Bringing in" and "going out" have always been complementary. China's opening-up at a higher level will create more space for us to "go global" on a larger scope, in a wider range and at a deeper level. The construction of "One Belt, One Road" has been further promoted, and new cooperation models keeps emerging. Countries along the "One Belt, One Road" have strengthened policy communication, improved the business environment, increased infrastructure spending, and encouraged cross-border investment and cooperation. From the perspective of future development trend, driven by the acceleration of industrialization and urbanization in relevant countries, the construction demand of transportation infrastructure will be further released. Infrastructure connectivity projects such as roads, railways, ports and airports will inject stronger impetus into international infrastructure development. All these will provide new favorable conditions for the development of the Company.

While facing opportunities, we are also facing challenges. From the perspective of the future development trend of the industry, the investment momentum in infrastructure still needs to be strengthened, and the current financing mode of infrastructure investment projects needs to be further innovated. Excessive reliance on government credit and fiscal funds shall be reversed, and financing constraints may affect investment progress. With the transfer of infrastructure industry to new infrastructure projects based on new technologies, and national requirements for energy conservation and environmental protection constantly raised, how to realize new technology innovation and meet the requirements of energy conservation and environmental protection while ensuring the progress of engineering construction projects has become a practical problem for the Company. Meanwhile, the risk factors of frequent international local wars and conflicts, the rise of "anti-globalization" and the aggravation of international trade frictions still exist, which bring uncertainties and potential risks to the international operation of Chinese construction enterprises. Judging from the current situation, affected by the outbreak of COVID-19 in 2020, the short-term economy suffered a significant impact, which also brought some uncertainties to the growth of the gross output value of the construction industry and the new contracts in the first and second quarters of 2020.

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

IX. Operating Plan

In 2020, the Group plans to achieve total revenue of approximately RMB900 billion, operating costs of approximately RMB808 billion, four types of expenses of approximately RMB53 billion. It is estimated that the new contracts to be entered into will amount to approximately RMB2,200 billion. The Group will promptly adjust its operation plan to suit market conditions and to reflect the actual implementation of the plan.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

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

In the year of 2019, the Group achieved revenue of RMB850.843 billion, representing a year-on-year increase of 14.9%. Profit for the year increased by 45.6% year-on-year to RMB25.379 billion while profit for the year attributable to owners of the Company increased by 37.7% year-on-year to RMB23.678 billion.

A comparison of the financial results for 2019 and 2018 is set forth below.

II. Consolidated Results of Operations

Revenue

In 2019, the Group's total revenue increased year-on-year by 14.9% to RMB850.843 billion. It was mainly due to the increase in revenue from the Group's infrastructure construction business.

Cost of Sales and Services and Gross Profit

The Group's cost of sales and services primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee benefits expense and depreciation and amortization expenses. In 2019, the Group's cost of sales and services recorded a year-on-year increase of 15.3% to RMB770.979 billion while gross profit of the Group increased year-on-year by 11.5% to RMB79.864 billion. The overall gross profit margin for 2019 was 9.4%, representing a decrease of 0.3 percentage point as compared to that for 9.7% in 2018. Among which, gross profit margin of the infrastructure construction business basically remained the same as last year while there was an increase in gross profit margin for engineering equipment and component manufacturing business and property development business and a decrease in gross profit margin for survey, design and consulting services business and other businesses.

Other Income

The Group's other income primarily consists of dividend income and subsidies from government. In 2019, the Group's other income was RMB1.996 billion, decreased by 16.1% from RMB2.379 billion of last year. The decrease of other income was primarily due to the decrease in dividend income.

Other Expenses

The Group's other expenses primarily includes expenditures on research and development. In 2019, other expenses increased by 22.9% from RMB13.436 billion of last year to RMB16.511 billion, mainly due to the Group's continuous advancement on scientific research and technological innovation and further increased input in research and development.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's net impairment losses on financial assets and contract assets mainly includes impairment loss on trade and other receivables, other financial assets at amortised cost and contract assets. In 2019, the Group's net impairment losses on financial assets and contract assets decreased year-on-year by 39.8% to RMB4.507 billion, mainly attributable to the decrease in impairment losses on trade and other receivables.

Other Gains and Losses, Net

The Group's other gains and losses mainly include gains and losses on disposal/write-off of financial assets/liabilities, joint ventures, associates and subsidiaries, foreign exchange gains/losses, impairment loss on property, plant and equipment and other assets and changes in the fair value of financial assets through profit and loss. The other gains of RMB5.705 billion in 2019 (2018: other gains of RMB1.034 billion) primarily included gains of RMB4.955 billion from the disposal of 51% equity interests in CRCE and related debts.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of employee compensation and benefits, distribution and logistic costs and advertising costs. In 2019, the Group's selling and marketing expenses amounted to RMB4.605 billion, representing a year-on-year increase of 30.2%. Such increase was mainly due to the continuous strengthening in marketing effort brought by the deepened implementation of regional and three-dimensional operation as well as the strengthening in selling effort on property development projects and industrial products. The selling and marketing expenses as a percentage of the total revenue for 2019 was 0.5%, basically remained the same as that for 2018.

Administrative Expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2019, the Group's administrative expenses increased year-on-year by 11.7% to RMB24.474 billion. Such increase was mainly due to the normal increase in staff salary with the increase in profitability. Administrative expenses as a percentage of revenue for 2019 was 2.9%, decreased by 0.1 percentage point as compared to 3.0% for 2018.

Finance Costs, Net

In 2019, the Group's net finance costs (finance costs less finance income) was RMB6.741 billion, representing an increase of 25.2% from 2018. It was mainly due to the increase in interest expenses brought by the increase in interest-bearing liabilities and the increase in discount expense from ABN and ABS.

Profit Before Tax

As a result of the foregoing factors, the profit before tax for 2019 increased by RMB8.242 billion, or 33.0% to RMB33.187 billion from RMB24.945 billion for 2018.

Income Tax Expense

In 2019, the Group's income tax expense increased year-on-year by 4.0% to RMB7.808 billion. By excluding the impact of land appreciation tax, the effective income tax rate of the Group decreased by 3.2 percentage points from 21.1% for 2018 to 17.9% for 2019. Such decrease was mainly due to the increase in profitability of subsidiaries by increasing quality and efficiency and further enhancement on entitling various preferential income tax treatments, such as high and new technology enterprises, development of the Western Region and deduction of research and development expenditures.

Profit for the Year Attributable to Owners of the Company

In 2019, profit for the year attributable to owners of the Company increased by 37.7% to RMB23.678 billion from RMB17.198 billion for 2018.

III. Segment Results

The revenue and results of each segment of the Group's business for the year ended 31 December 2019 are set forth in the table below.

Business Segment	Revenue	Growth Rate	Profit Before Tax	Growth Rate	Profit Before Tax Margin[1]	Revenue as a Percentage of Total	Profit Before Tax as a Percentage of Total
	RMB million	*(%)*	*RMB million*	*(%)*	*(%)*	*(%)*	*(%)*
Infrastructure Construction	762,084	17.8	20,936	22.4	2.7	83.1	57.4
Survey, Design and Consulting	17,031	12.8	962	-37.4	5.6	1.9	2.6
Engineering Equipment and Component Manufacturing	24,322	17.0	1,999	30.5	8.2	2.7	5.5
Property Development	43,662	-0.7	3,652	-20.7	8.4	4.8	10.0
Other Businesses	70,402	3.9	8,950	1,085.4	12.7	7.5	24.5
Inter-segment Elimination and Adjustments	(66,658)		(3,312)				
Total	**850,843**	**14.9**	**33,187**	**33.0**	**3.9**	**100.0**	**100.0**

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

Infrastructure Construction Business

Revenue from the Group's infrastructure construction business primarily derives from construction of railway, highway and municipal works. Revenue from the infrastructure construction business continues to account for a high percentage of total revenue of the Group. In 2019, the revenue from the infrastructure construction business accounted for 83.1% of the total revenue of the Group (2018: 81.4%). In 2019, the State comprehensively strengthened the effort on the area of weaknesses of infrastructure field and infrastructure construction field is becoming increasingly significant in the role of stabilizing growth. Benefiting from the favourable policies on stable growth, stable investment and bolstering areas of weaknesses, the Group continuously implemented the reform on production and management system and achieved further increase in productivity. The Group recorded a significant increase in revenue from railway, highway and municipal works. In 2019, the revenue of infrastructure construction business increased by 17.8% year-on-year to RMB762.084 billion. Gross profit margin and profit before tax margin of the infrastructure construction business for 2019 was 7.1% and 2.7% respectively (2018: 7.0% and 2.6% respectively), which remained basically the same as that for last year.

Survey, Design and Consulting Services Business

Revenue from the operation of the survey, design and consulting services business primarily derives from providing a full range of survey, design and consulting services, research and development, feasibility studies and compliance certification services on infrastructure construction projects. In 2019, benefiting from the steady increase in investment of the domestic infrastructure construction market, revenue of survey, design and consulting services business recorded RMB17.031 billion, representing a year-on-year increase of 12.8%. Gross profit margin and profit before tax margin for the segment for 2019 was 27.0% and 5.6% respectively (2018: 27.5% and 10.2% respectively). The decrease in gross profit margin and profit before tax margin were mainly due to ① the rigid growth in staff costs; and ② moderate increase in outsourcing costs brought by the complete utilization of manpower resulting from the rapid growth in business scale with the aim to maximize marginal profitability.

Engineering Equipment and Component Manufacturing Business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and construction machinery. In 2019, based on the target of becoming "domestic leading and international first class" high and new technology equipment manufacturing enterprise and based on the direction of transforming and upgrading to service-oriented manufacturing, the Group deepened internal reform, grasped business opportunities and continuously optimized resources allocation. The Group's revenue of the engineering equipment and component manufacturing business of the Group increased by 17.0% year-on-year to RMB24.322 billion. Gross profit margin and profit before tax margin was 23.1% and 8.2% respectively for 2019 (2018: 22.5% and 7.4% respectively). The increase in gross profit margin and profit before tax margin was mainly due to the increase in percentage of sales of high-speed turnouts, sound barrier and catenary components which have higher gross profit margin.

Property Development Business

In 2019, the Group strictly adhered to the national policy on property market, further strengthened the effort on the transformation and upgrading and the increase in quality and profitability of the property development business. The Company devoted to fostering its brand competitivity in property industry, diversified the marketing models and strived to overcome the adverse impact brought by the national macro-control policies on property market. In 2019, revenue from property development business recorded RMB43.662 billion, decreased by 0.7% year-on-year. Gross profit margin and profit before tax margin was 25.1% and 8.4% respectively (2018: 24.1% and 10.5% respectively). The increase in gross profit margin was mainly due to the recognition of revenue from projects with higher gross profit margin in the period while the decrease in profit before tax margin was mainly attributable to the increase in selling and marketing expenses.

Other Businesses

In 2019, the Group strived to progressively implementing the "limited and interrelated" diversification strategy, revenue from other businesses increased year-on-year by 3.9% to RMB70.402 billion in 2019. Gross profit margin for 2019 was 21.3%, representing a decrease from 24.4% for 2018. Profit before tax for 2019 was RMB8.950 billion (2018: RMB0.755 billion), mainly due to gains of RMB4.955 billion from the disposal of 51% equity interest in CRCE and related debts and a decrease of RMB3.823 billion in impairment losses on assets. Among which, ① revenue from operation of PPP and BOT projects was RMB3.526 billion, representing a year-on-year decrease of 8.8% while gross profit margin was 43.0%, representing a year-on-year increase of 3.1 percentage points; ② revenue from mining was RMB5.728 billion, representing a year-on-year increase of 16.3% while gross profit margin was 46.9%, representing a year-on-year decrease of 0.7 percentage point; ③ revenue from merchandise trading was RMB46.305 billion, representing a year-on-year increase of 4.7% while gross profit margin was 6.3%, representing a year-on-year decrease of 2.0 percentage points; and ④ revenue from financial business was RMB3.692 billion, representing a year-on-year decrease of 8.6% while gross profit margin was 80.1%, representing a year-on-year decrease of 2.4 percentage points.

In 2019, the Group firmly grasped the core task of high-quality development, and actively resolved the downward pressure on the prices of some mineral products. The overall development and sales of mineral resources remained stable. In the whole year, the Group sold 142,917.04 tons of cathode copper, 70,562.23 tons of copper concentrate (containing copper), 2,645.90 tons of cobalt hydroxide (containing cobalt), 16,853.35 tons of molybdenum concentrate (containing molybdenum), 17,323 tons of lead concentrate (containing lead), 18,995 tons of zinc concentrate (containing zinc), 42,848 kg of lead concentrate (containing silver), and 86,141 grams of lead concentrate (containing gold). As at 31 December 2019, the Group's mineral reserves are as follows:

Unit: 100 million Currency: RMB

No.	Project name	Mineral resources Type	Grade	Resource/Reserve Unit	Quantity	Equity ratio (%)	Planned total investment of China Railway	Accumulated investment of China Railway	Investment in the reporting period	Planned completion date	Project progress
1	Luming Molybdenum Mine, Yichun City of Heilongjiang	Molybdenum	0.086%	10,000 tons	66.6	83	60.17	60.26	0	Completed	In normal production
2	Luishia Copper-Cobalt Mine, Compagnie Minière de Luisha S.A.S, Congo	Copper Cobalt	2.299% 0.105%	10,000 tons	58.3 2.7	72	21.38	19.2	0.68	2020	In normal operation, system improvement project in progress
3	MKM Copper-Cobalt Mine, La Minière De Kalumbwe Myunga sprl, Congo	Copper Cobalt	2.155% 0.253%	10,000 tons	3.7 0.4	80.2	11.95	12.35	0	Completed	In normal production
4	SICOMINES Copper-Cobalt Mine, La Sino-congolaise Des Mines S.A., Congo	Copper Cobalt	3.141% 0.244%	10,000 tons	794.7 61.7	41.72	45.86	21.14	0.27	2021	Phase 1 in normal production, phase 2 under construction
5	Wulan Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	1.564% 3.199% 66.59g/t	10,000 tons 10,000 tons Ton	21.1 43.1 897	100	21.86	21.86	0	Completed	In normal production
6	Muhaer Lead and Zinc Mine, Xinxin Company, Mongolia	Lead Zinc Silver	0.95% 3.21% 114.54g/t	10,000 tons 10,000 tons Ton	6.1 20.7 736.9	100	/	/	0		Not yet exploited
7	Gold mine, Guoxin Eerdesi Company, Mongolia	Gold	3g/t	Ton	3	100					Not yet exploited
8	Lead and Zinc Mine, Chafu, Xianglong Mineral Co., Ltd., Mongolia	Lead Zinc Silver	7% 5.09% 200.39g/t	10,000 tons 10,000 tons Ton	8.9 6.5 256.8	100	3.3	3.3		/	Ceased production

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

IV. Cash Flow

In 2019, the net cash inflow from operating activities of the Group amounted to RMB22.198 billion, representing an increase in net cash inflow of RMB10.236 billion from RMB11.962 billion for 2018, which was mainly due to ① the increase in advance from customers resulting from active strengthening in operation by the Group; ② the strengthened effort on recognition and settlement of receivables as well as strengthened cash flow planning; and ③ acceleration on fund recovery resulting from active implementation of certain asset securitization business.

In 2019, the net cash outflow from investing activities of the Group amounted to RMB40.179 billion, representing an increase in net cash outflow of RMB0.846 billion from RMB39.333 billion for 2018, which was mainly due to the increase in cash paid for equity investment in investment projects.

In 2019, the net cash inflow from financing activities of the Group amounted to RMB38.215 billion, representing an increase in net cash inflow of RMB10.308 billion from RMB27.907 billion for 2018, which was mainly due to the increase in external financing.

Capital Expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure for 2019 was RMB31.722 billion (2018: RMB26.575 billion), which was mainly due to the increase in service concession arrangements from BOT/PPP projects.

The following table sets forth the Group's capital expenditure by business segment in 2019.

For the year ended 31 December 2019	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Property, plant and equipment	7,045	327	1,064	633	2,176	11,245
Lease prepayments	809	151	1	321	(98)	1,184
Investment properties	364	–	–	220	10	594
Intangible assets	726	11	256	18	16,326	17,337
Mining assets	–	–	–	–	24	24
Right-of-use assets	753	53	4	122	406	1,338
Total	**9,697**	**542**	**1,325**	**1,314**	**18,844**	**31,722**

MANAGEMENT DISCUSSION AND ANALYSIS

Working Capital

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Inventories	**40,945**	38,553
Properties under development for sale	**133,776**	99,400
Trade and bills receivables	**139,080**	124,386
Trade and bills payables	**353,258**	343,801
Turnover of inventory (days)	**19**	19
Turnover of trade and bills receivables (days)	**56**	79
Turnover of trade and bills payables (days)	**163**	181

At the end of 2019, the balance of the Group's inventories and properties under development for sale were increased by 6.2% and 34.6% respectively from the end of 2018. It was mainly due to ① the increase in investment of property development causing the increase in property inventories including land reserve; and ② the increase in commodity stocks resulting from part of non-delivered orders from industrial enterprises at the year end. The Group's inventory turnover days was 19 days in 2019, remained basically the same as that for 2018.

Trade and Bills Receivables

At the end of 2019, trade and bills receivables increased by 11.8% from the end of 2018 to RMB139.080 billion. The turnover days of trade and bills receivables was 56 days in 2019, representing a decrease of 23 days as compared to 79 days in 2018. According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than one year and the trade and bills receivables of more than one year accounted for 16.0% (31 December 2018: 29.4%) of the total receivables, which reflected the sound receivables management capability of the Group.

The following table sets forth the ageing analysis of the Group's trade and bills receivables (net of impairment) as at 31 December 2019 and 2018, based on invoice date.

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Less than one year	**116,793**	87,863
One year to two years	**11,395**	20,566
Two years to three years	**4,078**	8,467
Three years to four years	**1,872**	3,168
Four years to five years	**809**	1,599
More than five years	**4,133**	2,723
Total	**139,080**	124,386

Trade and Bills Payables

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 2.8% from the end of 2018 to RMB353.258 billion as at the end of 2019. The turnover days of trade and bills payables was 163 days in 2019, representing a decrease of 18 days from 181 days in 2018. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 7.0% (31 December 2018: 8.3%) of the total payables.

The following table sets forth the ageing analysis of the Group's trade and bills payables as at 31 December 2019 and 2018, based on invoice date.

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Less than one year	**328,356**	315,376
One year to two years	**14,270**	17,644
Two years to three years	**5,153**	5,243
More than three years	**5,479**	5,538
Total	**353,258**	343,801

V. Borrowings

The following table sets forth the Group's total borrowings as at 31 December 2019 and 2018. As at 31 December 2019, 48.6% of the Group's borrowings were short-term borrowings (31 December 2018: 53.5%). The Group is generally capable of making timely repayments.

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Bank borrowings		
Secured	**40,756**	29,317
Unsecured	**123,919**	113,892
	164,675	143,209
Long-term debentures, unsecured	**46,848**	30,672
Other borrowings		
Secured	**688**	2,162
Unsecured	**19,034**	14,877
Total	**231,245**	190,920
Long-term borrowings	**118,934**	88,808
Short-term borrowings	**112,311**	102,112
Total	**231,245**	190,920

Bank borrowings carry interest rates ranging from 0.75% to 9.50% (31 December 2018: 0.75% to 12.50%) per annum. Long-term debentures carry fixed interest rates ranging from 2.88% to 4.88% (31 December 2018: 2.88% to 4.88%) per annum. Other borrowings carry interest rates ranging from 4.35% to 7.00% (31 December 2018: 4.11% to 6.30%) per annum.

The following table sets forth the maturity of the Group's borrowings as at 31 December 2019 and 2018.

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Less than one year	**112,311**	102,112
One year to two years	**33,644**	31,900
Two years to five years	**54,970**	35,849
More than five years	**30,320**	21,059
Total	**231,245**	190,920

As at 31 December 2019 and 2018, the Group's floating-rate borrowings amounted to RMB93.527 billion and RMB72.610 billion respectively.

The following table sets forth the carrying amounts of the Group's borrowings by currencies as at 31 December 2019 and 2018. The Group's borrowings are primarily denominated in Renminbi and the Group's foreign currency borrowings are primarily denominated in U.S. dollars and Euros.

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
RMB	**230,655**	179,432
USD	**173**	11,259
Euro	**25**	51
Others	**392**	178
Total	**231,245**	190,920

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the details of the Group's secured borrowings as at 31 December 2019 and 2018.

	As at 31 December			
	2019		2018	
	Secured borrowings	Carrying amount of pledged assets	Secured borrowings	Carrying amount of pledged assets
	RMB million	*RMB million*	*RMB million*	*RMB million*
Property, plant and equipment	**7**	**3**	7	6
Intangible assets	**12,238**	**21,802**	15,953	24,368
Properties under development for sale	**14,346**	**33,637**	11,750	25,032
Trade receivables	**2,911**	**4,491**	–	–
Trade receivables from fellow subsidiaries of the Group	**661**	**1,357**	521	567
Contract assets	**11,281**	**26,926**	3,248	9,915
Total	**41,444**	**88,216**	31,479	59,888

As at 31 December 2019, the Group's unused credit line facility from banks was RMB960.220 billion (31 December 2018: RMB637.388 billion).

The Group strived for optimizing business direction and asset structure, strengthening resources allocation and financial control, increasing equity capital and profitability, reducing low efficiency enterprises and assets, preventing and mitigating material operating risks, reasonably balancing operation development and decrease in leverage and further enhancing development quality. As at 31 December 2019, the Group's gearing ratio (total liabilities/total assets) was 76.8%, representing an increase of 0.4 percentage point as compared with 76.4% as at 31 December 2018. It was mainly due to: ① the increase in scale of assets and liabilities resulting from the growth in business scale and change in business structure as well as the insufficient settlement from project owners; and ② the simultaneous increase in right-of-use assets and lease liabilities due to the adoption of new accounting standard on leases.

In 2019, the Group completed the issuance of 3 tranches of corporate bonds totaled RMB9 billion with coupon rate of 3.59%-3.99% per annum and the issuance of 4 tranches of medium-term notes totaled RMB7.5 billion with coupon rate of 3.57%-4.18% per annum. Besides, in 2019, the Group has transferred trade receivables of RMB51.508 billion and RMB16.062 billion under the issuance of ABN and ABS and factoring agreements, respectively.

VI. Contingent Liabilities

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

	As at 31 December	
	2019	2018
	RMB million	*RMB million*
Pending lawsuits		
– arising in the ordinary course of business *(Note 1)*	**3,446**	3,615
Outstanding guarantees *(Note 2)*	**46,209**	32,510

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

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

	As at 31 December			
	2019		2018	
	Amount	**Expiry period**	Amount	Expiry period
	RMB million		RMB million	
Guarantees given to banks in respect of banking facilities to:				
Associates	***8,374***	***2020-2042***	*2,904*	*2019-2025*
Joint ventures	***1,190***	***2028***	*–*	*–*
A government-related entity	***60***	***2020***	*60*	*2019*
Property purchasers	***36,075***	***2020-2038***	*28,992*	*2019-2038*
An investee of the Group	***5***	***2030***	*–*	*–*
A former associate	***505***	***2027***	*554*	*2027*
	46,209		***32,510***	

VII. Business Risks

The risks faced by the Group include macroeconomic risk, international operation risk, investment risk, quality risk, work safety risk and cash flow risk in the ordinary course of business.

(1) Macroeconomic risk: Due to changes in the international economic environment, political relations, trade barriers, and changes of domestic economy situation, materials resources circumstances, market supply and demand, or other factors, the Group may face an disadvantage market environment, a decline in product's market share, higher default rates of long-term contracts, overcapacity or cash flow constraints, which brings uncertainty to the Group's normal operations, sustainable development and expected operating gains.

(2) International operation risk: It refers to the risk that due to the influence of international political situation, foreign policy changes, administrative intervention from government, economic, social, environmental or technological changes and other factors, which may lead to the failure to normally perform the contracts in the Group's overseas investment and contracted projects.

(3) Investment risk: It refers to the risk that due to the uncertainty of investment results arising from uncontrollable external factors, insufficient research and feasibility studies prior to project investment, inappropriate project implementation and management, significant changes in external macro environment and policies and other factors, which may lead to an investment return lower than expected or an investment failure of the Group.

(4) Quality risk: It refers to the risk that there would be uncertainty about quality of products due to a lack of effective management in the product's production cycle, and such uncertainty may cause damage to the corporate reputation, economic losses and external regulatory penalties.

(5) Work safety risk: It refers to the risk that due to a lack of effective management in the implementation of management scheme and measures, technology management, subcontract management, equipment management, accident handling, etc., and as a result the Group may have serious work safety accidents and potential safety hazards.

(6) Cash flow risk: It refers to the risk that the Group may incur economic losses or damage of reputation in the event of failure to meet the requirements of timely payment, investment expenses or timely repayment of the Company's debts in its operations due to improper management of cash flow.

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

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Directors

ZHANG Zongyan
Chairman, Executive Director and Secretary to the CPC Committee

ZHANG Zongyan (張宗言) (no other former name/alias), aged 56, senior engineer, currently is the Chairman, an executive director, the Secretary to the CPC Committee and Chairman of the Strategy Committee and the Nomination Committee under the Board of the Directors of the Company, and is the Chairman and the Secretary to the CPC Committee of CREC. He served as a Standing Member of the CPC Committee and the Vice President of China Railway Construction Corporation Limited and a Standing Member of the CPC Committee of China Railway Construction Corporation from April 2009 to March 2013; the President and the Deputy Secretary to the CPC Committee of China Railway Construction Corporation Limited and the Secretary to the CPC Committee and a director of China Railway Construction Corporation from March 2013 to June 2013; the President, an executive director and the Deputy Secretary to the CPC Committee of China Railway Construction Corporation Limited and the Secretary to the CPC Committee and a director of China Railway Construction Corporation from June 2013 to July 2015; the President and the Deputy Secretary to the CPC Committee of the Company and the Secretary to the CPC Committee and a director of CREC from July 2015 to January 2016; the President, an executive director and the Deputy Secretary to the CPC Committee of the Company and the Secretary to the CPC Committee and a director of CREC from January 2016 to November 2016; He served as the President, an executive director and the Deputy Secretary to the CPC Committee of the Company and the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC from November 2016 to August 2019.He served as the Chairman, an executive director and the Secretary to the CPC Committee of the Company since August 2019 and concurrently the Chairman and the Secretary to the CPC Committee of CREC.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHEN Yun
Executive Director, President and Deputy Secretary to the CPC Committee

CHEN Yun (陳雲) (no other former name/alias), aged 56, senior economist, currently is the President, an executive director, the Deputy Secretary to the CPC Committee and Chairman of the Safety, Health and Environmental Protection Committee under the Board of the Directors of the Company, and is concurrently the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC. He served as a Standing Member of the CPC Committee of China Communications Construction Group and a Standing Member of the CPC Committee and the Vice President of China Communications Construction Company Limited from April 2007 to March 2017; the Deputy Secretary to the CPC Committee of China Communications Construction Group and the Deputy Secretary to the CPC Committee and the Vice President of China Communications Construction Company Limited from March 2017 to September 2017; the Deputy Secretary to the CPC Committee of China Communications Construction Group and the Deputy Secretary to the CPC Committee and an executive director of China Communications Construction Company Limited from September 2017 to November 2017; the Deputy Secretary to the CPC Committee and the Chairman of the Labor Union of China Communications Construction Group and the Deputy Secretary to the CPC Committee, an executive director and the Chairman of the Labor Union of China Communications Construction Company Limited from November 2017 to June 2019. He served as the Deputy Secretary to the CPC Committee of the Company and the Deputy Secretary to the CPC Committee of CREC from June 2019 to August 2019; the President and the Deputy Secretary to the CPC Committee of the Company and the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC from August 2019 to October 2019; the President, an executive director and the Deputy Secretary to the CPC Committee of the Company and the General Manager, a director and the Deputy Secretary to the CPC Committee of CREC since October 2019.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

ZHANG Xian
Executive Director

ZHANG Xian (章獻) (no other former name/alias), aged 59, senior engineer, currently is an executive director and Standing Member of the CPC Committee of the Company. He is also a Standing Member of the CPC Committee of CREC. He was a Vice President of the Company from August 2010 to June 2017. He has been an executive director of the Company since June 2017.

GUO Peizhang
Independent Non-executive Director

GUO Peizhang (郭培章) (no other former name/alias), aged 70, senior economist, currently is an independent non-executive director and Chairman of the Remuneration Committee under the Board of the Directors of the Company. He was the Chairman of the Supervisory Committee of GD Power Development Co., Ltd. from November 2007 to April 2011, an independent non-executive director of China Shenhua Energy Company Limited from June 2010 to June 2017, and an external director of China Dongfang Electric Corporation from December 2010 to September 2015. He has been an independent non-executive director of the Company since June 2014.

WEN Baoman
Independent Non-executive Director

WEN Baoman (聞寶滿) (no other former name/alias), aged 68, senior political work professional, currently is an independent non-executive director of the Company. He was Deputy Secretary of the CPC Committee with concurrent position as Headmaster of Party School of Ansteel Group, Chairman of Supervisory Committee of Angang Steel Company Limited and a Standing Committee Member of Anshan Municipal Committee from July 2005 to December 2011. He was an external director of China Telecom Group from March 2012 to July 2019. He has been an independent non-executive director of the Company since June 2014.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

ZHENG Qingzhi
Independent Non-executive Director

ZHENG Qingzhi (鄭清智) (no other former name/alias), aged 67, senior accountant, currently is an independent non-executive director of the Company, Chairman of the Audit and Risk Management Committee of the Board of the Directors of the Company and an external director of China Information and Communication Technology Group Corporation. He was a director, General Manager and Deputy Secretary of the CPC Committee of China National Agricultural Development Group Co., Ltd. from October 2004 to April 2013 with concurrent position as Chairman of the Board of Directors of China Animal Husbandry (Group) General Corporation, and concurrently served as the Secretary General of China Agriculture Industrialisation Association from April 2013 to April 2015. He was the Deputy Chairman of China Agriculture Industrialisation Association from April 2013 to April 2015, and an external director of Wuhan FiberHome Technologies Group from October 2015 to June 2019. He served as an external director of Institute of Telecommunications Science and Technology Company Limited from January 2018 to January 2019, and has been an external director of China Information and Communication Technology Group Corporation. since August 2018. He has been an independent non-executive director of the Company since June 2014.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHUNG Shui Ming Timpson
Independent Non-executive Director

CHUNG Shui Ming Timpson (鍾瑞明) (no other former name/alias), aged 68, currently is an independent non-executive director of the Company and a member of the 10th to 13th National Committee of the Chinese People's Political Consultative Conference and a Pro-Chancellor of the City University of Hong Kong. Mr. CHUNG is currently an independent non-executive director of Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Unicom (Hong Kong) Limited, Orient Overseas (International) Limited and Postal Savings Bank of China Co., Ltd. and an external director of China COSCO Shipping Corporation Limited. Mr. CHUNG served as a senior audit officer of PricewaterhouseCoopers, an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited, the chairman of China Business of Jardine Fleming Holdings Limited, deputy chief executive officer of BOC International Limited, director-general of the Democratic Alliance for the Betterment and Progress of Hong Kong, chairman of the Advisory Committee on Art Developments, chairman of the Council of the City University of Hong Kong, chairman of the Hong Kong Housing Society, member of the Executive Council of the Hong Kong Special Administrative Region, vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, member of the Managing Committee of the Kowloon-Canton Railway Corporation, member of the Hong Kong Housing Authority, member of the Disaster Relief Fund Advisory Committee, independent non-executive director of Henderson Land Development Company Limited and Nine Dragons Paper (Holdings) Limited, and China Construction Bank Corporation, independent director of China Everbright Bank Corporation Limited and China State Construction Engineering Corporation Limited, and external director of China Mobile Communications Corporation. Mr. CHUNG obtained a bachelor of science degree from the University of Hong Kong, a master's degree of business administration from the Chinese University of Hong Kong and a doctorate of Social Sciences honoris causa from the City University of Hong Kong in 2010. In 2000, he received the Gold Bauhinia Star from the Government of Hong Kong Special Administrative Region. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. He has been an independent non-executive director of the Company since June 2017.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

MA Zonglin
Non-executive Director

MA Zonglin (馬宗林) (no other former name/alias), aged 62, senior engineer, currently is a non-executive director of the Company and is also an external director of China Forestry Group Corporation and China South Industries Group Corporation. He served as a director, the General Manager and a Standing Member of the CPC Committee of Power Construction Corporation of China from August 2011 to February 2014, Secretary to the CPC Committee and director of Power Construction Corporation of China from February 2014 to November 2016, a director, the General Manager and a Standing Member of the CPC Committee of Powerchina Limited from February 2014 to December 2014, and Secretary to the CPC Committee and Vice Chairman of Powerchina Limited from December 2014 to November 2016. He has been a full-time external director of Central Enterprises since November 2016, an external director of China Forestry Group Corporation since June 2017 and an external director of China South Industries Group Corporation since September 2018. He has been a non-executive director of the Company since June 2017.

II. Supervisors

ZHANG Huijia
Chairman of Supervisory Committee

ZHANG Huijia (張回家) (no other former name/alias), aged 59, senior economist, currently is the Chairman of Supervisory Committee of the Company. Mr. ZHANG was a Deputy Secretary of the CPC Committee, Vice Chairman and General Manager of China Railway No.5 Engineering Group Co., Ltd. from November 2010 to May 2017. He served as a Secretary of the CPC Committee, Chairman and legal representative of China Railway No.5 Engineering Group Co., Ltd. from June 2017 to June 2018. Mr. ZHANG has been a shareholder representative supervisor and Chairman of Supervisory Committee of the Company since June 2018.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

LIU Jianyuan
Supervisor

LIU Jianyuan (劉建媛) (no other former name/alias), aged 58, senior economist and political work professional, currently is an employee representative supervisor, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company, with concurrent position as an employee director and Chairperson of the Labour Union of CREC. She was Vice Chairperson of the Labour Union of the Company from January 2008 to June 2014. Ms. LIU has been an employee director of CREC since August 2012, Chairperson of the Labour Union and Chairperson of Female Staff Committee of the Company since June 2014, Vice Chairperson of Female Staff Committee of All-China Federation of Railway Labour Union since December 2015, Executive Committee Member of All-China Federation of Labour Unions since January 2016 and Deputy Chief (part-time) of the Grassroots Department of All-China Federation of Labour Unions since October 2016. Ms. Liu has been a Standing Member of the seventh session of Female Staff Committee of All-China Federation of Labour Unions and vice chairman of All-China Federation of Railway Labour Union (part-time) since February 2019, and an employee representative supervisor of the Company since January 2011.

YUAN Baoyin
Supervisor

YUAN Baoyin (苑寶印) (no other former name/alias), aged 56, senior engineer, currently is an employee representative supervisor, the deputy secretary to the discipline committee of the Company, and concurrently the deputy secretary to the discipline committee of CREC. Mr. YUAN served as the deputy secretary to the CPC Committee and secretary to the discipline committee of China Railway No.9 Group Co., Ltd. from March 2008 to March 2011; the deputy secretary to the discipline committee of the Company and concurrently the deputy secretary to the discipline committee of CREC from March 2011 to January 2013; the Chairman and the secretary to the CPC Committee of China Railway No.9 Group Co., Ltd. from January 2013 to March 2014. He served as the deputy secretary to the discipline committee of the Company and concurrently the deputy secretary to the discipline committee of CREC from March 2014 to September 2019. He has been an employee representative supervisor, the deputy secretary to the discipline committee of the Company, and concurrently the deputy secretary to the discipline committee of CREC since September 2019.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHEN Wenxin
Supervisor

CHEN Wenxin (陳文鑫) (no other former name/alias), aged 56, senior economist, lawyer and corporate legal advisor, currently is a shareholder representative supervisor of the Company. Mr. Chen was a supervisor of China Railway South Investment & Development Co., Ltd. from December 2007 to August 2012 and the Deputy Director of the Office of Board and concurrently Head of Property Representative Management Department of the Company from January 2008 to December 2010. He was a director of Linha (formerly"Lince") Railway Co., Ltd. from December 2010 to June 2015, and a director and Vice Chairman of Linha Railway Co., Ltd. from June 2015 to February 2018. He has been a director of China Railway Eastern International (Group) Limited since August 2016, as well as a shareholder representative supervisor of the Company since January 2011.

FAN Jinghua
Supervisor

FAN Jinghua (范經華) (no other former name/alias), aged 54, senior auditor and senior accountant, currently is an employee representative supervisor of the Company and a full-time director and an supervisor of the the enterprise to which he was dispatched. He was a supervisor and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from October 2005 to May 2011, a supervisor, Deputy Chief Accountant and Head of Audit Department of China Railway Major Bridge Engineering Group Co., Ltd. from June 2011 to June 2013, Deputy Head of Audit Department of the Company from July 2013 to November 2013. Mr. FAN was the Head of Audit Department of the Company from November 2013 to January 2020. He has been a full-time director and a supervisor of the the enterprise to which he was dispatched since January 2020 and an employee representative supervisor of the Company since June 2014.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. Senior Management

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

LIU Hui
Vice President

LIU Hui (劉輝) (no other former name/alias), aged 59, senior engineer, is a state registered consulting engineer and first-grade state-registered architect, currently is the Vice President and Standing Member of the CPC Committee of the Company and a Standing Member of the CPC Committee of CREC. He is concurrently the Vice Chairman of China Railway Design Corporation. Mr. LIU has been a director and Vice Chairman of China Railway Design Corporation since January 2007, and a director and Vice Chairman of Taiyuan-Zhongwei (Yinchuan) Railway Co., Ltd. from June 2011 to March 2019. He was a Vice President and Chief Engineer of the Company from September 2007 to June 2018, and has been the Vice President of the Company since June 2018.

SUN Cui
Chief Accountant
(Chief Financial Officer)

SUN Cui (孫璀) (no other former name/alias), aged 54, senior accountant, currently is a Standing Member of the CPC Committee and Chief Accountant (Chief Financial Officer) of the Company and is also a Standing Member of the CPC Committee of CREC. He served as a Standing Member of the CPC Committee of Sinohydro Corporation and Chief Accountant and Standing Member of the CPC Committee of Sinohydro Group Ltd. from November 2009 to March 2011; a member of Preparatory Group and a temporary Standing Member of the CPC Committee of Power Construction Corporation of China, and a Standing Member of the CPC Committee of Sinohydro Corporation and Chief Accountant and Standing Member of the CPC Committee of Sinohydro Group Ltd. from March 2011 to August 2011; the Chief Accountant of Power Construction Corporation of China and a Standing Member of the CPC Committee of Sinohydro Corporation and Chief Accountant and Standing Member of the CPC Committee of Sinohydro Group Ltd. from August 2011 to December 2011; the Chief Accountant of Power Construction Corporation of China and a Standing Member of the CPC Committee of Sinohydro Corporation from December 2011 to February 2014; a Standing Member of the CPC Committee of Power Construction Corporation of China and a Standing Member of the CPC Committee and Chief Accountant of Powerchina Limited from February 2014 to January 2020(from September 2015 to November 2015, studied in the 65th Training Class for bureau-level cadres of the CPC Party School); a Standing Member of the CPC Committee of CREC from January 2020 to February 2020. He was a Standing Member of the CPC Committee of the Company and a Standing Member of the CPC Committee of CREC from February 2020 to March 2020. He has been a Standing Member of the CPC Committee and Chief Accountant (Chief Financial Officer) of the Company and a Standing Member of the CPC Committee of CREC since March 2020.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

YU Tengqun
Vice President and General Legal Advisor

YU Tengqun (于騰群) (no other former name/alias), aged 50, senior economist, currently is a Standing Member of the CPC Committee, the Vice President and General Legal Advisor of the Company, and concurrently a Standing Member of the CPC Committee of CREC. Mr. YU was the Secretary to the Board of Directors of the Company from September 2007 to September 2010 and Secretary to the Board of Directors and spokesperson of the Company from September 2010 to March 2014. He was the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from March 2014 to September 2017 (from March 2016 to January 2017, studied in a one-year middle-aged and youth training course organized by the Central Community Party School); a Standing Member of the CPC Committee of CREC and a Standing Member of the CPC Committee, the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from September 2017 to December 2017, a Standing Member of the CPC Committee of CREC and Standing Member of the CPC Committee, the Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from December 2017 to June 2018; a Standing Member of the CPC Committee of CREC and a Standing Member of the CPC Committee, Vice President, Secretary to the Board of Directors, General Legal Advisor and spokesperson of the Company from June 2018 to August 2018. Mr. YU has been a Standing Member of the CPC Committee of CREC and a Standing Member of the CPC Committee, Vice President and General Legal Advisor of the Company since August 2018.

DUAN Yongchuan
Vice President

DUAN Yongchuan (段永傳) (no other former name/alias), aged 55, senior engineer, currently is the Vice President of the Company. Mr. DUAN was a director, the General Manager and Deputy Secretary of the CPC Committee of China Railway Construction Engineering Group Co., Ltd. from July 2008 to June 2014. He served as the General Manager, legal representative, Deputy Secretary of the CPC Committee, and Vice Chairman of China Railway Construction Engineering Group Co., Ltd. from June 2014 to May 2016. He was a Secretary to the CPC Committee, Chairman and legal representative of China Railway Construction Engineering Group Co., Ltd. from May 2016 to June 2018. Mr. DUAN has been the Vice President of the Company since June 2018.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

LIU Baolong
Vice President

LIU Baolong (劉寶龍), formerly named as LIU Baolong (劉保龍), aged 55, senior engineer, currently is the Vice President of the Company. Mr. LIU was a Secretary to the CPC Committee and Vice Chairman of China Railway No.3 Engineering Group Co., Ltd. from January 2013 to March 2014, Secretary to the CPC Committee, Chairman and legal representative of China Railway No.3 Engineering Group Co., Ltd. from March 2014 to June 2018. Mr. LIU has been the Vice President of the Company since June 2018.

REN Hongpeng
Vice President

REN Hongpeng (任鴻鵬) (no other former name/alias), aged 46, senior engineer, currently is the Vice President of the Company. Mr. REN was a Deputy General Manager of China Road and Bridge Corporation from September 2011 to August 2015, a Deputy General Manager and Standing Member of the CPC Committee of China Road and Bridge Corporation from August 2015 to December 2015. Mr. REN was a Deputy General Manager and Standing Member of the CPC Committee of China Road and Bridge Corporation and director of CCCG Real Estate Group Co., Ltd. from December 2015 to January 2016. He was a director of CCCG Real Estate Group Co., Ltd., director, General Manager (legal representative) and temporary Secretary to the CPC Committee of CCCG Overseas Real Estate Pte. Ltd. from January 2016 to February 2017. Mr. REN was a director and temporary member of CPC Committee of CCCG Real Estate Group Co., Ltd. and a director, General Manager (legal representative) and temporary Secretary to the CPC Committee of CCCG Overseas Real Estate Pte. Ltd. from February 2017 to June 2018. He has been the Vice President of the Company since June 2018.

KONG Dun
Chief Engineer

KONG Dun (孔遁) (no other former name/alias), aged 54, senior engineer, currently is the Chief Engineer of the Company. Mr. KONG was a General Manager, Deputy Secretary to the CPC Committee and director of Shanghai Civil Engineering Co., Ltd. of CREC from November 2010 to June 2018. He has been the Chief Engineer of the Company since June 2018.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

MA Jiangqian
Chief Economist

MA Jiangqian (馬江黔) (no other former name/alias), aged 51, senior economist, currently is the Chief Economist of the Company. Mr. MA was a General Manager, Deputy Secretary to the CPC Committee and director of China Railway No.6 Engineering Group Co., Ltd. from January 2013 to June 2014. Mr. MA was a General Manager, Deputy Secretary to the CPC Committee and Vice Chairman of China Railway No.6 Engineering Group Co., Ltd. from June 2014 to June 2018. He has been the Chief Economist of the Company since June 2018.

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

HE Wen (何文) (no other former name/alias), aged 55, senior accountant, currently is the Secretary to the Board of Directors and Joint Company Secretary of the Company, and concurrently the Head of Finance Department of the Company. Mr. HE was the Secretary to the CPC Committee, Chairman of the Board of Supervisor and Secretary to the Disciplinary Committee of China Railway Trust Co., Ltd. from November 2013 to March 2014. Mr. HE was the Deputy Chief Accountant and Head of Finance Department of the Company from March 2014 to June 2017. He was the Head of Finance Department of the Company from June 2017 to August 2018. He has been the Secretary to the Board of Directors and Joint Company Secretary and concurrently the Head of Finance Department of the Company since August 2018.

TAM Chun Chung
Joint Company Secretary and Qualified Accountant

TAM Chun Chung (譚振忠), aged 47, currently is the Joint Company Secretary and Qualified Accountant of the Company and also an independent non-executive director of Lap Kei Engineering (Holdings) Limited. Mr. TAM joined the Company in November 2007. Prior to joining the Company, Mr. TAM served as a Qualified Accountant and Joint Company Secretary of an H-share listed company in Hong Kong. He had also held various senior positions including senior manager of internal audit and senior manager of finance department in another Hong Kong listed company previously. From 1994 to 2000, Mr. TAM worked for a large international accounting firm as an assistant manager. Mr. TAM has over 25 years of experience in the accounting and auditing field. He has been a member of the Hong Kong Institute of Certified Public Accountants since December 1997 and a fellow of the Chartered Association of Certified Accountants since November 2002.

Business Review

1. Business Review of the Financial Year

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

In 2019, domestic and international economic situations was severe and complicated. On the international front, global economic growth has slowed down, with the main developed economies losing some of the momentum for growth. In particular, there continued to be the risk of a global economic downturn as a result of trade conflicts and changes in the financial landscape. On the domestic front, the basic trends of China's economic development remained unchanged, meaning the economy continued to show steady and positive growth, the long-term picture was promising, the key macro-economic indicators remained at a reasonable level, and there was an increase in positive factors driving high-quality development. However, China's economic development is currently facing new risks and challenges and there is an increased downward pressure on the domestic economy.

In the year of 2019, guided by Xi Jinping's ideology of socialism with Chinese characteristics in the new era, the Group fully implemented the spirit of the 19th National Congress of the CPC and the 2nd, 3rd, and 4th Plenary Sessions of the 19th CPC Central Committee, conscientiously implemented the various decisions and arrangements of the Central Committee of CPC, the State Council, and the SASAC, adhered to the idea and principle that "lowering leverage, reducing debt, preventing risks" and further "being better, stronger, bigger" were not incompatible, firmly grasped the two keys of being innovation-driven and quality-oriented, and diligently carried out production and operation based on the premise that market development was the leader, reform and innovation was the driving force, quality and safety was the precondition and cost reduction and efficiency improvement was the foundation. The Group's operating performance and economic operation have shown a steady and good development trend, the development quality has been continuously improved, and the product structure has been continuously optimized.

In the year of 2019, the Group achieved revenue of RMB850.843 billion, representing a year-on-year increase of 14.9%. In the year of 2019, the Group achieved net profit of RMB25.379 billion, representing a year-on-year increase of 45.6%. The profit for the year attributable to the owner of the Company was RMB23.678 billion, representing a year-on-year increase of 37.7%.

Further details of the Group's business review of the financial year are set out in Parts I to VII of "Business Overview" on pages 17 to 31 and Parts I to VI of "Management Discussion and Analysis" on pages 34 to 45 of this annual report.

2. Principal Risks and Uncertainties

The Group is exposed to a variety of risks, including macro-economy risk, international operation risk, investment risk, quality risk, work safety risk and cash flow risk, in the ordinary course of business.

Further details of the Group's principal risks are set out in Part VII of "Management Discussion and Analysis" on page 46.

3. Future Development of Businesses

Currently the construction industry remains an important engine and pillar industry which drives economic growth and employment. It is an important industry on which various sectors of the national economy rely for survival and development. At present, increasing the overall benefits of the resumption of operation and production by the construction industry is crucial for maintaining the stable functioning of the economy and society. The Group has reached a phase of development where the times and the trends are generally favorable to us but challenges and risks will continue to increase. Thanks to the policy on making up the shortfall in infrastructure investments, we are seeing a growth in both the existing market and the potential market. The construction market offers renewed and compensatory growth opportunities, making this the perfect time for guiding the industry's development and taking up a leading position in the market. The year 2020 marks the final year of the Group's "13th Five-Year Plan". We will continue to implement the comprehensive development strategy specified in the "13th Five-Year Plan", and begin to formulate the "14th Five-Year Plan" at the same time.

In 2020, under the guidance of Xi Jinping's ideology of socialism with Chinese characteristics in the new era, the Group will further implement the spirit of the 19th National Congress of the CPC, the 2nd, 3rd and 4th Plenary Sessions of the 19th CPC Central Committee, the Central Economic Work Meeting and the Meeting of the Heads of Central Government Enterprises by continuing with the general approach of seeking steady and positive growth and adhering to the new development philosophy, insisting on achieving high-quality development, and fully strengthening the leadership of the Party and Party building. By optimizing the governance structure and strengthening governance capabilities, we will coordinate and promote work on stabilizing growth, promoting reforms, strengthening innovation, adjusting structures, strengthening supervision and preventing risks, and will strive to improve our operation chain, refine our management chain, strengthen our industrial chain, enhance our value chain, expand our driver chain, as well as increase our competitiveness, innovativeness, control, influence and risk resistance, with the aim of becoming a world-class enterprise with global competitiveness, and making new and bigger contributions to the building of a moderately prosperous society in all respects.

In 2020, the Group will make even bigger efforts in achieving growth and ensuring the fulfilment of its annual operation targets. We will insist on aligning our operations with State strategies and adhere to the principles of "following strategies, being market-oriented and aspiring to ambitious targets" in running our business. We will persistently use our operating skills to improve the level and quality of our operations, persistently improve operating quality and efficiency by means of business model innovation, persistently engage in the integration of industry chains and make full use of design consultancy, cutting-edge equipment as well as financial resources such as investments and financing, persistently increase our business strength through the deepening of the reform process, persistently adhere to the business philosophy of "securing market share by ensuring work safety of construction sites", and persistently operate in compliance with laws and regulations.

Details of the Group's expectations to and plans of businesses future development are set out in Part VIII to Part IX of "Business Overview" on pages 31 to 33.

Financial Statements

The profits of the Group for the year ended 31 December 2019 and the financial positions of the Group as at such date are set out in the Financial Statements on pages 103 to 272.

Dividends

The Board of Directors recommends the payment of a final dividend in the amount of RMB0.169 per share (including tax), totalling approximately RMB4.152 billion for the financial year ended 31 December 2019 (2018: RMB0.128 per share (including tax), totalling approximately RMB2.924 billion). In the event of change in total share capital of the Company before the record date for payment of the cash dividend, the total distribution amount will be kept unchanged and the rate will be adjusted accordingly. The Company will make a further announcement on the details of the adjustment. The distribution plan will be implemented upon approval at the 2019 annual general meeting of the Company and the dividends are expected to be paid in around August 2020 to the shareholders of the Company.

For details of the policies for profit distribution of the Company, please refer to "Specific policies for profit distribution" of "Significant Events" on page 273 of this annual report.

Donations

Donations made by the Group during the financial year amounted to RMB85.691 million (2018: RMB70.171 million).

Property, Plant and Equipment

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

Share Capital

Details of the Company's share capital are set out in note 38 to the Financial Statements.

REPORT OF THE DIRECTORS

Distributable Reserves

As at 31 December 2019, pursuant to the relevant laws and regulations, the Company's distributable reserves amounted to approximately RMB55.677 billion.

Acquisition by Issuance of New A Shares

References are made to the announcements dated 13 June 2018, 6 August 2018, 16 October 2018 and 30 July 2019, the circular dated 23 October 2018 and the poll results announcement dated 7 December 2018 of the Company in relation to the proposed acquisition of 25.32% equity interests in China Railway No.2 Engineering Group Co., Ltd., 29.38% equity interests in China Railway No.3 Engineering Group Co., Ltd., 26.98% equity interests in China Railway No.5 Engineering Group Co., Ltd. and 23.81% equity interests in China Railway No.8 Engineering Group Co., Ltd. held by China Reform Holdings Corporation Ltd. and other 8 entities (collectively, the "**Investors**") through issuance of new A shares by the Company (the "**Restructuring**") in order to implement market-driven debt-to-equity swap.

On 5 May 2019, the Listed Companies Merger and Reorganisation Vetting Committee of the China Securities Regulatory Commission (the "**CSRC**") held the 20th Working Conference of the Merger and Reorganisation Vetting Committee to review the Restructuring and the Restructuring was unconditionally approved.

On 29 May 2019, the Company received from the CSRC the Approval of the Acquisition of Assets by Issuance of Shares of China Railway Group Limited to China Reform Holdings Corporation Ltd. and Other Entities (Zheng Jian Xu Ke [2019] No. 913). The Company, together with relevant parties, has strictly complied with the provisions of relevant laws, regulations and agreements and actively proceeded with the implementation of the Restructuring.

In accordance with Measures for the Administration of the Offering and Underwriting of Securities, the Company may not issue shares until the implementation of its 2018 dividends distribution plan is completed. The Company has implemented the cash dividend distribution plan to holders of A shares and the cash dividend distribution plan to holders of H shares on 23 July 2019 and 29 July 2019, respectively, and has adjusted the issue price and the number of shares to be issued of the Restructuring according to the implementation of the dividend plans. The issue price has been adjusted to RMB6.75 per share and the number of shares to be issued has been adjusted to 1,726,627,740 shares. For details please refer to the announcement dated 30 July 2019 published by the Company.

The Company completed the formalities for registration of changes with the industrial and commercial authorities in connection with the transfer of the target assets on 11 September 2019 and the formalities for registration of new shares in respect of the Restructuring on 19 September 2019 respectively, and obtained the Change of Securities Registration Certificate issued by Shanghai Branch of China Securities Depository and Clearing Corporation Limited. For details please refer to the announcements dated 12 September 2019 and 23 September 2019 respectively published by the Company.

Reserves

Changes in reserves of the Group during the financial year are set out in the consolidated statement of changes in equity on pages 107 to 108 of this annual report.

Major Customers and Suppliers

The China State Railway Group Co., Ltd. (formerly known as China Railway Corporation), which was founded on 14 March 2013 by the State Council, is the largest customer of the Group. For the year ended 31 December 2019, sales to the China State Railway Group Co., Ltd accounted for approximately 24.7% of the total revenue of the Group. For the same period, sales to the five largest customers of the Group (including the China State Railway Group Co., Ltd) in aggregate accounted for approximately 27.3% of the total revenue of the Group. At no time during the financial year have the directors, their associates or any shareholder of the Company (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had any interest in these five largest customers.

For the year ended 31 December 2019, purchases from the five largest suppliers of the Group in aggregate accounted for approximately 1.2% of the total cost of sales and services of the Group in 2019.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and the Group's principal associates as at 31 December 2019 are set out in note 25 and note 26, respectively, to the Financial Statements.

Directors, Supervisors and Senior Management of the Company

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

Name	Position
ZHANG Zongyan (elected as the Chairman on 25 August 2019)	Chairman and Executive Director
CHEN Yun (elected on 30 October 2019)	Executive Director
ZHANG Xian	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
CHUNG Shui Ming Timpson	Independent Non-executive Director
MA Zonglin	Non-executive Director
LI Changjin (resigned on 19 June 2019)	Chairman and Executive Director
ZHOU Mengbo (resigned on 19 June 2019)	Executive Director

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

Name	Position
ZHANG Huijia	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan	Employee Representative Supervisor
YUAN Baoyin (elected on 20 September 2019)	Employee Representative Supervisor
CHEN Wenxin	Shareholder Representative Supervisor
FAN Jinghua	Employee Representative Supervisor
WANG Hongguang (resigned on 20 September 2019)	Employee Representative Supervisor

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

Name	Position
CHEN Yun (appointed on 25 August 2019)	President
LIU Hui	Vice President
YU Tengqun	Vice President and General Legal Advisor
DUAN Yongchuan	Vice President
LIU Baolong	Vice President
REN Hongpeng	Vice President
YANG Liang	Chief Financial Official
KONG Dun	Chief Engineer
MA Jiangqian	Chief Economist
HE Wen	Secretary to the Board of Directors and Joint Company Secretary
TAM Chun Chung	Joint Company Secretary and Qualified Accountant
ZHANG Zongyan (ceased to act as the President on 25 August 2019)	President

The Company received the written resignation report from Mr. LI Changjin, former executive director, Chairman and legal representative, on 19 June 2019. In light of his age, Mr. LI Changjin has tendered his resignation as an executive director, the Chairman and the legal representative of the Company. Upon his resignation, Mr. LI Changjin will not hold any position in the Company. The Company also received the written resignation report from Mr. ZHOU Mengbo, former executive director, on the same date. Mr. ZHOU Mengbo has tendered his resignation as an executive director of the Company due to personal reason. Upon his resignation, Mr. ZHOU Mengbo will not hold any position in the Company.

The 25th meeting of the fourth session of the Board was held on 25 August 2019, at which Mr. ZHANG Zongyan was elected as the Chairman of the Company for a term commenced from the date of approval by the Board until the expiry of the term of the fourth session of Board of the Company, who ceased to serve as the President of the Company with effect from 25 August 2019, Mr. CHEN Yun was appointed as the President of the Company for a term commenced from the date of approval by the Board until the expiry of the term of the fourth session of Board, and Mr. CHEN Yun was nominated as the candidate of the executive director for a term commenced from the date when the relevant proposal was approved by the general meeting until the expiry of the term of the fourth session of Board.

The first extraordinary general meeting of 2019 of the Company was held on 30 October 2019, at which Mr. CHEN Yun was appointed as an executive director of the Company for a term commenced from the date when the relevant proposal was approved by the general meeting until the expiry of the term of the fourth session of Board.

The third joint conference for chief of delegation of the Fifth Meeting of the Second Session of the Employee Representatives General Meeting of the Company was held on 20 September 2019, at which Mr. YUAN Baoyin was elected as an employee representative supervisor of the fourth session of Supervisory Committee of the Company for a term until the expiry of the term of the fourth session of Supervisory Committee of the Company. Mr. WANG Hongguang, the employee representative supervisor, ceased to serve as an employee representative supervisor of the Company by the reason of age.

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

The 35th meeting of the fourth session of the Board was held on 5 March 2020, at which Mr. YANG Liang was dismissed as the general accountant (chief financial officer) of the Company, and SUN Cui was appointed as the general accountant (chief financial officer) of the Company for a term commenced from the date when the relevant proposal was approved by the Board until the expiry of the term of the fourth session of Board and also at which it was resolved that Mr. WANG Shiqi will be nominated as a candidate for executive director of the Company, the term of office of which will commence from the date on which the relevant proposal is approved by the general meeting of the Company until the expiry of the term of office of the fourth session of the Board.

Directors' and Supervisors' Interests in Contracts

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

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

Details of the emoluments of the directors, supervisors and senior management of the Company in 2019 are set out in note 17 and note 51 to the Financial Statements.

REPORT OF THE DIRECTORS

Directors' and Supervisors' Rights to Acquire Shares or Debentures

For the year ended 31 December 2019, none of the Company or the Company's holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Company's directors, supervisors or their respective spouses or minor children to acquire shares in or debentures of the Company or any other body corporate.

Directors' and Supervisors' Service Contracts

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

Permitted Indemnity Provisions

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

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

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

Save as disclosed below, as at 31 December 2019, none of the directors and supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

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

As at 31 December 2019, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holder of A Shares

Name of substantial shareholders	Capacity	Number of A shares held *(Shares)*	Nature of interest	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
CREC	Beneficial owner	11,434,370,390	Long position	56.15	46.54

Holders of H Shares

Name of substantial shareholders	Capacity	Number of H shares held *(Shares)*	Nature of interest	Approximate percentage of issued H shares *(%)*	Approximate percentage of total issued shares *(%)*
BlackRock, Inc.	Interest of controlled corporations	299,718,684	Long position	7.12	1.22
		1,053,000	Short position	0.03	0.004
National Council for Social Security Fund of the PRC	Beneficial owner	332,600,000	Long position	7.91	1.35
The Bank of New York Mellon Corporation	Interest of controlled corporations	247,294,624	Long position	5.88	1.01
		242,045,149	Lending Pool	5.75	0.99
Deutsche Bank Aktiengesellschaft	*(Note 1)*	229,803,271	Long position	5.46	0.94
		123,424,962	Short position	2.93	0.50
		10,406,000	Lending Pool	0.25	0.04
Lehman Brothers Holdings Inc.	Interest of controlled corporations	210,186,560	Long position	5.00	0.86
		94,560,550	Short position	2.25	0.38

REPORT OF THE DIRECTORS

Notes:

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

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

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

	Long Position				*Short Position*			
Name of substantial shareholders	*Listed equity derivative payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*	*Listed equity derivatives payment in kind*	*Listed equity derivatives settled in cash*	*Non-listed equity derivatives payment in kind*	*Non-listed equity derivatives settled in cash*
BlackRock, Inc.	*–*	*–*	*–*	*1,618,000*	*–*	*–*	*–*	*1,053,000*
Deutsche Bank Aktiengesellschaft	*–*	*–*	*–*	*17,624,000*	*–*	*–*	*–*	*10,166,000*
Lehman Brothers Holdings Inc.	*–*	*–*	*10,000,000*	*–*	*–*	*–*	*60,000*	*–*

Apart from the foregoing, as at 31 December 2019, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 336 of the SFO as having an interest of or any short position in the issued share capital of the Company that would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO.

Competing Business

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

Connected Transactions

1. Continuing Connected Transactions Defined under the Listing Rules

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

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

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

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

On 27 December 2018, China Railway Finance and CREC further entered into a financial services framework renewal agreement (the "**Financial Services Framework Renewal Agreement 2018**"), effective from 1 January 2019 to 31 December 2021, to further renew the Financial Services Framework Agreement.

REPORT OF THE DIRECTORS

The annual caps for the year of 2019, 2020 and 2021 under the Financial Services Framework Renewal Agreement 2018 are as follows:

	For the financial year ended/ending 31 December		
	2019	2020	2021
	RMB	*RMB*	*RMB*
(i) deposit service			
The maximum of daily deposit balance in China Railway Finance by CREC (including interest accrued)	20,000,000,000	20,000,000,000	20,000,000,000
(ii) loan service			
The maximum of daily loan balance from China Railway Finance to CREC (including interest accrued)	3,500,000,000	3,500,000,000	3,500,000,000
(iii) other financial services			
The aggregate annual amount of maximum service fees for financial services provided by China Railway Finance to CREC	80,000,000	80,000,000	80,000,000

The factors in determining the above annual caps include: (1) historical transaction amount; (2) the strategy of financial management of the Company by taking into account the cash flow and capital needs as required by the business expansion plan of the Group; and (3) the effective and reasonable control of financial risks. The Company has made announcement in respect of the Financial Services Framework Renewal Agreement 2018 on 27 December 2018.

The Company confirms that the signing and execution of specific agreements under the continuing connected transactions during the reporting period have complied with the pricing principles of these continuing connected transactions.

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

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

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

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

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

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

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

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

(iv) have exceeded the cap.

In accordance with the above requirements, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 69 to 71 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company for submission to the Hong Kong Stock Exchange.

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

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

Details of the significant related party transactions as defined by PRC laws and regulations during the reporting period are set out on pages 284 to 287 of this annual report.

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

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

Pre-emptive Rights

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

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the financial year, or existed as at 31 December 2019.

Bank and Other Loans

Details of bank and other loans of the Group as at 31 December 2019 are set out in note 42 to the Financial Statements.

Management Contract

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

Financial Summary

The summary of the audited consolidated income statement and the audited consolidated balance sheet of the Group for the last five financial years is set out on pages 2 to 3 of this annual report.

Emolument Policy

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

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

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

In 2019, the Group fully promoted the implementation of the "13th Five-Year" talent training plan and continued to strengthen efforts on employee training. During the year, the headquarters of the Company held 82 training lessons for over 11,398 persons, which vigorously promoted the improvement of employees' quality and capability as well as building of talent team, ensured the completion of each task for production and operation of the enterprise. The Group continued to make greater efforts in training, reform and creation, promote the practical application of the advanced training method and idea such as action learning. The Group launched the internal trainer appraisal, appraised and elected 123 senior internal trainers covering such professional areas as engineering technology, accounting and finance, human resources management and party group work, proactively promoting the internal knowledge accumulation. The Group continuously promoted the construction of internet learning platform, setting up the learning management platform covering the headquarter and the level-2 and level-3 enterprises, and constructed the "online" learning platform for all the employees, realizing the informatization management of the whole process of training and increasing the training efficiency. Meanwhile, the Group also studied and drafted the "14th Five-Year" Employee Training Plan of China Railway, pointing the direction and target of trainings during the future certain period.

REPORT OF THE DIRECTORS

In 2020, the Group will continue to focus on the Group's strategy and key work, devote more efforts to the staff training, organize the training works for directors, supervisors, leaders of the enterprise, international personnel, investment and financing personnel, professional and technical personnel and other talents, promote the construction of internal trainers team, formulate the "14th Five-Year" Employee Training Plan of China Railway, promote the training reform and innovation efforts and continuously improve the quality and efficiency of training, promote the transformation and upgrading as well as improving quality and efficiency of the Group.

The personnel expenses of the Company for the year of 2019 were RMB43.392 billion. As at 31 December 2019, the number of employees hired by the Group was 285,405. The following table sets forth a breakdown of the Group's employees by professional composition and educational level as at 31 December 2019:

Professional Composition	Number of employees as at 31 December 2019
Chief Senior level	2,417
Senior level	30,867
Medium level	64,290
Assistant level	72,881
Primary level and below	16,312
Technician level	85,774
Others	12,864
Total	**285,405**

Educational Level	Number of employees as at 31 December 2019
Postgraduate and above	10,567
Undergraduate	130,797
Junior College and below	144,041
Total	**285,405**

Employee Retirement Benefits

Particulars of the employee retirement benefits of the Group are set out in note 44 to the Financial Statements.

Public Float

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

Compliance with the Corporate Governance Code

For details of the Company's corporate governance practices, please refer to the Report on Corporate Governance Practices on pages 76 to 96 of this annual report.

Auditors

The 2019 financial statements of the Company which were prepared in accordance with the International Financial Reporting Standards were audited by PricewaterhouseCoopers, and the financial statements prepared in accordance with the Chinese Accounting Standards were audited by PricewaterhouseCoopers Zhong Tian LLP.

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

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

By order of the Board of Directors
ZHANG Zongyan
Chairman

Beijing, the PRC
30 March 2020

REPORT ON CORPORATE GOVERNANCE PRACTICES

Overview

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

Corporate Governance Framework

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

Compliance with the Code Provisions of the Corporate Governance Code

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

Shareholders' General Meeting

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

During the reporting period, the Company convened and held two shareholders' general meeting, being the 2018 annual general meeting held on 25 June 2019 and the 2019 first extraordinary general meeting held on 30 October 2019. At the 2018 annual general meeting, a total of 11 ordinary resolutions were considered and approved, including the 2018 report of the Board of Directors, the 2018 report of the Supervisory Committee, the 2018 work report of independent directors of the Company, the 2018 A share annual report and the abstract, H share annual report and results announcement for the year of 2018, the 2018 audited consolidated financial statements, the 2018 profit distribution plan, the appointment of the external auditors for 2019, the appointment of internal control auditors for 2019, the provision of total amount of external guarantee by the Company from the second half year of 2019 to the first half year of 2020, the salary (remuneration, work subsidy) of directors and supervisors of the Company for the year of 2018 and the purchase of liabilities insurance for directors, supervisors and senior management of the Company for the year of 2019. At the 2019 first extraordinary general meeting, one ordinary resolution was considered and approved, namely the election of Mr. CHEN Yun as an executive director of the Company, and a total of two special resolutions were considered and approved, namely the proposed amendments to the procedural rules for the supervisory committee of the Company and the proposed amendments to the Articles of Association of the Company. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHANG Zongyan (elected as the Chairman on 25 August 2019)	2	2	–
CHEN Yun (elected on 30 October 2019)	–	–	–
ZHANG Xian	2	2	–
GUO Peizhang	2	2	–
WEN Baoman	2	2	–
ZHENG Qingzhi	2	2	–
CHUNG Shui Ming Timpson	2	2	–
MA Zonglin	2	2	–
LI Changjin (resigned on 19 June 2019)	–	–	–
ZHOU Mengbo (resigned on 19 June 2019)	–	–	–

REPORT ON CORPORATE GOVERNANCE PRACTICES

The Board of Directors

1. Composition of the Board of Directors

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

ZHANG Zongyan (elected as the Chairman on 25 August 2019)	Chairman and Executive Director
CHEN Yun (elected on 30 October 2019)	Executive Director
ZHANG Xian	Executive Director
GUO Peizhang	Independent Non-executive Director
WEN Baoman	Independent Non-executive Director
ZHENG Qingzhi	Independent Non-executive Director
CHUNG Shui Ming Timpson	Independent Non-executive Director
MA Zonglin	Non-executive Director
LI Changjin (resigned on 19 June 2019)	Chairman and Executive Director
ZHOU Mengbo (resigned on 19 June 2019)	Executive Director

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

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

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

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

2. Board Meetings

In 2019, the Company held 11 Board meetings, 9 of which were on-site meetings and 2 of which were meetings held by communications. A total of 140 proposals were considered and passed at these Board meetings, including proposals in relation to the strategic planning, periodical reports, internal control and investment, and heard 36 briefings regarding visits and inspections, rule of law and compliance, implementation of resolutions and market capitalisation management.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings held by communications	Number of meetings attended by proxy
ZHANG Zongyan (elected as the Chairman on 25 August 2019)	11	8	2	1
CHEN Yun (elected on 30 October 2019)	2	2	–	–
ZHANG Xian	11	8	2	1
GUO Peizhang	11	9	2	–
WEN Baoman	11	9	2	–
ZHENG Qingzhi	11	8	2	1
CHUNG Shui Ming Timpson	11	5	2	4
MA Zonglin	11	8	2	1
LI Changjin (resigned on 19 June 2019)	4	4	–	–
ZHOU Mengbo (resigned on 19 June 2019)	4	4	–	–

3. Responsibilities and Operation of the Board

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

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

REPORT ON CORPORATE GOVERNANCE PRACTICES

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

4. Model Code for Securities Transactions by Directors

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

5. Directors' Training

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills in order to constantly improve their abilities to perform duties and make their contributions for the Board of Directors to perform its duties. The Company has devised a training record in order to assist the directors of the Company to record the training courses they have taken.

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

Director	Thematic training for directors by the CSRC Beijing Bureau and Shanghai Stock Exchange	Thematic training for directors of enterprise owned by central government delivered by SASAC
ZHANG Zongyan (elected as the Chairman on 25 August 2019)	1	–
CHEN Yun (elected on 30 October 2019)	1	–
ZHANG Xian	1	–
GUO Peizhang	1	2
WEN Baoman	1	2
ZHENG Qingzhi	1	2
CHUNG Shui Ming Timpson	–	1
MA Zonglin	1	2
LI Changjin (resigned on 19 June 2019)	–	–
ZHOU Mengbo (resigned on 19 June 2019)	–	–

6. Committees under the Board

As of the end of 2019, the composition of the committees under the Board of Directors was as follows: Mr. ZHANG Zongyan, Mr. CHEN Yun, Mr. GUO Peizhang and Mr. MA Zonglin were appointed as members and Mr. ZHANG Zongyan was appointed as the Chairman of the Strategy Committee of the Board of Directors, Mr. ZHENG Qingzhi, Mr. WEN Baoman and Mr. CHUNG Shui Ming Timpson were appointed as members and Mr. ZHENG Qingzhi was appointed as the Chairman of the Audit and Risk Management Committee of the Board of Directors, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. MA Zonglin were appointed as members and Mr. GUO Peizhang was appointed as the Chairman of the Remuneration Committee of the Board of Directors, Mr. ZHANG Zongyan, Mr. CHEN Yun, Mr. GUO Peizhang, Mr. WEN Baoman and Mr. ZHENG Qingzhi were appointed as members and Mr. ZHANG Zongyan was appointed as the Chairman of the Nomination Committee of the Board of Directors, and Mr. CHEN Yun, Mr. ZHANG Xian, Mr. ZHENG Qingzhi, Mr. CHUNG Shui Ming Timpson and Mr. MA Zonglin were appointed as members and Mr. CHEN Yun was appointed as the Chairman of the Safety, Health and Environmental Protection Committee of the Board of Directors.

(a) Strategy Committee

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

During the reporting period, the Strategy Committee held 3 meetings and heard 9 reports including *the Report on the Execution of Company's Strategic Planning for 2018 and the Key Working Arrangement of the Strategy Committee for 2019, the Report on Market Capitalisation Management of China Railway for 2018, the Report on Mergers and Acquisitions and Restructurings of China Railway Group Limited in 2018, etc.,* and considered 2 proposals including *the Proposal on the Negative List of Investment Projects of China Railway Group Limited for 2019* and *the Proposal on the Preparation of the Progressive Development Plan of China Railway Group Limited for 2019-2021*.

REPORT ON CORPORATE GOVERNANCE PRACTICES

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHANG Zongyan (served as a member of the Strategy Committee since 28 June 2017 and served as the Chairman of the Strategy Committee since 30 October 2019)	3	2	1
CHEN Yun (elected on 30 October 2019)	–	–	–
GUO Peizhang	3	3	–
MA Zonglin	3	3	–
LI Changjin (resigned on 19 June 2019)	2	2	–
ZHOU Mengbo (resigned on 19 June 2019)	2	1	1

(b) Audit and Risk Management Committee

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

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

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

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

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

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

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

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

During the reporting period, the Audit and Risk Management Committee held 7 meetings, at which a total of 25 proposals were considered, including the periodical reports, financial statements, and proposals on internal auditing, internal control assessment, and risk management and heard 9 briefings.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHENG Qingzhi	7	6	1
WEN Baoman	7	7	–
CHUNG Shui Ming Timpson	7	3	4

REPORT ON CORPORATE GOVERNANCE PRACTICES

(c) Remuneration Committee

The primary responsibilities of the Remuneration Committee are:

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

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

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

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

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

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

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

During the reporting period, the Remuneration Committee held 5 meetings, at which a total of 13 reports and proposals were considered, including the plan for the performance contract with senior management and the contract signing, remuneration assessment and payment for senior management, total remuneration management, performance remuneration and business payment management plan for personnel at all levels of the Company, performance assessment plan and remuneration management plan for responsible officer of the subordinate enterprises, and heard 5 briefings including the report on completion of performance contract in 2018..

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
GUO Peizhang	5	5	–
WEN Baoman	5	4	1
MA Zonglin	5	5	–

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

(d) Nomination Committee

The primary responsibilities of the Nomination Committee are:

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

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

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

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

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

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

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

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

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

According to the Articles of Association, the methods and procedures of nomination of director and supervisor candidates are as follows:

(1) shareholders holding, individually or jointly, more than 3% in the total number of the outstanding voting shares of the Company may put forward in a written proposal to the general meeting of shareholders the candidates of non-independent directors and supervisors to be appointed from those other than the employee representatives, provided that the number of persons nominated must comply with the provisions of the Articles and be not more than the number of persons contemplated to be elected. The said proposal put forward by the shareholders to the Company shall be sent to the Company at least fourteen (14) days prior to the date of the general meeting of shareholders;

(2) the board of directors and the supervisory committee may, within the scope of the number of persons as provided in the Articles, formulate a proposed name list of the candidates of directors and supervisors who are not employee representatives according to the number of persons contemplated to be elected, and put forward the said list in a written proposal to the general meeting of shareholders;

(3) the Company shall separately formulate a special system for the nomination of independent directors;

REPORT ON CORPORATE GOVERNANCE PRACTICES

(4) the written notice concerning the intention to nominate candidates of directors and supervisors and the nominees' statement for acceptance of the nomination, as well as relevant written information of the nominees, shall be sent to the Company at least seven (7) days prior to the date the general meeting of shareholders is held. The board of directors and the supervisory committee shall provide resumes and basic information of the candidates of directors and supervisors to the shareholders;

(5) the period given by the Company to relevant nominators and nominees to submit the aforesaid notices and documents (which is counted from the next day when the notice of general meeting of shareholders is issued) shall be at least seven (7) days;

(6) the general meeting of shareholders shall vote on each candidate of directors and supervisors one by one, except those circumstances under which the cumulative voting system is applicable;

(7) in case of any interim increase or addition of directors and supervisors, the candidates shall be put forward and suggested by the board of directors and the supervisory committee for election or replacement by the general meeting of shareholders.

During the reporting period, the Nomination Committee held 1 meeting at which a total of 3 proposals were considered including *the Proposal on the Election of the Chairman of China Railway Group Limited, the Proposal on the Appointment of the President of China Railway Group Limited* and *the Proposal on the Nomination of Mr. CHEN Yun as Candidate of Executive Director of China Railway Group Limited*.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHANG Zongyan (served as a member of the Nomination Committee since 28 June 2017 and served as the Chairman of the Nomination Committee since 30 October 2019)	1	1	–
CHEN Yun (elected on 30 October 2019)	–	–	–
GUO Peizhang	1	1	–
WEN Baoman	1	1	–
ZHENG Qingzhi	1	1	–
LI Changjin (resigned on 19 June 2019)	–	–	–

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

For the purpose of implementation of the Board diversity policy, the following measurable objectives were adopted by the Board:

- at least one independent non-executive director must be ordinary resident in Hong Kong;
- at least one independent non-executive director has work experience in taking charge of financial affairs in a large-scale enterprise, or is an expert in corporate financial and accounting affairs;
- at least one independent non-executive director has experience in the selection, performance review and remuneration management of senior management personnel in an enterprise;
- the number of independent non-executive directors shall not be less than one third of the members of the Board, and the number of independent non-executive directors and external non-executive directors shall be more than half of the members of the Board;
- the members of the Board shall have professional background and work experience closely related to the business development of the Company, understand the industry in which the Company conducts its business, and have the knowledge or work experience in infrastructure construction, real estate, mining resources, corporate management, accounting, economics, law, finance and etc., and most of the directors shall be experienced in decision-making on the operation and management of large-scale enterprises.

For the year ended 31 December 2019, the Board has fulfilled the measurable objectives of the Board diversity policy.

(e) Safety, Health and Environmental Protection Committee

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

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

During the reporting period, the Safety, Health and Environmental Protection Committee held 2 meetings, at which *the Report on Safety, Quality, Occupational Health and Environmental Protection of China Railway for 2018 and the Key Working Arrangement for 2019* and *the Report on Safety, Quality, Occupational Health and Environmental Protection of China Railway for the First Half Year of 2019 and the Key Working Arrangement for the Second Half Year* were heard.

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

Director	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
CHEN Yun (elected on 30 October 2019)	–	–	–
ZHANG Xian	2	2	–
ZHENG Qingzhi	2	2	–
CHUNG Shui Ming Timpson	2	–	2
MA Zonglin	2	2	–
ZHANG Zongyan (ceased to serve as the Chairman of the Safety, Health and Environmental Protection Committee since 30 October 2019)	2	1	1

Supervisory Committee

The primary responsibilities of the Supervisory Committee are:

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

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

(3) examining the Company's financial matters;

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

(5) making proposals for shareholders' general meetings;

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

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

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

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

ZHANG Huijia	Chairman of the Supervisory Committee and Shareholder Representative Supervisor
LIU Jianyuan	Employee Representative Supervisor
YUAN Baoyin (elected on 20 September 2019)	Employee Representative Supervisor
CHEN Wenxin	Shareholder Representative Supervisor
FAN Jinghua	Employee Representative Supervisor
WANG Hongguang (resigned on 20 September 2019)	Employee Representative Supervisor

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

During the reporting period, the Supervisory Committee held 7 meetings, considered a total of 29 proposals, and heard a total of 31 briefings.

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

Supervisor	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy
ZHANG Huijia	7	7	–
LIU Jianyuan	7	7	–
YUAN Baoyin (elected on 20 September 2019)	2	2	–
CHEN Wenxin	7	7	–
FAN Jinghua	7	6	1
WANG Hongguang (resigned on 20 September 2019)	5	2	2

Joint Company Secretaries

Mr. HE Wen and Mr. TAM Chun Chung serve as joint company secretaries of the Company. Mr. HE and Mr. TAM have confirmed that they had taken not less than 15 hours of relevant professional trainings during the reporting period.

Shareholders' Rights

1. Convening of Extraordinary General Meeting

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

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

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

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

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

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

2. Putting Forward Proposals in the Shareholders' General Meeting

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

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

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

3. Enquiries to the Board

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

Amendment to the Articles of Association

According to the latest revisions of laws and regulations including the Company Law of the People's Republic of China (2018 revision), Guidelines for Corporate Governance of Listed Companies (2018 revision) and Guidelines on Articles of Association of Listed Companies (2019 revision), as well as the corresponding alternation of the share capital structure and the registered capital resulted from the issuance of additional shares regarding the recent acquisition of assets by issuance of shares of the Company, and taking into account the actual situation of the Company, certain proposed amendments to the Articles of Association were approved by the Company at the 2019 first extraordinary general meeting held on 30 October 2019. The latest version of the Articles of Association is available on the websites of the Company and the Hong Kong Stock Exchange.

Relationship with the Controlling Shareholder

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

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

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

Auditors' Remuneration

The Company has engaged PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP (collectively the "**External Auditors**") as the international and domestic auditors of the Company for 2019, respectively.

Fees paid to the External Auditors for the audit of the financial statements of the Group for the year ended 31 December 2019 are approximately RMB39 million.

Information Disclosure

The Secretary to the Board of Directors and the Joint Company Secretaries are in charge of information disclosure affairs of the Company. During the reporting period, the Company actively studied and reacted to new changes in regulatory policies in the Chinese capital market and domestic and overseas securities markets, and continuously adapted itself to the new requirements on information disclosure by regulatory authorities; it continued to advocate for voluntary information disclosure as a supplement to statutory disclosure requirements, intensified its efforts in internal report and approval on material matters, strengthened targetedness and effectiveness of content of periodical reports, and effectively increased transparency in information disclosure by the Company. The Company published 409 announcements and circulars in total, among which, announcements for A shares totalled 200, and announcements and circulars for H shares totalled 209. All of the announcements and circulars are duly published through the Shanghai Stock Exchange, Hong Kong Stock Exchange and designated newspapers.

Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

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

In addition, the Company carefully complied with regulatory rules and prepared 2019 annual social responsibility report and appraisal report on internal control. The Company engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors of the Company for 2019. PricewaterhouseCoopers Zhong Tian LLP has audited the effectiveness of the Company's internal control in relation to financial reporting in 2019 and PricewaterhouseCoopers Zhong Tian LLP issued unqualified opinion in this respect.

Accountability of the Directors in Relation to Financial Statements

The directors of the Company are responsible for overseeing the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2019, the directors of the Company have selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimation so as to give a true and fair view of the financial position, results and cash flow of the Group for that fiscal year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 97 to 102 of this annual report.

Investors Relations

In 2019, in light of the international and China's domestic macro-situation, A-share and H-share capital market development and continuous falling of share prices of infrastructure sector, the Company has constantly combined the online and offline channels and fully exerted the functions of investors' hotlines, IR mailbox and Shanghai Stock Exchange e-interaction platform. Through a variety of activities including convening results briefings, receiving investors' visits, convening annual general meeting, convening illustration meeting on cash dividend distribution, attending investment summits and holding reverse roadshow, the Company communicated and interacted with domestic and overseas investors in stocks and bonds. By addressing investors' concerns the Company also improved the enterprise management level by following company management advices summarised based on the opinions from industrial analysts and investors.

During the reporting period, the Company has organized 5 on-site and online results briefings and press conferences, attended 33 famous domestic and overseas investment institution summits, held 1 reverse roadshow with the theme of "Trump Card of Railway Station Building + Winter Olympic Games", picked 1,900 hotlines from investors, replied 79 questions from Shanghai Stock Exchange e-interaction platform and processed 7,867 IR emails. The Company's investor relationship management experience and classic cases were included in Shanghai Stock Exchange's A+H listed company investor relationship cases in 2019.

During the reporting period, the Company received the honours of, including but not limited to, five awards including "Best Enterprise Management Team" in Asia in 2019 awarded by Institutional Investor for the first time, the Second New Fortune Best IR – Hong Kong Listed Company awarded by New Fortune, "Tianma Award – the Best Board of Directors in China Main Board Listed Companies", "Enterprise with Outstanding Contribution in the 70th Anniversary of the New China" from Golden Bauhinia, "Best Board of Directors" from Golden Roundtable, "Top 100 HKEX Listed Company" and "TOP 10 Turnover in HKEX Listed Companies".

Continuous Evolvement of Corporate Governance

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

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

Opinion

What we have audited

The consolidated financial statements of China Railway Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 272, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standard Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

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

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

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition from infrastructure construction contracts	
Refer to Note 2.32(a), Note 5.1, and Note 6 to the consolidated financial statements. The Group's revenue from infrastructure construction contracts is recognised over the period of the contract. For the year ended 31 December 2019, the revenue from infrastructure construction contracts amounted to RMB731,562 million. Revenue from infrastructure construction contracts is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, depending on the nature of the contract, is measured mainly by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs for each contract. Management estimates the total contract revenue and total contract costs at the inception of each contract. As the contract progresses, management regularly reviews and revises the estimates of contract revenue and contract costs if circumstances change, such as variations in contract work, claims and incentive payments. The increases or decreases in estimated total contract revenue or total contract costs resulted in the adjustments to the extent of progress toward completion and revenue recognised in the period in which the circumstances that give rise to the revision becomes known by management. We identified the recognition of revenue from infrastructure construction contracts as a key audit matter as it involves significant estimations and judgements by management.	We performed the following procedures in relation to management's estimates of contract revenue and contract costs, and accounting for percentage of completion of contracts: – We obtained an understanding of, evaluated and tested the relevant controls in place on estimates of contract revenue, budget preparation and revenue recognition of the infrastructure construction contracts; – We obtained the list of infrastructure construction contracts from management, and compared the list with the infrastructure construction contracts summary and revenue sub-ledger on a sample basis; – We checked construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials receipt notes and labour cost records on a sample basis; – In respect of projects under construction, we performed the following procedures on a sample basis: (i) Reviewed the terms and conditions of the infrastructure construction contracts, inspected the contract sum, budget information, variation orders, claims and incentive payments, if any, on which the estimated total contract revenue and total contract costs were based, and evaluated the appropriateness of management's estimation; (ii) Tested the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; (iii) Confirmed key contract terms with owners of infrastructure construction projects; and (iv) Visited the selected sites of infrastructure construction projects to observe the progress of the contract work, and discussed with the site project management the extent to completion of the contract work. Based on our work, we found the judgement and estimates adopted by management in determining the revenue from infrastructure construction contracts are supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 2.20, Note 5.2, and Note 33 to the consolidated financial statements. As at 31 December 2019, the carrying amounts of trade receivables amounted to RMB103,712 million, with loss allowances amounted to RMB6,065 million. The Group assesses expected credit loss allowances of trade receivables using the risk parameters including exposure at default and expected credit loss rate, which is determined based on probabilities of default and default rates. When measuring expected credit loss, the Group considers its own credit loss incurred in the past, and adjusts by taking into consideration current conditions and forward looking factors. In assessing forward-looking information, the Group considers factors including economic policies, macroeconomic indicators, industry risks and changes in customers' conditions. We identified the recoverability of trade receivables as a key audit matter as it involves significant estimations and judgements by management.	We performed the following procedures in relation to management's assessment on recoverability of trade receivables: – We obtained an understanding of, evaluated and tested the relevant controls in place on management's assessment on the recoverability of trade receivables; – For trade receivables assessed individually, on a sample basis, we reviewed management's assessment of financial position and creditworthiness of customers, historical payment records and forecasted future economic conditions. We also corroborated management's assessment against available evidence, including searching for customers' background, historical transactions with the Group and respective collection pattern, examined the basis of determining forward-looking factors; – For trade receivables assessed collectively by reference to the credit risk characteristics, we assessed the reasonableness of the grouping and the respective expected credit loss based on the historical credit loss incurred, current conditions and forward looking factors, including: recalculation of migration rate and historical default rate, assessing the reasonableness of expected credit loss rate by reference to historical audit experience and the basis of determining forward-looking information, tested the accuracy of the grouping and aging of the trade receivables on a sample basis, and assessed the mathematical accuracy of calculation of the expected credit loss allowance; and – We tested the cash collections subsequent to end of the reporting period on a sample basis. Based on our work, we found the judgement and estimates adopted by management in determining the recoverability of trade receivables are supported by available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tsun NG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2019	2018
	Note	**RMB million**	RMB million
Revenue	*6*	**850,843**	740,383
Cost of sales and services	*11*	**(770,979)**	(668,725)
Gross profit		**79,864**	71,658
Other income	*7*	**1,996**	2,379
Other expenses	*7*	**(16,511)**	(13,436)
Net impairment losses on financial assets and contract assets	*8*	**(4,507)**	(7,484)
Other gains, net	*9*	**5,705**	1,034
Selling and marketing expenses	*11*	**(4,605)**	(3,537)
Administrative expenses	*11*	**(24,474)**	(21,901)
Operating profit		**37,468**	28,713
Finance income	*10*	**2,200**	1,764
Finance costs	*10*	**(8,941)**	(7,148)
Share of post-tax profits of joint ventures	*26*	**360**	61
Share of post-tax profits of associates	*26*	**2,100**	1,555
Profit before income tax		**33,187**	24,945
Income tax expense	*13*	**(7,808)**	(7,509)
Profit for the year		**25,379**	17,436
Profit attributable to:			
– Owners of the Company		**23,678**	17,198
– Non-controlling interests		**1,701**	238
		25,379	17,436
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*15*	**0.950**	0.718
– Diluted	*15*	**0.950**	0.718

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB million	RMB million
Profit for the year	**25,379**	17,436
Other comprehensive (expenses)/income, net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement and other supplemental benefit obligations	**(16)**	(169)
Changes in the fair value of equity investments at fair value through other comprehensive income	**(94)**	(1,021)
Income tax relating to changes in the fair value of equity investments at fair value through other comprehensive income	**17**	273
	(93)	(917)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**114**	(89)
Share of other comprehensive income of associates	**42**	87
Fair value gains/(losses) on cash flow hedging instrument, net of deferred tax	**1**	(2)
	157	(4)
Other comprehensive income/(expenses) for the year, net of tax	**64**	(921)
Total comprehensive income for the year	**25,443**	16,515
Total comprehensive income for the year attributable to:		
– Owners of the Company	**23,736**	16,319
– Non-controlling interests	**1,707**	196
	25,443	16,515

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

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	**RMB million**	RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**66,154**	64,687
Right-of-use assets	*19*	**2,229**	–
Deposits for acquisition of property, plant and equipment		**2,252**	1,664
Lease prepayments	*20*	**12,726**	12,439
Deposits for lease prepayments		**472**	270
Deposits for investments	*21*	**1,098**	2,187
Investment properties	*22*	**11,167**	8,543
Intangible assets	*23*	**25,559**	46,200
Mining assets	*24*	**3,732**	3,873
Contract assets	*34*	**87,885**	67,516
Investments in joint ventures	*26*	**29,314**	19,597
Investments in associates	*26*	**30,565**	15,672
Goodwill	*28*	**1,040**	899
Financial assets at fair value through other comprehensive income	*29*	**10,472**	5,792
Other financial assets at amortised cost	*30*	**13,929**	12,474
Financial assets at fair value through profit or loss	*35*	**8,637**	7,366
Deferred tax assets	*46*	**8,012**	6,866
Other prepayments		**345**	415
Trade and other receivables	*33*	**30,683**	14,013
		346,271	290,473
Current assets			
Lease prepayments	*20*	**356**	337
Properties held for sale	*31*	**25,018**	27,288
Properties under development for sale	*31*	**133,776**	99,400
Inventories	*32*	**40,945**	38,553
Financial assets at fair value through other comprehensive income	*29*	**393**	355
Trade and other receivables	*33*	**203,256**	212,392
Contract assets	*34*	**130,155**	122,947
Current income tax recoverable		**2,641**	2,263
Other financial assets at amortised cost	*30*	**9,630**	9,732
Financial assets at fair value through profit or loss	*35*	**5,441**	4,296
Restricted cash	*36*	**19,973**	16,709
Cash and cash equivalents	*37*	**138,186**	117,768
		709,770	652,040
Total assets		**1,056,041**	942,513

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2019 RMB million	2018 RMB million
EQUITY			
Equity attributable to owners of the Company			
Share capital	*38*	**24,571**	22,844
Share premium and reserves	*39*	**165,204**	136,666
Perpetual notes	*40*	**31,535**	32,109
		221,310	191,619
Non-controlling interests		**24,018**	30,362
Total equity		**245,328**	221,981
LIABILITIES			
Non-current liabilities			
Trade and other payables	*41*	**7,681**	2,617
Borrowings	*42*	**118,934**	88,808
Lease liabilities	*19*	**1,450**	–
Obligations under finance leases	*43*	**–**	160
Retirement and other supplemental benefit obligations	*44*	**2,770**	3,029
Provisions	*45*	**1,053**	1,002
Deferred government grants and income		**1,007**	1,278
Deferred tax liabilities	*46*	**1,784**	1,163
		134,679	98,057
Current liabilities			
Trade and other payables	*41*	**446,037**	421,814
Contract liabilities	*34*	**110,370**	91,999
Current income tax liabilities		**5,824**	6,081
Borrowings	*42*	**112,311**	102,112
Lease liabilities	*19*	**1,037**	–
Obligations under finance leases	*43*	**–**	11
Retirement and other supplemental benefit obligations	*44*	**359**	369
Financial liabilities at fair value through profit or loss	*35*	**85**	71
Provision	*45*	**11**	18
		676,034	622,475
Total liabilities		**810,713**	720,532
Total equity and liabilities		**1,056,041**	942,513

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

The financial statements on pages 103 to 272 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Director	*Director*
Zhang Zongyan	Chen Yun

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Share capital	Share premium	Capital reserve	Statutory reserves *(Note 39)*	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes *(Note 40)*	Total	Non-controlling interests	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2019		22,844	43,982	2,020	10,896	(525)	343	79,950	32,109	191,619	30,362	221,981
Profit for the year		–	–	–	–	–	–	22,119	1,559	23,678	1,701	25,379
Other comprehensive (expenses)/income		–	–	(12)	–	99	(29)	–	–	58	6	64
Total comprehensive (expenses)/income for the year		–	–	(12)	–	99	(29)	22,119	1,559	23,736	1,707	25,443
Total transactions with owners, recognised directly in equity												
Additional issuance of A shares	*38*	1,727	8,014	–	–	–	–	–	–	9,741	(9,741)	–
Capital contributions from non-controlling shareholders and perpetual notes holders of subsidiaries		–	–	–	–	–	–	–	–	–	3,616	3,616
Transaction with non-controlling interests		–	–	180	–	–	–	89	–	269	460	729
Transfer of fair value gains of equity investment in other comprehensive income upon disposal		–	–	–	–	–	–	96	–	96	–	96
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	1,012	1,012
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(2,274)	(2,274)
Share of other reserves of a joint venture		–	–	924	–	–	–	–	–	924	–	924
Issuance of perpetual notes		–	–	–	–	–	–	–	2,498	2,498	–	2,498
Redemption of perpetual notes		–	(18)	–	–	–	–	–	(2,985)	(3,003)	–	(3,003)
Dividends declared to shareholders	*16*	–	–	–	–	–	–	(2,924)	–	(2,924)	–	(2,924)
Dividends declared to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(1,124)	(1,124)
Dividends declared to perpetual notes holders		–	–	–	–	–	–	–	(1,646)	(1,646)	–	(1,646)
Transferred to reserves		–	–	–	1,599	–	–	(1,599)	–	–	–	–
Balance at 31 December 2019		24,571	51,978	3,112	12,495	(426)	314	97,731	31,535	221,310	24,018	245,328

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Capital reserve	Statutory reserves *(Note 39)*	Foreign currency translation reserve	Investment revaluation reserve	Retained earnings	Perpetual notes *(Note 40)*	Total	Non-controlling interests	Total
		RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2018		22,844	43,982	(168)	9,529	(386)	129	67,249	12,038	155,217	14,341	169,558
Change in accounting policies		–	–	–	7	–	829	222	–	1,058	(5)	1,053
Restated total equity as at 1 January 2018		22,844	43,982	(168)	9,536	(386)	958	67,471	12,038	156,275	14,336	170,611
Profit for the year		–	–	–	–	–	–	16,409	789	17,198	238	17,436
Other comprehensive expenses		–	–	(125)	–	(139)	(615)	–	–	(879)	(42)	(921)
Total comprehensive (expense)/income for the year		–	–	(125)	–	(139)	(615)	16,409	789	16,319	196	16,515
Total transactions with owners, recognised directly in equity												
Capital contribution from non-controlling shareholders of subsidiaries		–	–	1,856	–	–	–	–	–	1,856	13,446	15,302
Transaction with non-controlling interests resulting from acquisition of equity interests of certain subsidiaries		–	–	(54)	–	–	–	11	–	(43)	(355)	(398)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	3,567	3,567
Share of other reserves of a joint venture		–	–	511	–	–	–	–	–	511	–	511
Dividends declared to shareholders	16	–	–	–	–	–	–	(2,581)	–	(2,581)	–	(2,581)
Dividends declared to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	(828)	(828)
Dividends declared to perpetual notes holders		–	–	–	–	–	–	–	(709)	(709)	–	(709)
Transferred to reserves		–	–	–	1,360	–	–	(1,360)	–	–	–	–
Issuance of perpetual notes		–	–	–	–	–	–	–	19,991	19,991	–	19,991
Balance at 31 December 2018		22,844	43,982	2,020	10,896	(525)	343	79,950	32,109	191,619	30,362	221,981

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2019	2018
	Note	**RMB million**	RMB million
Cash flows from operating activities			
Cash generated from operations	47	**30,624**	20,268
Income tax paid		**(8,426)**	(8,306)
Net cash generated from operating activities		**22,198**	11,962
Cash flows from investing activities			
– Additions of property, plant and equipment		**(10,336)**	(13,719)
– Deposits for acquisition of property, plant and equipment		**(1,411)**	(1,436)
– Disposal of property, plant and equipment		**1,033**	1,014
– Deposits paid for land use rights		**(413)**	(136)
– Additions of land use rights		**(692)**	(546)
– Additions of mining assets		**(24)**	(9)
– Additions of investment properties		**(594)**	(43)
– Disposal of land use rights		**938**	434
– Disposal of investment properties		**21**	9
– Disposal of intangible assets		**1**	165
– Disposal of mining assets		**–**	36
– Additions of intangible assets		**(6,781)**	(3,089)
– Acquisition of subsidiaries		**(1,621)**	(6,757)
– Disposal of subsidiaries		**2,815**	794
– Investments in associates		**(13,684)**	(4,672)
– Investments in joint ventures		**(7,347)**	(10,068)
– Purchase of financial assets at fair value through profit or loss		**(6,281)**	(10,601)
– Disposal of financial assets at fair value through profit or loss		**5,625**	10,976
– Purchase of financial assets at fair value through other comprehensive income		**(5,187)**	(1,408)
– Disposal of financial assets at fair value through other comprehensive income		**316**	387
– Net flow in respect of other financial assets at amortised cost		**546**	(1,580)
– Interests received		**882**	1,695
– Decrease of restricted cash		**1,580**	1,330
– Increase of restricted cash		**(1,311)**	(2,521)
– Proceeds from disposal of joint ventures		**913**	480
– Proceeds from disposal of associates		**699**	250
– Deposits paid for investments		**(660)**	(1,212)
– Dividends received		**1,037**	894
– Other investing cash flows		**(243)**	–
Net cash used in investing activities		**(40,179)**	(39,333)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2019 RMB million	2018 RMB million
Cash flows from financing activities			
– Capital contributions from non-controlling shareholders of subsidiaries		**3,616**	15,302
– Transaction with non-controlling interests resulting from acquisition of equity interests of a certain subsidiary		**(89)**	(485)
– Net proceeds from issue of debentures		**16,494**	–
– Net proceeds from issue of perpetual notes		**2,498**	19,991
– Repayment of debentures		**(915)**	(5,660)
– Repayment of perpetual notes		**(3,003)**	–
– Proceeds from bank borrowings		**151,349**	118,343
– Repayments of bank borrowings		**(118,523)**	(108,094)
– Proceeds from other borrowings		**8,264**	3,211
– Repayment of other borrowings		**(4,550)**	(1,707)
– Interests paid		**(10,464)**	(8,405)
– Repayments of obligations under finance leases		–	(365)
– Dividends paid to non-controlling shareholders of subsidiaries		**(1,005)**	(934)
– Dividends paid to owners of the Company		**(2,924)**	(2,581)
– Dividends paid to holders of perpetual notes		**(1,646)**	(709)
– Repayments of lease liabilities		**(887)**	–
Net cash generate from financing activities		**38,215**	27,907
Net increase in cash and cash equivalents		**20,234**	536
Cash and cash equivalents at beginning of the year		**117,768**	116,688
Effect of foreign exchange rate changes		**184**	544
Cash and cash equivalents at end of the year		**138,186**	117,768

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

1. General information

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2020.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2019.

	Effective for accounting periods beginning on or after
IFRS 16 "Leases"	1 January 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	1 January 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	1 January 2019
Amendments to IAS 19 "Plan Amendment, curtailment or settlement"	1 January 2019
Amendments to IFRS 3 "Business combinations"	1 January 2019
Amendments to IFRS 11 "Joint arrangements"	1 January 2019
Amendments to IAS 12 "Income taxes"	1 January 2019
Amendments to IAS 23 "Borrowing costs"	1 January 2019
IFRIC 23 "Uncertainty over income tax treatments"	1 January 2019

Except for the new standards as described in Note 3, the adoption of above did not have any material impact on the Group's results for the year ended 31 December 2019 and the Group's financial position as at 31 December 2019 or result in any significant changes in the Group's accounting policies.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

Certain new and amended standards are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing the consolidated financial statements.

	Effective for accounting periods beginning on or after
Amendments to IAS 1 and IAS 8 "Definition of Material"	1 January 2020
Amendments to IFRS 3 "Definition of a Business"	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17 "Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture"	to be determined

The adoption of above new and amended standards will have no material impact on the Group's results and financial position.

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

(b) Associates

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

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

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Joint arrangements

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

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in Note 27.

Joint ventures

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

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

(d) Equity accounting

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

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

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

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

2.3 Business combinations

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

Merger accounting for common control combinations

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Merger accounting for common control combinations (Continued)

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

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

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

Acquisition method of accounting for non-common control combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

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

— Buildings	15-50 years
— Infrastructure construction equipment	8-15 years Units of production method
— Transportation equipment	4-12 years
— Manufacturing equipment	8-18 years
— Testing equipment and instruments	5-10 years
— Other equipment	3-10 years

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

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

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

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

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

2.8 Investment properties

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

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

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

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

2.9 Lease prepayments

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

2. Summary of significant accounting policies (Continued)

2.10 Intangible assets

(a) Service concession arrangements

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

(b) Patent and non-patented technologies

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

(c) Computer software

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.11 Mining assets

(a) Exploration and evaluation assets

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

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

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

(b) Mining rights

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

2.12 Goodwill

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Impairment of non-financial assets

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

2.14 Investments and other financial assets

2.14.1 Classification

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

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

2. Summary of significant accounting policies (Continued)

2.14 Investments and other financial assets (Continued)

2.14.2 Recognition and derecognition

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

2.14.3 Measurement

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

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

Debt instruments

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

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

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

2. Summary of significant accounting policies (Continued)

2.14 Investments and other financial assets (Continued)

2.14.3 Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

2.14.4 Impairment

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

For trade and bills receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 33 for further details.

2.15 Offsetting financial instruments

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

2. Summary of significant accounting policies (Continued)

2.16 Financial Guarantee Contracts

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

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

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

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

2.17 Derivatives and hedging activities

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

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

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

2. Summary of significant accounting policies (Continued)

2.17 Derivatives and hedging activities (Continued)

(i) Cash flow hedge that quantity for hedge accounting

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.17 Derivatives and hedging activities (Continued)

(ii) Net investment hedges

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

2.18 Inventories

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

2.19 Properties held for sale/properties under development for sale

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

2. Summary of significant accounting policies (Continued)

2.20 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 33 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.21 Contract assets and liabilities

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

The Group applied the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for contract assets, see Note 34 for further details.

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

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

2.22 Cash and cash equivalents

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

2.23 Share capital

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

2. Summary of significant accounting policies (Continued)

2.24 Financial instruments classified as equity

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

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

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

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

2.25 Trade payables

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

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

2.26 Borrowings

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

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

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

2. Summary of significant accounting policies (Continued)

2.26 Borrowings (Continued)

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

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

2.27 Borrowing costs

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

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

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

2.28 Current and deferred income tax

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

(a) Current income tax

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

2. Summary of significant accounting policies (Continued)

2.28 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2. Summary of significant accounting policies (Continued)

2.29 Employee benefits

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

(a) Pension obligations

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.29 Employee benefits (Continued)

(b) Other post-employment obligations

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

(c) Termination benefits

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

(d) Short-term employee benefits

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

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

(e) Housing funds

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

2. Summary of significant accounting policies (Continued)

2.30 Provisions

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

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

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

2.31 Government grants

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

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

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

2.32 Revenue recognition

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

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

2. Summary of significant accounting policies (Continued)

2.32 Revenue recognition (Continued)

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

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

(b) Services rendered

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

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

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

2. Summary of significant accounting policies (Continued)

2.32 Revenue recognition (Continued)

(c) Revenue from properties development

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

Some of the Group's primary land development recognised revenue over time, and the progress of implementation is based on the proportion of the cost incurred over the budgeted cost by the end of the reporting period. Some recognised revenue at a point in time.

(d) Sale of goods

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

2.33 Interest income

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

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

2.34 Dividends

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

2. Summary of significant accounting policies (Continued)

2.35 Leases

The Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 3.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. Summary of significant accounting policies (Continued)

2.35 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

For the lessor, the Group recognises assets held under a finance lease in balance sheet and present them as a receivable at the present value of the lease payments. Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2. Summary of significant accounting policies (Continued)

2.35 Leases (Continued)

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in obligation under financial leases. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2.36 Research and development

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

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

2.37 Dividend distribution

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

3. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.35.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.61%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

	RMB million
Operating lease commitments disclosed as at 31 December 2018	2,510
Discounted using the lessee's incremental borrowing rate of	
at the date of initial application	2,410
Add: finance lease liabilities recognised as at 31 December 2018	171
(Less): short-term leases recognised on a straight-line basis as expense	(79)
(Less): low-value leases recognised on a straight-line basis as expense	(91)
Lease liability recognised as at 1 January 2019	2,411
Of which are:	
Current lease liabilities	1,211
Non-current lease liabilities	1,200

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3. Changes in accounting policies (Continued)

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- Right-of-use assets: Increased by RMB2,662 million
- Property, plant and equipment: Decreased by RMB280 million
- Advances to suppliers: Decreased by RMB142 million
- Lease liabilities: Increased by RMB2,411 million
- Obligations under finance leases: Decreased by RMB171 million

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. Financial Risk Management

4.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign currency risk

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

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

Details of the Group's financial assets at FVOCI, other financial assets at amortised cost, trade and other receivables, restricted cash, cash and cash equivalents, trade and other payables and borrowings as at 31 December 2019, denominated in foreign currencies, mainly United States Dollars ("USD"), are disclosed in Notes 29, 30, 33, 36, 37, 41 and 42 respectively.

The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises. In 2019, the Group uses forward foreign exchange contracts to hedge its exposure to foreign currency risk.

As at 31 December 2019, if RMB had strengthened/weakened by 2% against USD with all other variables held constant, post-tax profit for the year would have been approximately RMB19 million lower/higher (2018: 6%, RMB53 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD-denominated other financial assets at amortised cost, trade and other receivables, restricted cash, cash and cash equivalents, trade and other payables and borrowings.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

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

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

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

	2019	2018
Increase/decrease in quoted price in open markets	**19%**	25%

	2019 **RMB million**	2018 RMB million
Increase/(decrease) in post-tax profit for the year		
– as a result of increase in equity price	**5**	28
– as a result of decrease in equity price	**(5)**	(28)
Increase/(decrease) in other comprehensive income		
– as a result of increase in equity price	**158**	223
– as a result of decrease in equity price	**(158)**	(223)

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate borrowings and other financial assets at amortised cost. The cash flow interest rate risks of the Group relates primarily to floating-rate bank borrowing and unlisted debt related entrusted products classified in the balance sheet at FVPL. The management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term. During 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in RMB and USD.

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

	2019	2018
Increase/decrease in interest rate	**25 basis points**	25 basis points

	2019	2018
	RMB million	RMB million
(Decrease)/increase in post-tax profit for the year		
– as a result of increase in interest rate	**(158)**	(152)
– as a result of decrease in interest rate	**158**	152

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

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

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

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

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

The Group has concentration of credit risk in respect of trade receivable as the Group's largest trade receivable and the five largest trade receivables represent 15% (2018: 20%) and 23% (2018: 25%) of the total trade receivables respectively.

The Group has concentration of credit risk in respect of other financial assets at amortised cost as the Group's largest other financial assets at amortised cost and the five largest other financial assets at amortised cost represent 5% (2018: 9%) and 15% (2018: 24%) of the total other financial assets at amortised cost respectively.

(c) Liquidity risk

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

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

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2019						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 41)*	**417,025**	**5,697**	**2,110**	**240**	**425,072**	**424,659**
Borrowings *(Note 42)*	**119,234**	**38,198**	**61,684**	**38,603**	**257,719**	**231,245**
Lease liabilities *(Note 19)*	**1,098**	**713**	**551**	**425**	**2,787**	**2,487**
Financial guarantee contracts *(Note 49)*	**46,209**	**–**	**–**	**–**	**46,209**	**–**
Financial liabilities at FVPL *(Note 35)*	**85**	**–**	**–**	**–**	**85**	**85**
	583,651	**44,608**	**64,345**	**39,268**	**731,872**	**658,476**
At 31 December 2018						
Trade and other payables (excluding statutory and non-financial liabilities) *(Note 41)*	397,454	1,439	1,290	414	400,597	400,276
Borrowings *(Note 42)*	106,264	30,502	43,624	29,706	210,096	190,920
Obligations under finance leases *(Note 43)*	11	88	87	–	186	171
Financial guarantee contracts *(Note 49)*	32,510	–	–	–	32,510	–
Financial liabilities at FVPL *(Note 35)*	69	–	–	–	69	69
Net-settled derivative financial instruments outflow *(Note 35)*						
–future contracts	2	–	–	–	2	2
	536,310	32,029	45,001	30,120	643,460	591,438

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

As at 31 December 2019, there is no bank borrowing that contains a repayment on demand clause.

4. Financial Risk Management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

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

(d) Capital risk management

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

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

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

	2019 **RMB million**	2018 RMB million
Total liabilities	**810,713**	720,532
Total assets	**1,056,041**	942,513
Asset-liability ratio	**76.77%**	76.45%

The asset-liability ratio as at 31 December 2019 increased slightly by 0.32 percentage points compared with that in 2018.

4. Financial Risk Management (Continued)

4.2 Fair value estimation

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

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

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

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

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Future contracts at FVPL	**Assets/Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward price (from observable future value expectation at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**-**	Assets	-				
	Liabilities	**-**	Liabilities	2				
2) Forward foreign exchange contracts at FVPL	**Assets/Liabilities**	**Amount**	Assets/Liabilities	Amount	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable future spot exchange rates at the end of the reporting period) and contracted exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Assets	**-**	Assets	1				
	Liabilities	**-**	Liabilities	-				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		Fair value as at (RMB million) 2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Listed equity securities, money market securities investment funds, and bond instruments at FVPL	**Held-for-trading financial assets in Mainland China and Hong Kong:**		Held-for-trading financial assets in Mainland China and Hong Kong:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**2,332**	Finance	2,058				
	Manufacturing	**58**	Manufacturing	60				
	Transportation	**–**	Transportation	34				
	Mining	**1**	Mining	1				
	Others	**2**	Others	2				
		2,393		2,155				
	Finance	**–**	Finance	16	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Finance	**941**	Finance	657	Level 3	Market valuation method by reference to discount rate that reflects the liquidity level.	Discount rates that correspond to the expected liquidity level.	The lower the discount rate, the higher the fair value.
	Total	**3,334**	Total	2,828				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		Fair value as at (RMB million) 2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
4) Listed equity securities at FVOCI	**Listed equity securities in Mainland China:**		Listed equity securities in Mainland China:		Level 1	Quoted bid prices in an active market.	N/A	N/A
	Industry	**Amount**	Industry	Amount				
	Finance	**629**	Finance	599				
	Listed equity securities in Hong Kong:		Listed equity securities in Hong Kong:					
	Industry	**Amount**	Industry	Amount				
	Manufacturing	**480**	Manufacturing	593				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
5) Unlisted open-end equity funds at FVPL	**Unlisted open-end equity funds in Mainland China:**		Unlisted open-end equity funds in Mainland China:					
	Assets Industry	**Amount**	Assets Industry	Amount				
	Finance	**2,193**	Finance	1,846	Level 1	Quoted bid prices in an active market.	N/A	N/A
	Finance	**–**	Finance	79	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Finance	**749**	Finance	734	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Total	**2,942**	Total	2,659				
	Liabilities Industry	**Amount**	Liabilities Industry	Amount	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Finance	**85**	Finance	69				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
6) Unlisted entrusted products and other financial assets at FVPL	**Unlisted entrusted products in Mainland China:**		Unlisted entrusted products in Mainland China:					
	Industry	**Amount**	Industry	Amount				
	Finance	**143**	Finance	150	Level 2	Discounted cash flow. Future cash flows are estimated based on expected interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
	Construction	**2,239**	Construction	1,900	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
	Finance	**2,476**	Finance	1,293				
	Real estate	**1,444**	Real estate	799				
	Mining	**10**	Mining	11				
	Manufacturing	**3**	Manufacturing	6				
	Others	**762**	Others	1,305				
	Total	**7,077**	Total	5,464				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		Fair value as at (RMB million) 2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Unlisted equity investments at FVOCI	**Unlisted equity investment in Mainland China:**		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier	The higher the P/B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Construction	**6,025**	Construction	4,355				
	Finance	**2,189**	Finance	50				
	Manufacturing	**80**	Manufacturing	110				
	Real estate	**33**	Real estate	2				
	Mining	**5**	Mining	5				
	Others	**1,031**	Others	78				
	Total	**9,363**	Total	4,600				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

Financial assets/financial liabilities	Fair value as at (RMB million) 2019		Fair value as at (RMB million) 2018		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
8) Unlisted equity investments at FVPL	**Unlisted equity investment in Mainland China:**		Unlisted equity investment in Mainland China:		Level 3	Market valuation method by reference to P/B ratio, P/S ratio or enterprise value multiplier.	P/B ratio, P/S ratio or enterprise value multiplier	The higher the P/B ratio, P/S ratio or enterprise value multiplier, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Finance	**725**	Finance	710				
9) Bills receivables at FVOCI	**Bills receivables in Mainland China:**		Bills receivables in Mainland China:		Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	Expected future cash flow Discount rates that correspond to the expected risk level.	The higher the future cash flow, the higher the fair value discount rate, the higher the fair value.
	Industry	**Amount**	Industry	Amount				
	Construction	**393**	Construction	355				

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

The following table presents the changes in level 3 items for the periods ended 31 December 2019 and 31 December 2018:

	Unlisted entrusted products	Unlisted open-end funds	Unlisted equity investments	Listed equity securities	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Opening balance at 1 January 2019	4,405	665	5,310	657	1,264	12,301
Acquisitions	4,689	105	5,187	–	38	10,019
Gains/(losses) recognised in profit or loss	111	(23)	15	284	(107)	280
Losses recognised in other comprehensive income	–	–	(18)	–	–	(18)
Disposals	(3,073)	(83)	(406)	–	–	(3,562)
Closing balance at 31 December 2019	6,132	664	10,088	941	1,195	19,020

	Unlisted entrusted products	Unlisted open-end funds	Unlisted equity investments	Listed equity securities	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Closing balance at 31 December 2017	5,959	696	—	–	–	6,655
Reclassification and remeasurement under IFRS 9	(22)	(76)	5,455	–	–	5,357
Opening balance at 1 January 2018	5,937	620	5,455	–	–	12,012
Acquisitions	2,927	492	967	1,379	355	6,120
(Losses)/gains recognised in profit or loss	(255)	65	17	(722)	909	14
Losses recognised in other comprehensive income	–	–	(859)	–	–	(859)
Disposals	(4,204)	(512)	(270)	–	–	(4,986)
Closing balance at 31 December 2018	4,405	665	5,310	657	1,264	12,301

4. Financial Risk Management (Continued)

4.2 Fair value estimation (Continued)

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

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

	2019		2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB million	**RMB million**	RMB million	RMB million
Financial assets				
Other financial assets at amortised cost – fixed rate	**23,559**	**24,855**	21,707	22,958
Financial liabilities				
Bank borrowings – fixed rate	**24,591**	**25,913**	14,226	14,581
Long-term debentures – fixed rate	**46,848**	**46,505**	30,672	31,147
Other long-term borrowings – fixed rate	**3,338**	**3,439**	5,885	6,113

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

5. Critical Accounting Estimates, Assumptions and Judgments

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

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

5.1 Revenue recognition from infrastructure construction contracts

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

5.2 Recoverability of trade receivables and contract assets

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

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

5.3 Determination of control over structured entities

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

Further disclosure in respect of unconsolidated structured entities in which the Group has an interest has been set out in Note 25.

5.4 Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is measured at quoted price. If the market for a financial instrument is not active, the Group determines fair value by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each end of the reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 4.2.

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

5.5 Income taxes

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

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

5.6 Revenue from sale of properties

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

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

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

5.7 Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 44.

5.8 Amortisation of service concession arrangements in relation to toll highways

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

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

5.9 Classification of financial assets

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

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

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

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

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

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

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

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

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

6. Segment information

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

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

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

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

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

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

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

Revenue between segments is carried out at actual transaction prices.

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

6. Segment information (Continued)

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

	For the year ended 31 December 2019						
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
External revenue	**731,562**	**16,172**	**16,974**	**43,031**	**37,205**	**–**	**844,944**
Inter-segment revenue	**26,950**	**502**	**6,860**	**181**	**31,713**	**(66,206)**	**–**
Other revenue	**3,276**	**357**	**488**	**450**	**1,328**	**–**	**5,899**
Inter-segment other revenue	**296**	**–**	**–**	**–**	**156**	**(452)**	**–**
Segment revenue	**762,084**	**17,031**	**24,322**	**43,662**	**70,402**	**(66,658)**	**850,843**
Segment results							
Profit before income tax	**20,936**	**962**	**1,999**	**3,652**	**8,950**	**(5,166)**	**31,333**
Segment results included:							
Share of profit/(losses) of joint ventures	**241**	**7**	**70**	**(21)**	**63**	**–**	**360**
Share of profit of associates	**944**	**9**	**59**	**36**	**1,052**	**–**	**2,100**
Interest income	**889**	**86**	**58**	**225**	**618**	**(1,014)**	**862**
Interest expenses	**(2,214)**	**(136)**	**(22)**	**(2,005)**	**(3,603)**	**2,641**	**(5,339)**

	For the year ended 31 December 2018						
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
External revenue	624,211	14,610	15,000	43,324	37,869	–	735,014
Inter-segment revenue	19,670	422	5,690	27	28,060	(53,869)	–
Other revenue	2,876	63	97	640	1,693	–	5,369
Inter-segment other revenue	157	–	–	–	108	(265)	–
Segment revenue	646,914	15,095	20,787	43,991	67,730	(54,134)	740,383
Segment results							
Profit before income tax	17,111	1,536	1,532	4,603	755	(2,827)	22,710
Segment results included:							
Share of profit/(losses) of joint ventures	78	11	75	(154)	51	–	61
Share of profit of associates	328	6	146	5	1,070	–	1,555
Interest income	229	71	82	216	537	(275)	860
Interest expenses	(2,317)	(121)	(34)	(1,789)	(3,823)	2,581	(5,503)

6. Segment information (Continued)

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

	2019 RMB million	2018 RMB million
(i) Segment interest income, before inter-segment elimination	**1,876**	1,135
Inter-segment elimination	**(1,014)**	(275)
	862	860
Reconciling items:		
Reclassification of interest income obtained from other financial assets at amortised cost	**1,338**	904
Total consolidated finance income, as reported	**2,200**	1,764
(ii) Segment interest expenses, before inter-segment elimination	**7,980**	8,084
Inter-segment elimination	**(2,641)**	(2,581)
	5,339	5,503
Reconciling item:		
Imputed interest expenses on retention payables *(Note 10)*	**235**	104
Asset-Backed Medium-term Notes ("ABN") & Asset-Backed Securitization ("ABS") *(Note 10)*	**2,805**	1,184
Factoring expense *(Note 10)*	**562**	357
	3,602	1,645
Total consolidated finance costs, as reported	**8,941**	7,148
(iii) Segment results, before inter-segment elimination	**36,499**	25,537
Inter-segment elimination	**(5,166)**	(2,827)
	31,333	22,710
Reconciling item:		
Land appreciation tax *(Note (a))*	**1,854**	2,235
Total consolidated profit before income tax, as reported	**33,187**	24,945

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

6. Segment information (Continued)

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

	As at 31 December 2019						
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Elimination RMB million	Total RMB million
Segment assets	685,225	17,361	44,947	249,778	348,864	(300,022)	1,046,153
Investments in joint ventures	19,225	71	351	277	9,390	–	29,314
Investments in associates	26,130	678	476	218	3,063	–	30,565
Unallocated assets							9,888
Total assets							1,056,041
Segment liabilities	628,983	9,062	24,107	184,339	284,074	(324,809)	805,756
Unallocated liabilities							4,957
Total liabilities							810,713

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

6. Segment information (Continued)

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

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

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

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

	2019 RMB million	2018 RMB million
Segment assets, before inter-segment elimination	**1,346,175**	1,190,186
Inter-segment elimination	**(300,022)**	(256,065)
	1,046,153	934,121
Reconciling items:		
Deferred tax assets	**8,012**	6,866
Non-tradable shares reform of subsidiaries *(Note (a))*	**(148)**	(163)
Current income tax recoverable	**2,641**	2,263
Prepaid land appreciation tax included in current income tax recoverable	**(617)**	(574)
	9,888	8,392
Total consolidated assets, as reported	**1,056,041**	942,513
Segment liabilities, before inter-segment elimination	**1,130,565**	960,772
Inter-segment elimination	**(324,809)**	(244,989)
	805,756	715,783
Reconciling items:		
Deferred tax liabilities	**1,784**	1,163
Current income tax liabilities	**5,824**	6,081
Land appreciation tax payable included in current income tax liabilities	**(2,651)**	(2,495)
	4,957	4,749
Total consolidated liabilities, as reported	**810,713**	720,532

(a) Losses on non-tradable shares reform of subsidiaries are recorded in segment assets in segment reporting and were adjusted to other gains and losses in consolidated income statement in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Segment information (Continued)

Other segment information:

	Year ended 31 December 2019					
	Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Consolidated RMB million
Capital expenditure:						
Property, plant and equipment	7,045	327	1,064	633	2,176	11,245
Lease prepayments	809	151	1	321	(98)	1,184
Investment properties	364	–	–	220	10	594
Intangible assets	726	11	256	18	16,326	17,337
Mining assets	–	–	–	–	24	24
Right-of-use assets	753	53	4	122	406	1,338
Total	9,697	542	1,325	1,314	18,844	31,722
Depreciation and amortisation:						
Property, plant and equipment	5,465	250	481	323	1,434	7,953
Lease prepayments	235	29	41	51	15	371
Investment properties	75	6	2	251	36	370
Intangible assets	234	43	27	(5)	956	1,255
Mining assets	–	–	–	–	166	166
Right-of-use assets	1,028	26	–	5	251	1,310
Other prepayments	73	15	14	–	38	140
Total	7,110	369	565	625	2,896	11,565
Gains on disposal and/or write-off of property, plant and equipment	(41)	(27)	(11)	–	(12)	(91)
(Gains)/losses on disposal of lease prepayments	(525)	–	1	–	–	(524)
Increase in foreseeable losses on contracts	64	–	–	–	–	64
Impairment loss on trade and other receivables	442	506	(43)	448	520	1,873
Impairment loss on other financial assets at amortised cost	1,891	160	–	7	143	2,201
Impairment loss on contract assets	433	–	–	–	–	433
Impairment loss on property, plant and equipment	–	–	–	–	70	70

6. Segment information (Continued)

Other segment information:

	Year ended 31 December 2018					
	Infrastructure construction	Survey, design and consulting services	Engineering equipment and component manufacturing	Property development	Other businesses	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Capital expenditure:						
Property, plant and equipment	8,680	268	1,127	2,543	1,835	14,453
Lease prepayments	196	2	263	211	–	672
Investment properties	6	13	20	4	–	43
Intangible assets	42	23	74	3	11,256	11,398
Mining assets	–	–	–	–	9	9
Total	8,924	306	1,484	2,761	13,100	26,575
Depreciation and amortisation:						
Property, plant and equipment	5,556	657	345	192	1,073	7,823
Lease prepayments	244	9	33	19	13	318
Investment properties	93	6	–	103	115	317
Intangible assets	30	20	32	7	939	1,028
Mining assets	–	–	–	–	245	245
Other prepayments	90	5	10	–	39	144
Total	6,013	697	420	321	2,424	9,875
(Gains)/losses on disposal and/or write-off of property, plant and equipment	(72)	(4)	(41)	–	26	(91)
(Gains)/losses on disposal of lease prepayments	(90)	–	(6)	–	–	(96)
Increase in foreseeable losses on contracts	58	–	–	–	–	58
Impairment loss on trade and other receivables	2,063	69	67	249	3,381	5,829
Impairment loss on other financial assets at amortised cost	300	–	–	199	775	1,274
Impairment loss on contract assets	445	–	–	–	–	445
Impairment loss on property, plant and equipment	–	–	–	–	400	400
Impairment loss on investment properties	11	–	–	–	–	11
Impairment loss on lease prepayments	3	–	–	–	–	3

6. Segment information (Continued)

(i) Disaggregation of revenue from contracts with customers

Type of services and products	Year ended 31 December 2019 Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total RMB million
Infrastructure construction contracts	**731,562**	**–**	**–**	**–**	**–**	**731,562**
Manufacturing and sales of engineering equipment and component	**–**	**–**	**16,974**	**–**	**–**	**16,974**
Rendering of services	**–**	**16,172**	**–**	**–**	**5,964**	**22,136**
Sales of properties	**–**	**–**	**–**	**43,031**	**–**	**43,031**
Sales of goods and others	**3,276**	**357**	**488**	**450**	**32,569**	**37,140**
Total	**734,838**	**16,529**	**17,462**	**43,481**	**38,533**	**850,843**
Timing of revenue recognition:						
– At a point of time	**3,276**	**357**	**11,937**	**38,440**	**36,818**	**90,828**
– Over time	**731,562**	**16,172**	**5,525**	**5,041**	**–**	**758,300**
Rental income	**–**	**–**	**–**	**–**	**1,715**	**1,715**
Total revenue from contracts with customers	**734,838**	**16,529**	**17,462**	**43,481**	**38,533**	**850,843**

Type of services and products	Year ended 31 December 2018 Infrastructure construction RMB million	Survey, design and consulting services RMB million	Engineering equipment and component manufacturing RMB million	Property development RMB million	Other businesses RMB million	Total RMB million
Infrastructure construction contracts	624,211	–	–	–	–	624,211
Manufacturing and sales of engineering equipment and component	–	–	15,000	–	–	15,000
Rendering of services	–	14,610	–	–	6,550	21,160
Sales of properties	–	–	–	43,324	–	43,324
Sales of goods and others	2,876	63	97	640	33,012	36,688
Total	627,087	14,673	15,097	43,964	39,562	740,383
Timing of revenue recognition:						
– At a point of time	2,876	63	13,890	40,126	38,277	95,232
– Over time	624,211	14,610	1,207	3,838	–	643,866
Rental income	–	–	–	–	1,285	1,285
Total revenue from contracts with customers	627,087	14,673	15,097	43,964	39,562	740,383

6. Segment information (Continued)

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

	For the year ended 31 December	
	2019	2018
	RMB million	RMB million
Mainland China	**805,766**	697,522
Other regions (including Hong Kong and Macau)	**45,077**	42,861
	850,843	740,383

(iii) Non-current assets other than financial instruments, investments in joint ventures, investments in associates, deposits for investments and deferred tax assets located in the Mainland China and other regions are as follows:

	2019	2018
	RMB million	RMB million
Mainland China	**201,527**	195,673
Other regions (including Hong Kong and Macau)	**12,034**	10,833
	213,561	206,506

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

7. Other Income and Expenses

	2019 **RMB million**	2018 RMB million
Other income from:		
Government subsidies *(Note (a))*	**1,012**	886
Dividends from financial assets at FVPL	**569**	809
Compensation and claims	**129**	114
Dividends from financial assets at FVOCI	**47**	49
Relocation compensation	**39**	45
Others	**200**	476
	1,996	2,379
Other expenses on:		
Research and development expenditures	**16,511**	13,436

Notes:

(a) Government subsidies relating to income include various government subsidies received by the group entities from the relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement, product development, etc. All subsidies were recognised at the time when the Group fulfilled the relevant criteria and the related expenses were incurred.

Government subsidies relating to assets include government subsidies obtained by the group entities in relation to the acquisition of property, plant and equipment, which were included in the consolidated balance sheet as deferred government grants and credited to profit or loss on a straight-line basis over the expected useful lives of the relevant assets.

8. Net impairment losses on financial assets and contract assets

	2019 **RMB million**	2018 RMB million
Other financial assets at amortised cost	**2,201**	1,274
Trade and other receivables (excluding advance to suppliers)	**1,873**	5,765
Contract assets	**433**	445
	4,507	7,484

9. Other Gains/(Losses), net

	2019 **RMB million**	2018 RMB million
Gains/(losses) on disposal and/or write-off of:		
– Interest in subsidiaries	**4,961**	747
– Interest in associates	**(52)**	5
– Interest in joint ventures	**29**	–
– Lease prepayments	**524**	96
– Property, plant and equipment	**91**	91
(Losses)/gains on disposal of financial assets/liabilities at FVPL	**(32)**	325
Gains arising on change in fair value of financial assets/liabilities at FVPL	**275**	10
Gains on debt restructurings	**15**	208
Impairment loss recognised on:		
– Property, plant and equipment *(Note 18)*	**(70)**	(400)
– Advance to suppliers	**(26)**	(64)
– Investment properties *(Note 22)*	**–**	(11)
– Lease prepayments *(Note 20)*	**–**	(3)
Foreign exchange losses, net	**(40)**	(11)
Negative goodwill arising from acquisition of a subsidiary *(Note 48(a))*	**22**	–
Others	**8**	41
	5,705	1,034

10. Finance Income and Costs

	2019 RMB million	2018 RMB million
Finance income from:		
Cash and cash equivalents and restricted cash	**862**	860
Other financial assets at amortised cost	**1,338**	904
Total finance income	**2,200**	1,764
Interest expenses on:		
Bank borrowings	**7,623**	6,209
Long-term debentures	**1,584**	1,285
Other long-term borrowings	**628**	734
Other short-term borrowings	**243**	122
Total borrowing costs	**10,078**	8,350
Less: amount capitalised	**(5,231)**	(3,093)
	4,847	5,257
Lease *(Note 19)*	**69**	—
Finance leases	**—**	26
ABN & ABS *(Note 33)*	**2,805**	1,184
Factoring expense *(Note 33)*	**562**	357
Imputed interest expenses on retention payables	**235**	104
Imputed interest expenses on defined benefit obligations *(Note 44)*	**104**	134
Others	**319**	86
Total finance costs	**8,941**	7,148

Borrowing costs directly attributable to the construction and acquisition of qualifying assets were capitalised as part of the costs of those assets. Borrowing costs of RMB5,231 million (2018: RMB3,093 million) were capitalised in the year ended 31 December 2019, of which approximately RMB4,775 million was charged to properties under development for sale, approximately RMB21 million was included in cost of construction-in-progress and approximately RMB435 million was charged to intangible assets (2018: RMB2,963 million was charged to properties under development for sale, approximately RMB45 million was included in cost of construction-in-progress and approximately RMB85 million was charged to intangible assets). A general capitalisation rate of 1.42%-8.79% per annum (2018: 2.85%-7.00%) was used, representing the costs of the borrowings used to finance the qualifying assets.

11. Expenses by nature

The additional information of cost of sales and services, selling and marketing expenses and administrative expenses is as follows:

	2019 **RMB million**	2018 RMB million
Employee benefit expenses & subcontracting costs	**329,395**	292,017
Raw materials and consumables used	**315,452**	267,322
Equipment usage costs	**31,666**	30,998
Cost of property development	**30,485**	32,652
Depreciation of property, plant and equipment *(Note 18)*, right-of-use assets *(Note 19)* and investment properties *(Note 22)*	**9,633**	8,140
Taxes and surcharges	**3,521**	3,505
Transportation costs	**2,313**	1,852
Amortisation of:		
Intangible assets *(Note 23)*	**1,255**	1,028
Lease prepayments *(Note 20)*	**371**	318
Mining assets *(Note 24)*	**166**	245
Other prepayments	**140**	144
Advertising and publication costs	**1,355**	1,017
Auditors' remuneration	**39**	39

12. Employee Benefit Expenses

	2019 **RMB million**	2018 RMB million
Salaries, wages and bonuses	**43,392**	39,969
Pension costs – defined contribution plans	**7,106**	6,821
Housing benefits	**3,806**	3,396
Welfare, medical and other expenses	**17,159**	13,692
	71,463	63,878

13. Income tax expense

	2019 RMB million	2018 RMB million
Current income tax		
– Enterprise income tax ("EIT")	**6,405**	6,335
– Land appreciation tax ("LAT")	**1,854**	2,235
– (Over)/under provision in prior years	**(11)**	131
Deferred income tax	**(440)**	(1,192)
Income tax expense	**7,808**	7,509

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2018: 25%) is applied to the Group except for certain subsidiaries which were mainly either exempted from EIT or entitled to the preferential tax rate of 20% or 15% (2018: 15%) for the year ended 31 December 2019.

Certain of the Group's overseas entities are located in Israel, Malaysia, Democratic Republic of the Congo, Mongolia, Papua New Guinea, Kenya and Brazil. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 23%, 24%, 30%, 10%, 37.5%, 30% and 15% (2018: 23%, 24%, 30%, 10%, 37.5%, 30% and 15%) are applied to these entities respectively.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

13. Income tax expense (Continued)

The tax charge for the year can be reconciled to profit before income tax per the consolidated income statement as follows:

	2019 **RMB million**	2018 RMB million
Profit before income tax	**33,187**	24,945
Tax at PRC EIT rate of 25% (2018: 25%)	**8,297**	6,236
Tax effect of:		
Non-deductible expenses	**310**	194
Non-taxable income	**(200)**	(137)
Share of profit of joint ventures	**(90)**	(15)
Share of profit of associates	**(525)**	(389)
Tax losses not recognised as deferred tax assets	**248**	758
Utilisation of tax losses previously not recognised as deferred tax assets	**(161)**	(365)
Other deductible temporary differences not recognised as deferred tax assets	**798**	1,213
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(355)**	(31)
Preferential tax rates on income of group entities and other income tax credits	**(1,872)**	(1,796)
Deferred tax charges resulting from changes in applicable tax rates	**175**	113
LAT	**1,854**	2,235
Tax effect of LAT	**(464)**	(559)
(Over)/under provision in prior years	**(11)**	131
Deductible dividends on perpetual notes	**(379)**	–
Others	**183**	(79)
Income tax expense for the year	**7,808**	7,509

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

13. Income tax expense (Continued)

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

	2019			2018		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	RMB million	**RMB million**	**RMB million**	RMB million	RMB million	RMB million
Actuarial (losses)/gains on retirement and other supplemental benefit obligations	**(16)**	**(1)**	**(17)**	(169)	39	(130)
Changes in fair value of financial assets at FVOCI	**(94)**	**18**	**(76)**	(1,021)	234	(787)
Fair value gains/(losses) on cash flow hedging instrument	**1**	**–**	**1**	(2)	–	(2)
Share of other comprehensive income of associates	**42**	**–**	**42**	87	–	87
Currency translation differences	**114**	**–**	**114**	(89)	–	(89)
Other comprehensive expenses	**47**	**17**	**64**	(1,194)	273	(921)
Current income tax		**–**			–	
Deferred income tax *(Note 46)*		**17**			273	
		17			273	

14. Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB13,330 million (2018: RMB10,702 million).

15. Earnings per Share

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amount of the cumulative distributions were deducted in arriving at earnings for the purposes of the EPS calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary shareholders.

	2019	2018
Profit attributable to owners of the Company (RMB million)	**23,678**	17,198
Less: distribution relating to the perpetual notes (RMB million) *(Note i)*	**1,559**	789
Profit used to determine basic earnings per share (RMB million)	**22,119**	16,409
Weighted average number of ordinary shares in issue (millions)	**23,276**	22,844
Basic earnings per share (RMB per share)	**0.950**	0.718

(i) The perpetual notes issued by the Company were classified as equity instruments with deferrable cumulative interest distribution and payment. The perpetual notes interests which have been generated but not yet declared, from issue date to 31 December 2019, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2019.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

16. Dividends

	2019	2018
	RMB million	RMB million
Proposed final dividend of RMB0.169 per ordinary share (2018: RMB0.128)	**4,152**	2,924

The dividends paid in 2019 and 2018 were RMB2,924 million (RMB0.128 per ordinary share) and RMB2,581 million (RMB0.113 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2019 of RMB0.169 per ordinary share, amounting to a total dividend of RMB4,152 million, is to be approved at the 2019 annual general meeting of the Company. These financial statements do not reflect this dividend payable.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees

(a) Directors', Chief Executives and Supervisors' Emoluments

	2019	2018
	RMB'000	RMB'000
Directors, chief executives and supervisors		
– Basis salaries, housing allowances and other allowances	**3,261**	3,229
– Fees	**260**	260
– Contributions to pension plans	**411**	490
– Discretionary bonuses *(note)*	**6,296**	5,410
	10,228	9,389

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2019 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Fees RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors					
Zhang Zongyan (i)	367	–	50	1,257	1,674
Chen Yun (ii)	137	–	19	138	294
Zhang Xian	342	–	50	1,110	1,502
Li Changjin (iii)	187	–	27	1,091	1,305
Zhou Mengbo (iv)	106	–	23	222	351
Independent directors					
Guo Peizhang	–	60	–	–	60
Wen Baoman	–	60	–	–	60
Zheng Qingzhi	–	60	–	–	60
Chung Shui Ming Timpson	–	80	–	51	131
Non-executive director					
Ma Zonglin	–	–	–	–	–
Directors' remunerations	1,139	260	169	3,869	5,437

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

Name	Basis salaries, housing allowances and other allowances RMB'000	Fees RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Supervisors					
Zhang Huijia	324	–	50	462	836
Liu Jianyuan	329	–	50	1,050	1,429
Wang Hongguang (v)	285	–	27	118	430
Chen Wenxin	515	–	50	337	902
Fan Jinghua	496	–	50	332	878
Yuan Baoyin (vi)	173	–	15	128	316
Supervisors' remunerations	2,122	–	242	2,427	4,791
Total	3,261	260	411	6,296	10,228

(i) Mr. Zhang Zongyan was appointed as the chairman of the Company on 25 August 2019.

(ii) Mr. Chen Yun was appointed as the CEO of the Company on 25 August 2019 and a director of the Company on 30 October 2019.

(iii) Mr. Li Changjin resigned from his position as the chairmen of the Company on 19 June 2019.

(iv) Mr. Zhou Mengbo resigned from his position as a director of the Company on 19 June 2019.

(v) Mr. Wang Hongguang resigned from his position as a supervisor of the Company on 20 September 2019.

(vi) Mr. Yuan Baoyin was appointed as a supervisor of the Company on 20 September 2019.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

The emoluments of every director and supervisor for the year ended 31 December 2018 are set out below:

Name	Basis salaries, housing allowances and other allowances RMB'000	Fees RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000 *(note)*	Total RMB'000
Executive directors					
Li Changjin	341	–	55	854	1,250
Zhang Zongyan	339	–	55	756	1,150
Zhou Mengbo	316	–	55	763	1,134
Zhang Xian	314	–	55	751	1,120
Independent directors					
Guo Peizhang	–	60	–	–	60
Wen Baoman	–	60	–	–	60
Zheng Qingzhi	–	60	–	–	60
Chung Shui Ming Timpson	–	80	–	51	131
Non-executive director					
Ma Zonglin	–	–	–	–	–
Directors' remunerations	1,310	260	220	3,175	4,965

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(a) Directors', Chief Executives and Supervisors' Emoluments (Continued)

Name	Basis salaries, housing allowances and other allowances	Fees	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note)	
Supervisors					
Zhang Huijia (i)	116	–	24	110	250
Liu Chengjun (ii)	174	–	26	566	766
Liu Jianyuan	301	–	55	676	1,032
Wang Hongguang	477	–	55	291	823
Chen Wenxin	434	–	55	301	790
Fan Jinghua	417	–	55	291	763
Supervisors' remunerations	1,919	–	270	2,235	4,424
Total	**3,229**	**260**	**490**	**5,410**	**9,389**

(i) Mr. Zhang Huijia was elected as the chairman of the Supervisory Committee of the Company on 25 June 2018.

(ii) Mr. Liu Chengjun resigned from his position as a supervisor of the Company on 8 June 2018.

The executive directors', chief executive's and supervisors' emolument shown above were mainly for their services in connection with the management affairs of the Company and the Group. The independent directors' emoluments shown above were mainly for their services as directors of the Company.

During the year, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

17. Emoluments of Directors, Chief Executive, Supervisors and Employees (Continued)

(b) Five Highest Paid Individuals

None of the directors and supervisors was amongst the five highest paid individuals during both years. The emoluments of the five highest paid individuals in the Group during the year are as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries, housing allowances, and other allowances and benefits in kind	**3,833**	5,893
Contributions to pension plans	**182**	213
Discretionary bonuses *(note)*	**11,945**	16,685
	15,960	22,791

The emoluments of the above individuals fall within the following bands:

	2019	2018
– HKD3,000,000 to HKD3,500,000 (equivalent to approximately RMB2,687,340 to RMB3,135,230)	**2**	–
– HKD3,500,001 to HKD4,000,000 (equivalent to approximately RMB3,135,231 to RMB3,583,120)	**3**	–
– HKD4,500,001 to HKD5,000,000 (equivalent to approximately RMB4,031,011 to RMB4,478,900)	**–**	3
– HKD5,500,001 to HKD6,000,000 (equivalent to approximately RMB4,926,791 to RMB5,374,680)	**–**	2

Note: The discretionary bonus is determined by the remuneration committee in accordance with the relevant human resources policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Property, Plant and Equipment

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2018								
Cost	29,977	44,032	12,314	7,684	3,251	4,659	7,082	108,999
Accumulated depreciation and impairment	(6,549)	(24,786)	(9,101)	(3,477)	(2,278)	(2,876)	(163)	(49,230)
Net book amount	23,428	19,246	3,213	4,207	973	1,783	6,919	59,769
Year ended 31 December 2018								
Opening net book amount	23,428	19,246	3,213	4,207	973	1,783	6,919	59,769
Additions	876	5,343	1,016	428	393	619	5,770	14,445
Transfers	2,448	1,178	24	271	9	127	(4,057)	–
Transferred from investment properties *(Note 22)*	109	–	–	–	–	–	–	109
Transferred from properties held for sale *(Note 31(b))*	17	–	–	–	–	–	51	68
Acquisition of subsidiaries	–	–	2	–	–	2	4	8
Disposal of subsidiaries	–	–	(5)	(8)	–	(1)	30	16
Disposals	(265)	(472)	(35)	(23)	(9)	(119)	–	(923)
Transferred to investment properties *(Note 22)*	(671)	–	–	–	–	–	–	(671)
Depreciation charge *(Note 11)*	(1,104)	(4,189)	(1,020)	(684)	(320)	(506)	–	(7,823)
Impairment losses recognised *(Note 9)*	–	–	–	–	–	–	(400)	(400)
Exchange adjustments	33	–	(5)	53	1	(3)	10	89
Closing net book amount	24,871	21,106	3,190	4,244	1,047	1,902	8,327	64,687
At 31 December 2018								
Cost	32,420	48,851	12,855	8,300	3,521	5,065	8,890	119,902
Accumulated depreciation and impairment	(7,549)	(27,745)	(9,665)	(4,056)	(2,474)	(3,163)	(563)	(55,215)
Net book amount	24,871	21,106	3,190	4,244	1,047	1,902	8,327	64,687

18. Property, Plant and Equipment (Continued)

	Buildings RMB million	Infrastructure construction equipment RMB million	Transportation equipment RMB million	Manufacturing equipment RMB million	Testing equipment and instruments RMB million	Other equipment RMB million	Construction in progress RMB million	Total RMB million
Year ended 31 December 2019								
Opening net book amount	24,871	21,106	3,190	4,244	1,047	1,902	8,327	64,687
Adjustment for change in accounting policy *(Note 3)*	–	(280)	–	–	–	–	–	(280)
Restated opening net book amount	24,871	20,826	3,190	4,244	1,047	1,902	8,327	64,407
Additions	610	3,980	961	700	406	636	3,890	11,183
Transfers	5,617	314	24	141	50	81	(6,227)	–
Transferred from investment properties *(Note 22)*	100	–	–	–	–	–	–	100
Transferred from properties held for sale *(Note 31(b))*	91	–	–	–	–	–	–	91
Acquisition of subsidiaries	53	–	3	–	5	1	–	62
Disposal of subsidiaries	(25)	–	(4)	(1)	–	(3)	(5)	(38)
Disposals	(63)	(528)	(49)	(33)	(11)	(50)	(852)	(1,586)
Transferred to investment properties *(Note 22)*	(108)	–	–	–	–	–	–	(108)
Depreciation charge *(Note 11)*	(1,274)	(4,068)	(883)	(691)	(348)	(689)	–	(7,953)
Impairment losses recognised *(Note 9)*	–	(70)	–	–	–	–	–	(70)
Exchange adjustments	12	21	5	16	1	1	10	66
Closing net book amount	29,884	20,475	3,247	4,376	1,150	1,879	5,143	66,154
At 31 December 2019								
Cost	38,647	50,499	13,308	9,291	3,861	5,595	5,706	126,907
Accumulated depreciation and impairment	(8,763)	(30,024)	(10,061)	(4,915)	(2,711)	(3,716)	(563)	(60,753)
Net book amount	29,884	20,475	3,247	4,376	1,150	1,879	5,143	66,154

18. Property, Plant and Equipment (Continued)

(a) Depreciation of the Group's property, plant and equipment of RMB6,712 million (2018: RMB6,695 million) has been charged to cost of sales, RMB188 million (2018: RMB123 million) to other expenses, RMB1,009 million (2018: RMB964 million) to administrative expenses, and RMB44 million (2018: RMB41 million) to selling and marketing expenses.

(b) As at 31 December 2019, bank borrowings amounting to RMB7 million (2018: RMB7 million) are secured by certain property, plant and equipment with an aggregate book carrying amount of approximately RMB3 million (2018: RMB6 million) (Note 42).

(c) As at 31 December 2019, the Group is in the process of applying for registration of the ownership certificates for certain of its properties with an aggregate book carrying amount of approximately RMB3,408 million (2018: RMB2,913 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) As at 31 December 2018, infrastructure construction equipment and transportation equipment include the following amounts where the Group is a lessee under finance leases:

	2019 **RMB million**	2018 RMB million
Cost – Capitalised finance leases	–	682
Accumulated depreciation	–	(402)
Net book amount	–	280

From 2019 leased assets are presented as a separate line item in the consolidated balance sheet, see Note 19. Refer to Note 3 for details about the changes in accounting policy.

(e) The category of infrastructure construction equipment, transportation equipment and other equipment leased by the Group to third parties under operating leases with the following carrying amounts:

	2019 **RMB million**	2018 RMB million
Cost	**99**	657
Accumulated depreciation	**(47)**	(282)
Net book amount	**52**	375

19. Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets	**2019** **RMB million**	**1 January 2019 Restated** **RMB million**
Buildings	**1,062**	**477**
Infrastructure construction equipment	**1,032**	**1,782**
Transportation equipment	**79**	**328**
Manufacturing equipment	**1**	**7**
Other equipment	**55**	**68**
	2,229	**2,662**

Lease liabilities	2019 RMB million	1 January 2019 Restated RMB million
Current	1,037	1,211
Non-current	1,450	1,200
	2,487	2,411

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as obligations under finance leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to Note 3.

Additions to the right-of-use assets during the 2019 financial year were RMB1,338 million. Maturity and modification to the right-of-use assets during the year ended 31 December 2019 were RMB461 million.

19. Lease (Continued)

(b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	2019 RMB million	2018 RMB million
Buildings	**278**	—
Infrastructure construction equipment	**941**	—
Transportation equipment	**86**	—
Manufacturing equipment	**2**	—
Other equipment	**3**	—
	1,310	—
Interest expenses (included in finance cost)	**69**	—
Expenses relating to leases of low-value assets that are not shown above as short-term leases (included in cost of sales and services and administrative expenses)	**18,732**	—

The total cash outflow for leases in 2019 was RMB16,346 million.

(c) The Group's leasing activities and how these are accounted for

The Group leases buildings, infrastructure construction equipment, transportation equipment, manufacturing equipment and other equipment. Rental contracts are made for fixed periods, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

20. Lease prepayments

	2019 RMB million	2018 RMB million
At 1 January		
Cost	**15,345**	14,351
Accumulated amortisation and impairment	**(2,569)**	(2,162)
Net book amount	**12,776**	12,189
For the year ended 31 December		
Opening net book amount	**12,776**	12,189
Additions	**1,177**	672
Transferred from properties held for sale *(Note 31(b))*	**42**	610
Acquisition of subsidiaries	**7**	–
Disposals	**(414)**	(338)
Disposal of subsidiaries	**(84)**	–
Transferred to properties held for sale *(Note 31(b))*	**(51)**	(36)
Amortisation charge *(Note 11)*	**(371)**	(318)
Impairment losses recognised *(Note 9)*	**–**	(3)
Closing net book amount	**13,082**	12,776
At 31 December		
Cost	**15,922**	15,345
Accumulated amortisation and impairment	**(2,840)**	(2,569)
Net book amount	**13,082**	12,776
Analysed for reporting purpose as:		
— Non-current	**12,726**	12,439
— Current	**356**	337
	13,082	12,776

(a) Amortisation of the Group's lease prepayments of RMB196 million (2018: RMB177 million) has been charged to cost of sales and services, and RMB175 million (2018: RMB141 million) to administrative expenses.

(b) As at 31 December 2019, the Group is in the process of applying for registration of the title certificates for certain of its leasehold land with an aggregate carrying value of approximately RMB151 million (2018: RMB546 million). The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold land.

(c) As at 31 December 2019, no bank borrowings (2018: nil) were secured by lease prepayments.

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21. Deposits for Investments

	2019 RMB million	2018 RMB million
Deposits for investments accounted for using the equity method	**1,098**	2,187

22. Investment Properties

	2019 RMB million	2018 RMB million
At 1 January		
Cost	**9,913**	5,873
Accumulated depreciation and impairment	**(1,370)**	(1,086)
Net book amount	**8,543**	4,787
For the year ended 31 December		
Opening net book amount	**8,543**	4,787
Additions	**594**	43
Transferred from property, plant and equipment *(Note 18)*	**108**	671
Transfer from properties held for sale *(Note 31(b))*	**2,475**	3,605
Transfer to property, plant and equipment *(Note 18)*	**(100)**	(109)
Transfer to properties held for sale *(Note 31(b))*	**(62)**	(117)
Disposals	**(21)**	(9)
Depreciation charge *(Note 11)*	**(370)**	(317)
Impairment losses recognised *(Note 9)*	**–**	(11)
Closing net book amount	**11,167**	8,543
At 31 December		
Cost	**12,856**	9,913
Accumulated depreciation and impairment	**(1,689)**	(1,370)
Net book amount	**11,167**	8,543
Fair value at end of the year (a)	**21,395**	18,838

22. Investment Properties (Continued)

(a) As at 31 December 2019, the fair value of the Group's investment properties is based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a firm of independent and professionally qualified valuers. The investment properties, mainly located in the Mainland China, are valued by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate, or by the comparison approach by making reference to comparable market transactions, which rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value falls into the category of fair value measurements using significant unobservable inputs (level 3) including future rental cash inflows, capitalisation rate and current prices in an active market for similar properties.

(b) Rental income and depreciation of the Group's investment properties of RMB728 million and RMB370 million (2018: RMB715 million and RMB317 million), respectively, was recognised as "revenue" and "cost of sales and services" in the consolidated income statement for the year ended 31 December 2019.

(c) As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: nil).

(d) The Group is in the process of applying for the title certificates for certain of its investment properties with an aggregate carrying value of RMB2,891 million (2018: RMB2,777 million) as at 31 December 2019. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these investment properties.

23. Intangible Assets

	Service concession arrangements RMB million	Non- patented technologies RMB million	Patents RMB million	Computer software RMB million	Others RMB million	Total RMB million
At 1 January 2018						
Cost	39,839	95	13	444	906	41,297
Accumulated amortisation and impairment	(4,807)	(80)	(9)	(261)	(145)	(5,302)
Net book amount	35,032	15	4	183	761	35,995
Year ended at 31 December 2018						
Opening net book amount	35,032	15	4	183	761	35,995
Additions	3,468	–	1	146	9	3,624
Acquisition of subsidiaries	7,774	–	–	–	–	7,774
Disposals	(162)	–	–	–	(3)	(165)
Amortisation charge *(Note 11)*	(933)	(3)	(1)	(69)	(22)	(1,028)
Closing net book amount	45,179	12	4	260	745	46,200
At 31 December 2018						
Cost	50,914	95	14	585	882	52,490
Accumulated amortisation and impairment	(5,735)	(83)	(10)	(325)	(137)	(6,290)
Net book amount	45,179	12	4	260	745	46,200
Year ended at 31 December 2019						
Opening net book amount	**45,179**	**12**	**4**	**260**	**745**	**46,200**
Additions	**8,851**	**5**	**–**	**252**	**5**	**9,113**
Acquisition of subsidiaries	**7,648**	**566**	**–**	**4**	**6**	**8,224**
Disposals	**(4,446)**	**–**	**–**	**(1)**	**–**	**(4,447)**
Amortisation charge *(Note 11)*	**(990)**	**(144)**	**(1)**	**(101)**	**(19)**	**(1,255)**
Disposals of subsidiaries	**(32,274)**	**–**	**–**	**(2)**	**–**	**(32,276)**
Closing net book amount	**23,968**	**439**	**3**	**412**	**737**	**25,559**
At 31 December 2019						
Cost	**24,132**	**666**	**13**	**829**	**873**	**26,513**
Accumulated amortisation and impairment	**(164)**	**(227)**	**(10)**	**(417)**	**(136)**	**(954)**
Net book amount	**23,968**	**439**	**3**	**412**	**737**	**25,559**

23. Intangible Assets (Continued)

(a) The Group has entered into a number of service concession arrangements with certain government authorities in the PRC on a "Build-Operate-Transfer" ("BOT") basis in respect of its toll road operations, sewage plants and other constructions. Pursuant to the service concession arrangement contracts, the Group (i) is responsible for the construction of toll roads, sewage plants and other constructions, and the acquisition of the related facilities and equipment; (ii) has the contractual obligations to maintain or restore the infrastructures at a specified level of serviceability; and (iii) is entitled to operate the toll roads, the sewage plants and other construction upon completion for a specified remaining concession period from 19 to 40 years (2018: from 18 to 36 years) by charging users of the public service, which amounts are contingent on the extent that the public uses the service. The Group will not hold any residual interest in the toll roads, the sewage plants and other constructions upon expiration of the concession period. As such, the service concession arrangement contracts are accounted for as service concession arrangements and an intangible asset was recognised at an amount equals to the fair value of the consideration for provision of construction service upon initial recognition.

(b) As at 31 December 2019, the cost of service concession arrangements have been put into operations amounted to RMB4,402 million (2018: RMB39,667 million). The cost of service concession arrangements where the related projects were under construction amounted to RMB19,730 million (2018: RMB11,247 million).

(c) Amortisation of the Group's intangible assets of RMB1,123 million (2018: RMB978 million) has been charged to cost of sales and services, and RMB132 million (2018: RMB50 million) to administrative expenses.

(d) As at 31 December 2019, bank borrowings amounting to RMB12,238 million (2018: RMB15,953 million) are secured by concession assets with carrying amount of approximately RMB21,802 million (2018: RMB24,368 million) (Note 42).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Mining Assets

	Mining rights RMB million	Exploration and evaluation assets RMB million	Total RMB million
At 1 January 2018			
Cost	5,107	173	5,280
Accumulated amortisation and impairment	(1,138)	–	(1,138)
Net book amount	3,969	173	4,142
Year ended at 31 December 2018			
Opening net book amount	3,969	173	4,142
Additions	9	–	9
Disposals	–	(36)	(36)
Amortisation charge *(Note 11)*	(245)	–	(245)
Exchange adjustments	10	(7)	3
Closing net book amount	3,743	130	3,873
At 31 December 2018			
Cost	**5,126**	**130**	**5,256**
Accumulated amortisation and impairment	**(1,383)**	**–**	**(1,383)**
Net book amount	**3,743**	**130**	**3,873**
Year ended at 31 December 2019			
Opening net book amount	**3,743**	**130**	**3,873**
Additions	**24**	**–**	**24**
Disposals	**–**	**–**	**–**
Amortisation charge *(Note 11)*	**(166)**	**–**	**(166)**
Exchange adjustments	**1**	**–**	**1**
Closing net book amount	**3,602**	**130**	**3,732**
At 31 December 2019			
Cost	**5,151**	**130**	**5,281**
Accumulated amortisation and impairment	**(1,549)**	**–**	**(1,549)**
Net book amount	**3,602**	**130**	**3,732**

The exploration and evaluation assets represent the expenditure on exploration and evaluation of mine projects at Inner Mongolia, Heilongjiang, Mongolia, and the Democratic Republic of the Congo.

25. Subsidiaries

(a) Details of the principal subsidiaries as at 31 December 2019 are shown in Note 52.

(b) Material non-controlling interests

The table below shows the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	中鐵高新工業股份有限公司 China Railway Hi-Tech Industry Co., Ltd. (“China Railway Industry”)
Principal activities	Engineering Equipment and Component Manufacturing
Country/place of establishment and operation	PRC

	2019 **RMB million**	2018 RMB million
Particulars of issued share capital	**2,222**	2,222
Proportion of interest and voting power held by non-controlling interests	**50.88%**	47.87%
Accumulated non-controlling interests	**10,372**	7,528
Total comprehensive income allocated to non-controlling interests	**800**	648

25. Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Financial information on subsidiaries with material non-controlling interests

Set out below is summarised financial information for China Railway Industry in which there is non-controlling interests that are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2019 RMB million	2018 RMB million
Current		
Assets	**28,052**	24,731
Liabilities	**19,071**	17,212
Total current net assets	**8,981**	7,519
Non-current		
Assets	**10,832**	9,157
Liabilities	**919**	628
Total non-current net assets	**9,913**	8,529
Net assets	**18,894**	16,048

Summarised income statement	2019 RMB million	2018 RMB million
Revenue	**20,575**	17,898
Profit for the year attributable to owners of company	**1,627**	1,481
Other comprehensive income/(expenses) attributable to owners of company	**40**	(142)
Total comprehensive income attributable to owners of company	**1,667**	1,339
Total comprehensive income attributable to non-controlling interests	**800**	648
Dividends paid to non-controlling interests	**142**	202

25. Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarised cash flows	2019 RMB million	2018 RMB million
Net cash generated from operating activities	**1,424**	832
Net cash used in investing activities	**(1,055)**	(1,028)
Net cash generated from/(used in) financing activities	**996**	(1,762)
Effect of foreign exchange rate changes	**1**	8
Net increase/(decrease) in cash and cash equivalents	**1,366**	(1,950)

(c) Consolidation of the structured entities

To determine whether to consolidate the structured entities (mainly the unlisted entrust products) or not, the main factor considered by the Group is the ability to control these structured entities. For those structured entities managed and invested by China Railway Trust Co., Ltd. ("China Railway Trust"), the directly owned subsidiary of the Company, the Group consolidated those structured entities when the Group is exposed to significant variable returns and has the ability to affect the variable returns, including the returns of its interests in these structured entities as investor and trust commission fee earned from these structured entities as manager.

As at 31 December 2019, the total assets of the consolidated structured entities amounted to RMB9,108 million (2018: RMB9,384 million), and the interests of other investors in these structured entities amounted to RMB4,056 million (2018: RMB4,369 million).

As at 31 December 2019 and 2018, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the consolidated structured entities.

(d) Interests in unconsolidated structured entities

(i) China Railway Trust serves as manager of unconsolidated structured entities (mainly the unlisted entrust products) and earns trust commission fee. In the opinion of the Directors, the Group did not consolidate these structured entities that it has no control over these structured entities.

As at 31 December 2019, the scale of the unconsolidated structured entities established with interest held by the Group amounted to RMB37,665 million (2018: RMB21,227 million). As at 31 December 2019, the maximum exposure to the loss of the Group's investments and the amount recognised as financial assets at fair value through profit or loss in the consolidated financial statements over these unconsolidated structured entities which the Group has interests in amounted to RMB2,349 million (2018: RMB1,697 million).

As at 31 December 2019, the scale of the unconsolidated structured entities established with no interest held by the Group amounted to RMB425,412 million (2018: RMB397,522 million).

25. Subsidiaries (Continued)

(d) Interests in unconsolidated structured entities (Continued)

(ii) The Group and several unlisted entrust products ("Investee Entrust Products"), which the Group has interests in, invested in certain limited liability partnership funds (the "Funds"). The Funds are mainly engaged in infrastructure activities. Some asset managers (related parties of the Group), or together with the Group, acted as general partners of the Fund, and applied various investment strategies to accomplish the respective investment objectives of the Funds. A number of Investee Entrust Products acted as limited partners of the Funds to finance the operation activities of the Funds.

The Directors of the Company are of the opinion that the Group did not have control over Investee Entrust Products and the Funds and therefore, these Investee Entrust Products and the Funds were deemed as structured entities and were not consolidated by the Group.

As at 31 December 2019, the scale of these unconsolidated structured entities amounted to RMB18,231 million. (2018: RMB10,581 million).

The maximum exposure to the loss of the Group's investments in the unconsolidated structured entities as at 31 December 2019 is disclosed in the following table.

	2019 **RMB million**	2018 RMB million
Investments in joint ventures	**936**	1,456
Financial assets at fair value through profit or loss	**1,823**	1,185
	2,759	2,641

As at 31 December 2019 and 2018, there was no contractual liquidity arrangements, guarantees or other commitments between the Group and the unconsolidated structured entities.

26. Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet are as follows:

	2019 RMB million	2018 RMB million
Associates	30,565	15,672
Joint ventures	29,314	19,597
	59,879	35,269

The amounts recognised in the consolidated income statement are as follows:

	2019 RMB million	2018 RMB million
Associates	2,100	1,555
Joint ventures	360	61
	2,460	1,616

(a) Investments in associates

	2019 RMB million	2018 RMB million
At 1 January	15,672	9,848
Additions	14,544	5,039
Disposals	(762)	(392)
Share of profit or loss, net	2,100	1,555
Dividend distribution	(635)	(476)
Share of other comprehensive income of associates	42	87
Share of other reserves of associates	(396)	11
At 31 December	30,565	15,672

26. Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

(i) All of the associates of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2019, the Group acts as the guarantors for various external borrowings made by certain associates amounted to RMB8,374 million (2018: RMB2,063 million) (Note 51).

(iii) Details of Group's material associates as at 31 December 2019 and 2018 are as follows:

Name of associate	Place/country of establishment/operations	Proportion of ownership interest held by the Group		Principal activities
		2019	2018	
雲南省滇中引水工程有限公司 Yunnan Dianzhong Water Diversion Engineering Co., Ltd. ("Dianzhong Water")	PRC	**9.47%**	–	Build-operate-transfer service concession arrangement
華剛礦業股份有限公司 LA Sino-Congolaise Des Mines S.A. ("SICOMINGS S.A.")	Democratic Republic of the Congo	**41.72%**	41.72%	Mining

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associates financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in the consolidated financial statements.

	2019		2018	
	Dianzhong Water RMB million (Unaudited)	**SICOMINGS S.A. RMB million (Unaudited)**	Dianzhong Water RMB million (Unaudited)	SICOMINGS S.A. RMB million (Unaudited)
Current assets	**7,732**	**5,170**	–	4,270
Non-current assets	**3,898**	**17,719**	–	16,643
Current liabilities	**28**	**1,897**	–	1,092
Non-current liabilities	**–**	**14,379**	–	14,791
Revenue	**–**	**5,545**	–	5,438
Profit for the year	**–**	**2,456**	–	2,675
Other comprehensive income for the year	**–**	**101**	–	214
Total comprehensive income for the year	**–**	**2,557**	–	2,889
Dividends received	**–**	**406**	–	302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Investments accounted for using the equity method (Continued)

(a) Investments in associates (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2019		2018	
	Dianzhong Water RMB million (Unaudited)	**SICOMINGS S.A. RMB million (Unaudited)**	Dianzhong Water RMB million (Unaudited)	SICOMINGS S.A. RMB million (Unaudited)
Net assets of associates	**11,602**	**6,613**	–	3,631
Proportion of the Group's ownership in associates	**9.47%**	**41.72%**	–	41.72%
Other adjustments	**4,138**	**(490)**	–	(92)
Carrying amount of the Group's interests in associates	**5,236**	**2,270**	–	2,006

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2019 RMB million	2018 RMB million
Aggregate carrying amount of the Group's interests in these associates	**23,059**	13,666
The Group's share of profits	**1,075**	439
The Group's share of other comprehensive income/(expenses)	**–**	(1)
The Group's share of total comprehensive income	**1,075**	438

26. Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures

	2019 RMB million	2018 RMB million
At 1 January	**19,597**	11,154
Additions	**11,350**	10,215
Disposals	**(4,645)**	(1,970)
Share of profit or loss, net	**360**	61
Dividend distribution	**(378)**	(363)
Share of other reserves of joint ventures	**3,030**	500
At 31 December	**29,314**	19,597

(i) All of the joint ventures of the Group are unlisted and there is no quoted market price available for their shares.

(ii) In 2019, the Group acts as the guarantor for external borrowing made by a joint venture amounted to RMB1,190 million (2018: nil) (Note 51).

(iii) Details of Group's material joint ventures as at 31 December 2019 and 2018 are as follows:

Name of joint venture	Place/country of establishment/ operations	Proportion of ownership interest held by the Group 2019	Proportion of ownership interest held by the Group 2018	Principal activities
廣西中鐵交通高速公路管理有限公司 Guangxi China Railway Expressway Management Co., Ltd. ("China Railway Expressway") *(Note 48 (c))*	PRC	**49.00%**	–	Build-operate-transfer service concession arrangement
昆明軌道交通四號綫土建項目建設管理有限公司 Kunming Rail Transit Line 4 Construction Management Co., Ltd. ("Kunming Line 4")	PRC	**75.73%**	75.73%	Subway construction management
四川天府機場高速公路有限公司 Sichuan Tianfu Airport Expressway Co., Ltd. ("Sichuan Tianfu")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement
陝西榆林綏延高速公路有限公司 Shanxi Yulin Suiyan Expressway Co., Ltd. ("Suiyan Expressway")	PRC	**50.00%**	50.00%	Build-operate-transfer service concession arrangement

26. Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

Summarised financial information in respect of each of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint ventures financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in the consolidated financial statements.

	2019				2018			
	China Railway Expressway RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Suiyan Expressway RMB million (Unaudited)	China Railway Expressway RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Suiyan Expressway RMB million (Unaudited)
Current assets	**1,211**	**71**	**887**	**1,260**	–	198	1,080	807
Including: cash and cash equivalents	**596**	**5**	**886**	**388**	–	3	1,079	208
Non-current assets	**39,202**	**15,151**	**27,949**	**10,997**	–	10,681	17,196	7,273
Current liabilities	**10,258**	**1,213**	**228**	**90**	–	2,394	1,603	869
Non-current liabilities	**16,107**	**7,865**	**22,408**	**8,130**	–	3,968	12,873	5,119
Revenue	**67**	**–**	**–**	**1**	–	–	–	–
Interest expenses	**18**	**–**	**–**	**–**	–	–	–	–
Losses and total comprehensive expenses for the year	**(3)**	**–**	**–**	**(2)**	–	–	–	(8)
Dividends received	**–**	**–**	**–**	**–**	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Investments accounted for using the equity method (Continued)

(b) Investments in joint ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	2019				2018			
	China Railway Expressway RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Suiyan Expressway RMB million (Unaudited)	China Railway Expressway RMB million (Unaudited)	Kunming Line 4 RMB million (Unaudited)	Sichuan Tianfu RMB million (Unaudited)	Suiyan Expressway RMB million (Unaudited)
Net assets of joint ventures	14,048	6,144	6,200	4,037	–	4,517	3,800	2,092
Proportion of the Group's ownership in joint ventures	49.00%	75.73%	50.00%	50.00%	–	75.73%	50.00%	50.00%
Other adjustments	–	27	–	–	–	(228)	–	(50)
Carrying amount of the Group's interests in joint ventures	5,764	4,680	3,100	2,019	–	3,193	1,900	996

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2019 RMB million	2018 RMB million
Aggregate carrying amount of the Group's interests in these joint ventures	13,751	13,508
The Group's share of profits	362	65
The Group's share of total comprehensive income	362	65

27. Joint operations

In 2019, the Group has one joint operation in Hong Kong (2018: one) and has 30% share (2018: 30%) in the ownership of this construction project. The Group is entitled to a proportionate share of the assets, the liabilities and the construction revenue, and bears a proportionate share of the joint operation's expenses.

28. Goodwill

	2019 RMB million	2018 RMB million
Cost		
At beginning of year	**929**	880
Addition	**243**	70
Disposal	**(104)**	(21)
At end of year	**1,068**	929
Impairment		
At beginning of year	**(30)**	(51)
Disposal	**2**	21
At end of year	**(28)**	(30)
Net book amount		
At beginning of year	**899**	829
At end of year	**1,040**	899

28. Goodwill (Continued)

The carrying amount of goodwill at the end of the reporting period is attributable to acquisition of subsidiaries in the following subsidiaries (whose principal activities are disclosed in Note 52) and sub-groups headed by these subsidiaries:

	2019 **RMB million**	2018 RMB million
China Railway No.1 Engineering Group Co., Ltd.	**66**	66
China Railway No.2 Construction Co., Ltd.	**–**	70
China Railway No.2 Engineering Group Co., Ltd.	**77**	7
China Railway No.3 Engineering Group Co., Ltd.	**51**	51
China Railway No.4 Engineering Group Co., Ltd.	**195**	95
China Railway No.5 Engineering Group Co., Ltd.	**82**	82
China Railway No.6 Engineering Group Co., Ltd.	**12**	12
China Railway No.8 Engineering Group Co., Ltd.	**26**	26
China Railway No.9 Engineering Group Co., Ltd.	**48**	53
China Railway No.10 Engineering Group Co., Ltd.	**26**	26
China Railway Major Bridge Engineering Group Co., Ltd.	**28**	28
China Railway Electrification Engineering Group Co., Ltd.	**100**	26
China Railway Construction Group Co., Ltd.	**62**	88
China Railway Tunnel Group Co., Ltd.	**19**	19
China Railway Trust	**24**	24
China Railway No.6 Survey and Design Institute Group. Co., Ltd.	**206**	206
Other Subsidiaries	**18**	20
	1,040	899

The basis of determining the recoverable amounts of the above subsidiaries and their major underlying assumptions are summarised below:

China Railway Trust, which is included in other businesses of the Group, is principally engaged in financial trust management. The recoverable amount in respect of this subsidiary has been determined based on fair value less costs of disposal. The key assumptions in determining the fair value is the publicly disclosed value ratio of comparable transactions and estimated costs of disposal. Management believes that any reasonably possible change in the assumptions would not cause the carrying amount of this subsidiary to exceed its recoverable amount.

28. Goodwill (Continued)

The recoverable amounts in respect of subsidiaries, which are principally engaged in infrastructure construction, survey, design and consulting services and engineering equipment and component manufacturing, other than China Railway Trust, have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 10% (2018: 11%). One of the key assumptions in preparing cash flow projections is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period and a nil growth rate for the extrapolation period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the cash flow projections is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the subsidiaries to exceed its recoverable amounts.

29. Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

- Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(a) Financial assets at FVOCI include the following:

	2019 **RMB million**	2018 RMB million
Non-current assets		
Unlisted equity investments	**9,363**	4,600
Listed equity securities		
– Mainland China	**629**	599
– Hong Kong	**480**	593
	10,472	5,792
Current assets		
Bills receivables	**393**	355

29. Financial assets at fair value through other comprehensive income (Continued)

(a) Financial assets at FVOCI include the following: (Continued)

On disposal of these equity instruments, any related balance within the FVOCI reserve is reclassified to retained earnings.

In 2019, the Group disposed certain listed equity securities and unlisted equity investments at a fair value of RMB348 million. The Group realised a gain of RMB31 million, which had already been included in other comprehensive income before disposal. The gain has been transferred to retained earnings.

(b) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	2019 **RMB million**	2018 RMB million
Losses recognised in other comprehensive income	**(63)**	(1,001)
Gains reclassified from other comprehensive income to retained earnings upon disposal of financial assets at FVOCI	**(31)**	(20)
Dividends from equity instruments held at FVOCI recognised in profit or loss in other income (Note 7):		
– Related to instruments held at the end of the year	**44**	48
– Related to instruments derecognised during the year	**3**	1

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 4.2.

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

Financial assets at FVOCI are denominated in the following currencies:

	2019 **RMB million**	2018 RMB million
RMB	**10,385**	5,554
HKD	**480**	593
	10,865	6,147

30. Other financial assets at amortised cost

	2019 RMB million	2018 RMB million
Debt investments		
– Short-term	**10,667**	11,545
– Long-term	**18,292**	13,857
	28,959	25,402
Less: Loss allowance for debt investments *(a)*	**(5,400)**	(3,196)
Total other financial assets at amortised cost	**23,559**	22,206
Less: Amount due within one year included in current assets	**(9,630)**	(9,732)
Amount due after one year	**13,929**	12,474

(a) Movements in impairment on debt instruments are as follows:

	2019 RMB million	2018 RMB million
At 31 December in prior year	**3,196**	–
Change in accounting policy	–	1,922
At 1 January	**3,196**	1,922
Impairment losses recognised during the year	**2,204**	1,274
At 31 December	**5,400**	3,196

30. Other financial assets at amortised cost (Continued)

(b) The other financial assets at amortised cost carry fixed-rate interests within a range of 2.91% to 24.00% (31 December 2018: 3.50% to 36.00%) per annum.

(c) As at 31 December 2019, other financial assets at amortised cost amounting to RMB4,938 million (31 December 2018: RMB4,414 million) are secured by equity investments, property, plant and equipments, lease prepayments, or the rights to collect cash flows in relation to certain construction projects and/or guaranteed by a third party.

(d) Other financial assets at amortised cost are denominated in the following currencies:

	2019 **RMB million**	2018 RMB million
RMB	**22,954**	21,538
USD	**605**	668
	23,559	22,206

31. Properties Held for Sale/Properties Under Development for Sale

(a) Properties under development for sale

	2019 **RMB million**	2018 RMB million
As at 1 January	**99,563**	74,410
Additions	**64,462**	48,348
Acquisition of subsidiaries	**–**	13,150
Properties completed during the year	**(29,278)**	(35,268)
Disposal of subsidiaries	**–**	(1,077)
	134,747	99,563
Less: provision for impairment	**(971)**	(163)
As at 31 December	**133,776**	99,400

31. Properties Held for Sale/Properties Under Development for Sale (Continued)

(a) Properties under development for sale (Continued)

	2019 RMB million	2018 RMB million
Properties under development for sale comprise:		
Land use rights	**97,235**	67,716
Construction cost	**23,177**	22,595
Borrowing costs capitalised	**14,335**	9,252
	134,747	99,563

(b) Properties held for sale

	2019 RMB million	2018 RMB million
As at 1 January	**27,420**	23,020
Additions	**29,278**	35,268
Transferred from investment properties *(Note 22)*	**62**	117
Transferred from lease prepayments *(Note 20)*	**51**	36
Acquisition of subsidiaries	**–**	5,237
Properties sold during the year	**(28,457)**	(31,834)
Transferred to investment properties *(Note 22)*	**(2,475)**	(3,605)
Transferred to lease prepayments *(Note 20)*	**(42)**	(610)
Transferred to property, plant and equipment *(Note 18)*	**(91)**	(68)
Disposal of subsidiaries	**–**	(141)
	25,746	27,420
Less: provision for impairment	**(728)**	(132)
As at 31 December	**25,018**	27,288

31. Properties Held for Sale/Properties Under Development for Sale (Continued)

(b) Properties held for sale (Continued)

Properties under development for sale amounting to RMB33,637 million (2018: RMB25,032 million) have been pledged to secure bank borrowings amounting to RMB14,346 million (2018: RMB11,750 million) granted to the Group (Note 42).

The amount of properties under development and held for sale expected to be recovered beyond one year is RMB20,265 million (2018: RMB24,377 million). The remaining amount is expected to be recovered within one year.

All of the properties under development are expected to be completed within the Group's normal operating cycle and are included under current assets.

The Group's properties held for sale and properties under development for sale at the end of the reporting period are stated at the lower of cost and net realisable value.

32. Inventories

	2019 **RMB million**	2018 RMB million
Raw materials and consumables	**27,304**	26,445
Work in progress	**6,724**	7,019
Finished goods	**6,917**	5,089
	40,945	38,553

33. Trade and Other Receivables

	2019 RMB million	2018 RMB million
Trade and bills receivables	**148,525**	132,500
Less: Loss allowance	**(9,445)**	(8,114)
Trade and bills receivables – net	**139,080**	124,386
Other receivables (net of impairment)	**67,143**	60,406
Advance to suppliers (net of impairment)	**27,716**	41,613
	233,939	226,405
Less: Amount due after one year included in non-current assets	**(30,683)**	(14,013)
Amount due within one year included in current assets	**203,256**	212,392

(a) Ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	2019 RMB million	2018 RMB million
Less than 1 year	**121,708**	88,254
1 year to 2 years	**12,399**	21,196
2 years to 3 years	**4,643**	9,149
3 years to 4 years	**2,354**	3,842
4 years to 5 years	**1,319**	2,438
More than 5 years	**6,102**	7,621
Total	**148,525**	132,500

Majority of the Group's revenues are generated through infrastructure construction, survey, design and consulting, engineering equipment and component manufacturing contracts. The settlements are made in accordance with the terms specified in the contracts governing the relevant transactions.

33. Trade and Other Receivables (Continued)

(b) Trade and bills receivables of RMB4,491 million (31 December 2018: nil) were pledged to secure borrowings amounting to RMB2,911 million (31 December 2018: nil) (Note 42).

(c) As at 31 December 2019, trade receivables of RMB51,508 million (as at 31 December 2018: RMB29,207 million) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB16,062 million (as at 31 December 2018: RMB8,400 million) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

(d) As at 31 December 2019, bills receivables – bank acceptance and commercial acceptance notes of RMB315 million (31 December 2018: RMB286 million) were endorsed to suppliers, and RMB21 million (31 December 2018: nil) were discounted with banks. In the opinion of the Directors, as the counter party bears higher credit risk, such transactions did not qualify for derecognition. In addition, as at 31 December 2019, bills receivables – bank acceptance notes of RMB1,754 million (31 December 2018: RMB3,278 million) were endorsed to suppliers, and RMB570 million (31 December 2018: RMB54 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.

(e) As at 31 December 2019, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows:

Central-governmental enterprises

	As at	
	31 December 2019 RMB million	31 December 2018 RMB million
Less than 1 year	**7,431**	7,476
1 year to 2 years	**1,053**	1,074
2 years to 3 years	**382**	474
3 years to 4 years	**231**	131
4 years to 5 years	**112**	56
More than 5 years	**78**	97
Total	**9,287**	9,308

33. Trade and Other Receivables (Continued)

(e) As at 31 December 2019, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Locally-administrated state-owned enterprises

	As at	
	31 December 2019	31 December 2018
	RMB million	RMB million
Less than 1 year	**42,974**	41,831
1 year to 2 years	**5,154**	7,355
2 years to 3 years	**2,307**	2,784
3 years to 4 years	**1,011**	732
4 years to 5 years	**364**	371
More than 5 years	**362**	445
Total	**52,172**	53,518

China State Railway Group Co., Ltd.

	As at	
	31 December 2019	31 December 2018
	RMB million	RMB million
Less than 1 year	**13,519**	17,800
1 year to 2 years	**2,016**	1,669
2 years to 3 years	**421**	800
3 years to 4 years	**261**	188
4 years to 5 years	**99**	83
More than 5 years	**83**	83
Total	**16,399**	20,623

33. Trade and Other Receivables (Continued)

(e) As at 31 December 2019, trade receivables net of credit loss allowance, which were collectively assessed for impairment, are as follows: (Continued)

Overseas enterprises

	As at	
	31 December 2019 RMB million	31 December 2018 RMB million
Less than 1 year	**2,075**	2,453
1 year to 2 years	**870**	311
2 years to 3 years	**55**	38
3 years to 4 years	**17**	4
4 years to 5 years	**2**	61
More than 5 years	**6**	4
Total	**3,025**	2,871

Other entities

	As at	
	31 December 2019 RMB million	31 December 2018 RMB million
Less than 1 year	**13,159**	13,331
1 year to 2 years	**2,095**	2,483
2 years to 3 years	**696**	864
3 years to 4 years	**289**	379
4 years to 5 years	**148**	181
More than 5 years	**175**	133
Total	**16,562**	17,371

33. Trade and Other Receivables (Continued)

(e) As at 31 December 2019, the amount of individually impaired trade receivables was RMB9,615 million (31 December 2018: RMB4,150 million) with the provision for loss allowance of RMB3,348 million (31 December 2018: RMB1,932 million).

As at 31 December 2019, bills receivables – bank acceptance notes of RMB533 million (31 December 2018: RMB335 million) were not impaired. Commercial acceptance notes, which were collectively assessed for impairment, were RMB2,766 million (31 December 2018: RMB2,897 million) with the provision for loss allowance of RMB7 million(31 December 2018: RMB6 million).

As at 31 December 2019, the amount of collectively impaired long-term trade receivables was RMB31,188 million (31 December 2018: RMB15,218 million) with the provision for loss allowance of RMB152 million (31 December 2018: RMB76 million). The amount of individually impaired long-term trade receivables was RMB4,261 million (31 December 2018: RMB3,253 million) with the provision for loss allowance of RMB3,221 million (31 December 2018: RMB3,144 million).

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

	2019 RMB million	2018 RMB million
At 31 December in prior year	**22,084**	16,758
Change in accounting policy	—	(202)
At 1 January	**22,084**	16,556
Increase in loss allowance recognised in profit or loss during the year	**3,370**	7,690
Amount reversed	**(1,472)**	(1,861)
Receivables written off during the year as non-collectible	**(348)**	(109)
Others	**30**	(192)
At 31 December	**23,664**	22,084

The increase and reversal in loss allowance of trade and other receivables have been included in net impairment losses on financial assets and other gains/(losses) in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

33. Trade and Other Receivables (Continued)

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

	2019 **RMB million**	2018 RMB million
RMB	**223,077**	217,741
USD	**5,964**	3,911
West African CFA Franc	**327**	41
Ethiopian Birr	**246**	142
EUR	**177**	111
HKD	**16**	1,794
JPY	**–**	1
Other currencies	**4,132**	2,664
	233,939	226,405

As at 31 December 2019, other currencies mainly comprised of Bangladesh Taka, Malaysian Ringgit and South African Rand.

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

34. Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 **RMB million**	2018 RMB million
Contract assets		
– Amount due from contract customers for contract work and retentions	**182,650**	170,221
– Primary land development	**6,234**	8,734
– Financial assets under concession arrangements	**30,876**	12,879
	219,760	191,834
Less: loss allowance *(a)*	**(1,720)**	(1,371)
Less: Amount due after one year included in non-current assets	**87,885**	67,516
Amount due within one year included in current assets	**130,155**	122,947
Contract liabilities		
– Sale of properties	**36,961**	33,675
– Infrastructure construction and engineering contracts	**36,837**	28,829
– Amount due to contract customers for contract work	**24,471**	17,788
– Design and consulting services	**2,784**	3,642
– Sales of manufacturing products	**4,976**	3,395
– Sales of materials	**1,392**	1,924
– Others	**2,949**	2,746
Total current contract liabilities	**110,370**	91,999

34. Assets and liabilities related to contracts with customers (Continued)

(a) As at 31 December 2019, the credit loss allowance of contract assets is determined as follows:

Contract assets	Expected loss rate	Gross carrying amount RMB million	Loss allowance RMB million
Amounts due from customers for contract work			
– Less than 1 year	0.20%	100,906	202
– 1 year to 2 years	4.00%	1,600	64
– 2 years to 3 years	8.00%	4,446	356
– 3 years to 4 years	12.00%	867	104
– 4 years to 5 years	16.00%	420	67
– Over 5 years	20.00%	164	33
		108,403	826
Primary land development	0.50%	6,234	31
Retentions	0.50%	70,542	353
Financial assets under concession arrangements	0.50%	30,876	154
Total		216,055	1,364

The amount of individually impaired contract assets was RMB3,705 million (31 December 2018: RMB1,591 million) with the provision of RMB356 million (31 December 2018: RMB159 million).

(b) As at 31 December 2019, bank borrowings amounting to RMB11,281 million (2018: RMB3,248 million) are secured by contract assets with carrying amount of approximately RMB26,926 million (2018: RMB9,915 million) (Note 42).

35. Financial assets/(liabilities) at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI (Note 29);
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

35. Financial assets/(liabilities) at fair value through profit or loss (Continued)

(a) Financial assets at FVPL include the following:

	2019 RMB million	2018 RMB million
Non-current assets		
Equity instruments		
Equity securities listed in Mainland China	**977**	687
Unlisted equity investments	**725**	710
	1,702	1,397
Debt instruments		
Unlisted entrusted products	**4,684**	3,492
Unlisted open-end equity funds	**1,325**	1,432
Others	**926**	1,045
	6,935	5,969
	8,637	7,366
Current assets		
Equity instruments		
Listed equity securities		
– Mainland China	**138**	86
– Hong Kong	**–**	34
	138	120
Debt instruments		
Money-market securities investment funds	**2,219**	2,005
Unlisted open-end equity funds	**1,617**	1,227
Unlisted entrusted products	**1,448**	913
Bond instruments	**–**	16
Others	**19**	14
	5,303	4,175
Derivative financial instruments		
– forward foreign exchange contracts	**–**	1
	5,441	4,296
Total	**14,078**	11,662

35. Financial assets/(liabilities) at fair value through profit or loss (Continued)

(b) Financial liabilities at FVPL include the following:

	2019 **RMB million**	2018 RMB million
Current liabilities		
Unlisted open-end equity funds	**85**	69
Derivative financial instruments		
– future contracts	**–**	2
	85	71

(c) Amounts recognised in profit or loss:

	2019 **RMB million**	2018 RMB million
Fair value gains on financial assets at FVPL	**291**	–
Fair value (losses)/gains on financial liabilities at FVPL	**(16)**	10
	275	10

(d) Risk exposure and fair value measurements:

Information about the Group's exposure to price risk is provided in Note 4.1.

For information about the methods and assumptions used in determining fair value refer to Note 4.2.

36. Restricted Cash

	2019 RMB million	2018 RMB million
Restricted bank deposits	**17,786**	14,253
Term deposits with initial term of over three months	**2,187**	2,456
	19,973	16,709

As at 31 December 2019, restricted bank deposits mainly included deposits for issuance of bank acceptance notes, performance bonds, letters of credit to customers, and mandatory reserve deposits placed with People's Bank of China.

Term deposits with initial term of over three months are excluded from cash and cash equivalents, as management are of the opinion that these term deposits are not readily convertible to known amounts of cash without significant risk of changes in value.

The carrying amount of restricted cash are denominated in the following currencies:

	2019 RMB million	2018 RMB million
RMB	**19,457**	16,252
USD	**391**	338
Other currencies	**125**	119
	19,973	16,709

37. Cash and Cash Equivalents

	2019 **RMB million**	2018 RMB million
Cash on hand	**152**	181
Bank deposits	**138,034**	117,587
Cash and cash equivalents	**138,186**	117,768

The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the end of the reporting period.

The weighted average effective interest rate on bank deposits was 0.55% per annum as at 31 December 2019 (2018: 0.64% per annum).

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	2019 **RMB million**	2018 RMB million
– RMB	**125,030**	103,056
– USD	**10,546**	12,246
– Others	**2,610**	2,466
	138,186	117,768

The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC Government.

As at 31 December 2019, less than 1.33% (2018: less than 1.53%) of the cash and cash equivalents balances denominated in currencies other than RMB was deposited in banks in certain countries which are subject to foreign exchange control and the currencies are not freely convertible into other currencies or remitted out of those countries.

38. Share capital and premium

	Number of shares		Nominal value	
	2019	2018	**2019**	2018
	(thousands)	(thousands)	**RMB million**	RMB million
Registered, issued and fully paid				
A shares of RMB1.00 each				
At beginning and end of year	**20,363,540**	18,636,912	**20,364**	18,637
H shares of RMB1.00 each				
At beginning and end of year	**4,207,390**	4,207,390	**4,207**	4,207
	24,570,930	22,844,302	**24,571**	22,844

As at 31 December 2019, the A Shares (20,363,540 thousands shares) and H Shares (4,207,390 thousands shares) issued are the ordinary shares in the share capital of the Company. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by the Company in Hong Kong dollars whereas all cash dividends in respect of A Shares are to be paid by the Company in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of shares under the Company's Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different branches of the registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Company's Articles of Association.

A Shares and H Shares however rank pari passu with each other in all other respects.

On 19 September 2019, the Company completed the additional 1,726,627,740 A shares issuance at RMB6.75 per share to acquire a proportion of equity interests in its subsidiaries, namely China Railway No.2 Engineering Group Co., Ltd., China Railway No.3 Engineering Group Co., Ltd., China Railway No.5 Engineering Group Co., Ltd. and China Railway No.8 Engineering Group Co., Ltd. from the non-controlling shareholders of these subsidiaries. The additional shares issued shall not be transferred within 12 months from the completion date of the issuance of the shares and can be traded on the next trading day upon the expiry of the lock-up period. After the additional issuance of A shares and the acquisition of equity interests from the non-controlling shareholders, the total number of shares of the Company increased to 24,570,930,000 shares, and these subsidiaries became the wholly owned subsidiaries of the Company. As a result of the share issuance, the share capital increased by RMB1,727 million, share premium increased by RMB8,014 million, and non-controlling interests decreased by RMB9,741 million.

39. Statutory reserves

The statutory reserves comprise the statutory surplus reserve, trust compensation reserve and general risk reserve.

According to the PRC Company Law and the Company's article of association, the Company is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the relevant PRC accounting standards, to the statutory surplus reserve fund until the balance reached 50 percent of the registered capital of the Company. The statutory surplus reserve can only make up losses or use to increase the registered capital of the Company and is not distributable.

According to the relevant laws and regulations for financial institutions and trust management entities in the PRC, certain subsidiaries of the Company are required to set aside certain amounts to trust compensation reserve and general risk reserve to address unidentified potential impairment risks.

40. Perpetual Notes

	2018 RMB million	Additions RMB million	Redemption/ Payment RMB million	**2019** **RMB million**
Public medium notes *(Note (a))*	18,934	2,498	(2,985)	**18,447**
Private perpetual notes *(Note (b))*	2,000	–	–	**2,000**
Public renewable corporate bonds *(Note (c))*	10,997	–	–	**10,997**
Dividends	178	1,559	(1,646)	**91**
Total	32,109	4,057	(4,631)	**31,535**

40. Perpetual Notes (Continued)

(a) On 1 July 2014, 21 January 2015 and 11 June 2015, the Company issued three tranches of public medium notes ("Medium Notes") with an aggregate principal amount of RMB3 billion, RMB4 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 6.50%, 5.65% and 5.20% per annum, respectively, and have no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Medium Notes, and the Medium Notes should be classified as equity.

In July 2019, the Company redeemed the Medium Notes issued on 1 July 2014 in cash consideration of RMB3,000 million.

From 26 November 2018 to 27 November 2018, 11 December 2018 to 12 December 2018 and 17 December 2018 to 18 December 2018, the Company issued three tranches of Medium Notes with an aggregate principal amount of RMB3 billion, RMB3 billion and RMB3 billion, respectively. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.56%, 4.53% and 4.60% per annum (category one), respectively and 4.80%, 4.80% and 4.80% per annum (category two), respectively, and have no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

From 21 November 2019 to 22 November 2019, the Company issued the Medium Notes with an aggregate principal amount of RMB2.5 billion. The Medium Notes are unsecured or unguaranteed. Pursuant to the terms and conditions of the Medium Notes, the Medium Notes bear the initial interest rate of 4.11% per annum (category one) and 4.41% per annum (category two), and have no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Medium Notes are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Medium Notes, the Medium Notes should be classified as equity.

40. Perpetual Notes (Continued)

(b) On 3 April 2015,the Company issued the first tranche of private perpetual notes ("Perpetual Notes") with an aggregate principal amount of RMB2 billion. Pursuant to the terms and conditions of the Perpetual Notes, the Perpetual Notes bear the initial interest rate of 6.50%, per annum, respectively, and have no maturity date. The interest rate will be reset every five years from issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Perpetual Notes are subject to redemption in whole, at the option of the Company, five years after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the Perpetual Notes, and the Perpetual Notes should be classified as equity.

(c) On 6 November 2018, 15 November 2018, 27 November 2018 and 18 December 2018, the Company issued four tranches of public renewable corporate bonds ("Renewable Bonds") with an aggregate principal amount of RMB3 billion, RMB3 billion, RMB3 billion and RMB2 billion, respectively. The Renewable Bonds are unsecured or unguaranteed and listed on the Shanghai Stock Exchange by way of bond issues to qualified investors. Pursuant to the terms and conditions of the Renewable Bonds, the Renewable Bonds bear the initial interest rate of 4.69%, 4.59%, 4.55% and 4.55% per annum (category one), respectively, and 4.99%, 4.90%, 4.80% and 4.78% per annum (category two), respectively, and have no maturity date. The interest rate will be reset every three years (category one) and every five years (category two) from the issuance date. The interest is payable annually in arrears. As long as the compulsory interest payment events have not occurred, the Company may, at its sole discretion, elect to defer the distribution of interest, and is not subject to any restriction as to the number of times the distribution can be deferred. The Renewable Bonds are subject to redemption in whole, at the option of the Company, three years (category one) and five years (category two) after the issue date, at their principal amount together with accrued interest. The Directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay the distribution for the Renewable Bonds, the Renewable Bonds should be classified as equity.

41. Trade and other payables

	2019 RMB million	2018 RMB million
Trade and bills payables *(Note (a))*	**353,258**	343,801
Dividend payables	**530**	501
Accrued payroll and welfare	**3,671**	3,609
Other taxes	**4,133**	3,757
Deposit received in advance	**952**	1,021
Deposits received from CREC and fellow subsidiaries *(Note (b))*	**265**	153
Advance from customers	**293**	283
Other payables	**90,616**	71,306
	453,718	424,431
Analysed for reporting purposes:		
– Non-current	**7,681**	2,617
– Current	**446,037**	421,814
	453,718	424,431

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB9,697 million (31 December 2018: RMB3,782 million). Retention payables are interest-free and payable at the end of the retention period of the respective infrastructure construction and products manufacturing and installation contracts.

The balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

41. Trade and other payables (Continued)

(a) The ageing analysis of trade and bills payables (including amounts due to related parties of trading nature), based on invoice date, is as follows:

	2019 RMB million	2018 RMB million
Less than 1 year	**328,356**	315,376
1 year to 2 years	**14,270**	17,644
2 years to 3 years	**5,153**	5,243
More than 3 years	**5,479**	5,538
	353,258	343,801

(b) China Railway Finance Co., Ltd. ("CREC Finance"), a subsidiary of the Company, accepted deposits from CREC and fellow subsidiaries. These deposits were due within one year with average annual interest rate of 1.3%.

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

	2019 RMB million	2018 RMB million
RMB	**437,279**	416,622
USD	**5,348**	4,803
Other currencies	**11,091**	3,006
	453,718	424,431

At 31 December 2019, other currencies mainly consist of Ethiopian Birr, West African Franc, and HKD.

42. Borrowings

	2019 **RMB million**	2018 RMB million
Bank borrowings：		
– Secured	**40,756**	29,317
– Unsecured	**123,919**	113,892
	164,675	143,209
Long-term debentures, unsecured *(Note (a))*	**46,848**	30,672
Other borrowings:		
– Secured	**688**	2,162
– Unsecured	**19,034**	14,877
	66,570	47,711
	231,245	190,920
Analysed for reporting purposes:		
Non-current	**118,934**	88,808
Current	**112,311**	102,112
	231,245	190,920

42. Borrowings (Continued)

(a) On 28 January 2016, the Company issued the first tranche of the corporate bond of a principal amount of RMB2,050 million and a 5-year coupon interest rate of 3.07% with investors' put options and issuer's coupon rate adjustment options at the end of the third year. In January 2019, the investors partially exercised put options and RMB915 million was paid off to the investors. As at 31 December 2019, the Company continued holding the corporate bond of a principal amount of RMB1,135 million.

On 17 January 2019, the Company issued the first tranche of the corporate bond of a principal amount of RMB2,500 million with a maturity date of 17 January 2022, the bond bears interest at a coupon rate of 3.68% per annum, payable annually in arrears.

On 21 January 2019, the Company issued the first tranche of the medium-term note, including 3-year medium-term note in a principal amount of RMB1,000 million (category 1) and 5-year medium-term note in a principal amount of RMB1,000 million (category 2). The interest rates are 3.57% (category 1) and 3.88% (category 2) per annum. Interest is payable annually in arrears.

On 15 April 2019, the Company issued the second tranche of the corporate bond of a principle amount of RMB3,500 million with a maturity date of 15 April 2022, including RMB1,300 million for category 1 with investors' put options and issuer's coupon rate adjustment options at the end of the first year and the second year and RMB2,200 million for category 2 with investors' put options and issuer's coupon rate adjustment options at the end of the second year. The interest rates are 3.40% (category 1) and 3.70% (category 2) per annum, payable annually in arrears.

On 29 April 2019, the Company issued the second tranche of the medium-term note of a principle amount of RMB1,000 million with a maturity date of 29 April 2021. The notes bear interest at a coupon rate of 3.80% per annum, payable annually in arrears.

On 29 April 2019, the Company issued the third tranche of the medium-term note of a principle amount of RMB1,500 million with a maturity date of 29 April 2022. The notes bear interest at a coupon rate of 3.98% per annum, payable annually in arrears.

On 18 June 2019, the Company issued the fourth tranche of the medium-term note of a principle amount of RMB3,000 million, including RMB2,500 million for category 2 and RMB500 million for category 3. The interest rates are 3.77% (category 2) and 4.18% (category 3) per annum, payable annually in arrears.

On 16 July 2019, the Company issued the third tranche of the corporate bond of a principle amount of RMB3,000 million, including 3-year notes in a principal amount of RMB1,900 million (category 1) and 5-year notes in a principal amount of RMB1,100 million (category 2). The interest rates are 3.59% (category 1) and 3.99% (category 2) per annum, payable annually in arrears.

42. Borrowings (Continued)

(b) Bank borrowings carry interest at rates ranging from 0.75% to 9.50% (31 December 2018: 0.75% to 12.50%) per annum.

Long-term debentures were issued at fixed rates ranging from 2.88% to 4.88% (31 December 2018: 2.88% to 4.88%) per annum.

Other borrowings carry interest at fixed rates ranging from 4.35% to 7.00% (31 December 2018: 4.11% to 6.30%) per annum.

(c) The details of secured borrowings are set out below:

	2019		2018	
	Secured borrowings RMB million	**Carrying amount of pledged assets RMB million**	Secured borrowings RMB million	Carrying amount of pledged assets RMB million
Property, plant and equipment *(Note 18)*	**7**	**3**	7	6
Intangible assets *(Note 23)*	**12,238**	**21,802**	15,953	24,368
Properties under development for sale *(Note 31(b))*	**14,346**	**33,637**	11,750	25,032
Trade receivables *(Note 33)*	**2,911**	**4,491**	–	–
Trade receivables from fellow subsidiaries of the Group	**661**	**1,357**	521	567
Contract assets *(Note 34)*	**11,281**	**26,926**	3,248	9,915
	41,444	**88,216**	31,479	59,888

42. Borrowings (Continued)

(d) The exposure of the Group's variable rate bank borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2019 **RMB million**	2018 RMB million
6 months or less	**19,743**	13,383
6 -12 months	**72,948**	49,411
1-5 years	**836**	9,816
	93,527	72,610

(e) The Group's borrowings were repayable as follows:

	2019 **RMB million**	2018 RMB million
– Within 1 year	**112,311**	102,112
– Between 1 and 2 years	**33,644**	31,900
– Between 2 and 5 years	**54,970**	35,849
– Over 5 years	**30,320**	21,059
	231,245	190,920

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2019 **RMB million**	2018 RMB million
RMB	**230,655**	179,432
USD	**173**	11,259
EUR	**25**	51
Others	**392**	178
	231,245	190,920

42. Borrowings (Continued)

(g) The carrying amounts of current portion of long-term borrowings and short-term borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of the non-current borrowings are as follows:

	2019	2018
	RMB million	RMB million
Carrying amount		
– Bank borrowings	**71,710**	50,218
– Long-term debentures	**38,314**	27,995
– Other borrowings	**8,910**	10,595
	118,934	88,808
Fair value		
Level 3		
– Bank borrowings	**75,541**	57,767
– Long-term debentures	**37,970**	29,097
– Other borrowings	**9,011**	10,895
	122,522	97,759

(h) The Group has the following undrawn borrowing facilities:

	2019	2018
	RMB million	RMB million
– Expiring within one year	**134,105**	107,290
– Expiring beyond one year	**826,115**	530,098
	960,220	637,388

43. Obligations Under Finance Leases

As at 31 December 2018, The Group leased certain of its equipment under finance leases and the average lease term is 3 years. Finance lease liabilities were presented in obligations under finance leases until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See Note 3 for further information about the change in accounting policy for leases.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	RMB million	RMB million	**RMB million**	RMB million
Amounts payable under finance leases				
– Within 1 year	—	11	—	11
– Between 1 and 5 years	—	175	—	160
	—	186	—	171
Less: future finance charges	—	(15)	—	–
Present value of lease obligations	—	171	—	171
Less: Amount due for settlement within 1 year (shown under current liabilities)	—	–	—	(11)
Amount due for settlement after 1 year	—	171	—	160

44. Retirement Benefit Obligations

(a) State-managed retirement plans and supplementary defined contribution retirement schemes

The employees of the group entities established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These PRC companies are required to contribute a certain percentage of payroll costs, depending on the applicable local regulations to the state-managed retirement plans. The Group also participates in supplementary defined contribution retirement schemes. The only obligation of these PRC companies with respect to the state-managed retirement plans and supplementary defined contribution retirement schemes is to make the specified contributions. The total costs charged to profit or loss during the year were RMB5,864 million and RMB1,242 million respectively (2018: RMB5,743 million and RMB1,078 million respectively).

As at 31 December 2019, the amounts due in respect of the reporting period not yet paid to the state-managed retirement plans and supplementary defined contribution retirement schemes, and included in trade and other payables were RMB175 million and RMB51 million respectively (2018: RMB195 million and RMB32 million respectively).

(b) Retirement and other supplemental benefit obligations

The Group paid supplementary pension subsidies and other post-employment medical benefits to its retired employees in the PRC. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired and the dependents of deceased employees in accordance with various employee benefit schemes adopted by the Group.

The plan exposes the Group to actuarial risks such as interest rate risk, benefit risk and average medical expense risk.

Interest rate risk	The present value of the defined benefit plan obligations is calculated using a discount rate determined by reference to government bond yields. A decrease in the bond interest rate will increase the plan liability.
Benefit risk	The present value of the defined benefit plan obligations is calculated by reference to the future benefits of plan participants. As such, an increase in the benefits of the plan participants will increase the plan liability.
Average medical expense risk	The present value of the defined benefit plan obligations is calculated by reference to the future average medical expense of plan participants. As such, an increase in the average medical expense of the plan participants will increase the plan liability.

44. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligations as at 31 December 2019 were carried out by an independent firm of actuaries, Willis Towers Watson. The present value of the defined benefit obligations, and the related current service cost and past cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019	2018
Discount rate	**3.25%**	3.25%
Early-retiree's salary and supplemental benefit inflation rate	**4.50%**	4.50%
Medical cost growth rate	**8.00%**	8.00%

Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income in respect of these defined benefit plans are as follows:

	2019 RMB million	2018 RMB million
Net finance costs *(Note 10)*	**104**	134
Components of defined benefit costs recognised in profit or loss	**104**	134
Remeasurement on the net defined benefit obligations:		
Actuarial losses arising from experience adjustments	**16**	169
Components of defined benefit costs recognised in other comprehensive income	**16**	169
Total	**120**	303

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The remeasurement of the net defined benefit liability is included in other comprehensive income.

44. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	2019 RMB million	2018 RMB million
Present value of unfunded defined benefit obligations	**3,129**	3,398
Net liability arising from defined benefit obligations	**3,129**	3,398
Less: Amount due within one year	**(359)**	(369)
Amount due after one year	**2,770**	3,029

Movements in the present value of the retirement and other supplemental benefit obligations in the current year were as follows:

	2019 RMB million	2018 RMB million
Opening defined benefit obligations	**3,398**	3,556
Finance costs	**104**	134
Remeasurement losses		
Actuarial losses arising from experience adjustments	**16**	169
Benefits paid	**(389)**	(461)
Closing defined benefit obligations	**3,129**	3,398

44. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, benefit inflation rate and the average medical expense rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate on benefit obligation increases or decreases by 0.25 percentage point, the defined benefit obligation would have been decreased by RMB53 million or increased by RMB55 million (2018: decreased by RMB59 million or increased by RMB61 million).

- If the benefit inflation rate increases or decreases by 1 percentage point, the defined benefit obligation would have been increased by RMB115 million or decreased by RMB101 million (2018: increased by RMB130 million or decreased by RMB113 million).

- If the average medical expenses rate increases or decreases by 1 percentage point, the defined benefit obligation would have been increased by RMB10 million or decreased by RMB9 million (2018: increased by RMB11 million or decreased by RMB11 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligations has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

44. Retirement Benefit Obligations (Continued)

(b) Retirement and other supplemental benefit obligations (Continued)

The average duration of the defined benefit obligation as at 31 December 2019 is 10.9 years (2018: 11.3 years). This number can be analysed as follows:

- civil retirees: 4.0 years (2018: 4.3 years);
- retired members: 10.9 years (2018: 11.4 years); and
- beneficiaries: 12.0 years (2018: 12.5 years).

45. Provisions

	2019 **RMB million**	2018 RMB million
Lawsuits	**606**	71
Foreseeable losses on contracts	**458**	394
Toll highways' repair and maintenance obligation	**–**	527
Doubtful trust	**–**	28
	1,064	1,020
Analysed for reporting purpose as:		
Non-current	**1,053**	1,002
Current	**11**	18
	1,064	1,020

45. Provisions (Continued)

Movements in each class of provision during the financial year are set out below:

	Toll highways' repair and maintenance obligation RMB million	Foreseeable losses on contracts RMB million	Doubtful trust RMB million	Lawsuits RMB million	Total RMB million
At 31 December 2017	390	—	177	70	637
Changes in accounting policy	–	336	–	–	336
At 1 January 2018	390	336	177	70	973
Charged/(credited) to the consolidated income statement:					
– Additional provisions	200	249	1	1	451
– Utilised/reversed during the year	(63)	(191)	(150)	–	(404)
At 31 December 2018	527	394	28	71	1,020
At 1 January 2019	**527**	**394**	**28**	**71**	**1,020**
Charged/(credited) to the consolidated income statement:					
– Additional provisions	**163**	**273**	**–**	**535**	**971**
– Utilised/reversed during the year	**(690)**	**(209)**	**(28)**	**–**	**(927)**
At 31 December 2019	**–**	**458**	**–**	**606**	**1,064**

46. Deferred Taxation

(a) The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019		2018	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
	RMB million	**RMB million**	RMB million	RMB million
The balances before offsetting	**8,442**	**(2,214)**	7,070	(1,367)
Offsetting	**(430)**	**430**	(204)	204
	8,012	**(1,784)**	6,866	(1,163)

(b) The gross movement on the deferred income tax account is as follows:

	2019	2018
	RMB million	RMB million
At 31 December in prior year	**5,703**	4,725
Change in accounting policy	—	(272)
At 1 January	**5,703**	4,453
Recognised in the income statement *(Note 13)*	**615**	1,305
Recognised in other comprehensive income *(Note 13)*	**17**	273
Effect of change in tax rate charged to profit or loss *(Note 13)*	**(175)**	(113)
Acquisition of subsidiaries	**(55)**	(180)
Disposal of subsidiaries	**124**	(27)
Currency translation difference	**(1)**	(8)
At 31 December	**6,228**	5,703

46. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Liabilities

	Financial assets/ liabilities measured at fair value RMB million	Unrealised loss from intercompany transactions RMB million	Depreciation and amortisation RMB million	Acquisition of subsidiaries RMB million	Others RMB million	Total RMB million
At 31 December 2017	(116)	(43)	(460)	(475)	(96)	(1,190)
Change in accounting policy	(204)	–	–	–	–	(204)
At 1 January 2018	(320)	(43)	(460)	(475)	(96)	(1,394)
Credited/(charged) to the consolidated income statement	47	(11)	(27)	127	(45)	91
Credited to other comprehensive income	159	–	–	–	–	159
Acquisition of subsidiaries	–	–	–	(214)	–	(214)
Effect of change in tax rate credited to profit or loss	–	–	–	–	4	4
Currency translation difference	–	–	(13)	–	–	(13)
At 31 December 2018	(114)	(54)	(500)	(562)	(137)	(1,367)
At 1 January 2019	**(114)**	**(54)**	**(500)**	**(562)**	**(137)**	**(1,367)**
(Charged)/credited to the consolidated income statement	**(578)**	**26**	**(2)**	**147**	**(628)**	**(1,035)**
Credited to other comprehensive income	**5**	**–**	**–**	**–**	**–**	**5**
Acquisition of subsidiaries	**–**	**–**	**–**	**(63)**	**(5)**	**(68)**
Disposal of subsidiaries	**–**	**–**	**183**	**68**	**1**	**252**
Effect of change in tax rate credited to profit or loss	**–**	**–**	**2**	**–**	**2**	**4**
Currency translation difference	**–**	**–**	**(5)**	**–**	**–**	**(5)**
At 31 December 2019	**(687)**	**(28)**	**(322)**	**(410)**	**(767)**	**(2,214)**

46. Deferred Taxation (Continued)

(c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows: (Continued)

Deferred Tax Assets:

	Provision for impairment of assets RMB million	Depreciation and amortisation RMB million	Financial assets/ liabilities measured at fair value RMB million	Provision for employee benefits RMB million	Tax losses RMB million	Unrealised profit from intercompany transactions RMB million	Other RMB million	Total RMB million
At 31 December 2017	1,711	10	125	651	970	1,780	668	5,915
Change in accounting policy	240	–	6	–	–	–	(314)	(68)
At 1 January 2018	1,951	10	131	651	970	1,780	354	5,847
Credited/(charged) to the consolidated income statement	945	2	12	(116)	197	59	115	1,214
Credited to other comprehensive income	–	–	75	39	–	–	–	114
Acquisition of subsidiaries	4	–	–	–	30	–	–	34
Disposal of subsidiaries	(13)	–	–	–	(14)	–	–	(27)
Effect of change in tax rate credited to profit or loss	(43)	–	–	(46)	(15)	–	(13)	(117)
Currency translation difference	–	–	–	–	5	–	–	5
At 31 December 2018	2,844	12	218	528	1,173	1,839	456	7,070
At 1 January 2019	**2,844**	**12**	**218**	**528**	**1,173**	**1,839**	**456**	**7,070**
Credited/(charged) to the consolidated income statement	**722**	**11**	**(59)**	**(41)**	**687**	**224**	**106**	**1,650**
Credited/(charged) to other comprehensive income	**–**	**–**	**13**	**(1)**	**–**	**–**	**–**	**12**
Acquisition of subsidiaries	**8**	**–**	**–**	**–**	**5**	**–**	**–**	**13**
Disposal of subsidiaries	**(4)**	**–**	**–**	**–**	**(23)**	**–**	**(101)**	**(128)**
Effect of change in tax rate credited to profit or loss	**(52)**	**–**	**–**	**(29)**	**(5)**	**(105)**	**12**	**(179)**
Currency translation difference	**1**	**–**	**–**	**–**	**2**	**–**	**1**	**4**
At 31 December 2019	**3,519**	**23**	**172**	**457**	**1,839**	**1,958**	**474**	**8,442**

46. Deferred Taxation (Continued)

(d) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred tax assets of RMB2,050 million (2018: RMB2,553 million) in respect of tax losses amounting to RMB8,830 million (2018: RMB11,054 million) as the Directors believes it is more likely than not that such tax losses would not be utilised before they expire.

As at 31 December 2019, the tax losses with no deferred tax assets recognised carried forward are as follows:

	2019 **RMB million**	2018 RMB million
Year of expiry of tax losses		
2019	**N/A**	714
2020	**489**	1,261
2021	**1,842**	2,984
2022	**2,675**	3,064
2023	**2,645**	3,031
2024	**1,062**	N/A
2025	**117**	N/A
	8,830	11,054

(e) As at 31 December 2019, the Group did not recognise deferred tax assets of RMB4,826 million (2018: RMB4,826 million) in respect of deductible temporary differences amounting to RMB22,608 million (2018: RMB20,869 million) as the Directors believe it is not probable that such deductible temporary differences would be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Cash Generated from Operations

(a) Cash Generated from Operations

	2019 RMB million	2018 RMB million
Profit for the year	**25,379**	17,436
Adjustments for:		
– Income tax expense	**7,808**	7,509
– Interest income	**(1,338)**	(904)
– Dividends from financial assets at FVPL	**(99)**	(809)
– Dividends from financial assets at FVOCI	**(47)**	(49)
– (Gains)/losses on disposal and/or write-off of:		
Property, plant and equipment	**(91)**	(91)
Lease prepayments	**(524)**	(96)
Interests in associates	**52**	(5)
Interests in a joint venture	**(29)**	–
Interests in subsidiaries	**(4,961)**	(747)
– Negative goodwill arising from acquisition of a subsidiary	**(22)**	–
– Foreign exchange losses, net	**40**	11
– Fair value increase on financial assets/liabilities at FVPL	**(275)**	(10)
– Gain on debt restructuring	**(15)**	(208)
– Net impairment losses recognised on:		
Trade and other receivables (excluding advance to suppliers)	**1,873**	5,765
Other financial assets at amortised cost	**2,201**	1,274
Contract assets	**433**	445
– Impairment losses recognised on:		
Property, plant and equipment	**70**	400
Inventories	**1**	142
Investment properties	**–**	11
Lease prepayments	**–**	3
Properties under development for sale	**829**	63
Properties held for sale	**602**	32
Advance to suppliers	**26**	64
– Recognition of expected losses on contracts	**273**	249
– Interest expenses	**8,835**	7,014
– Share of profits of joint ventures	**(360)**	(61)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47. Cash Generated from Operations (Continued)

(a) Cash Generated from Operations (Continued)

	2019 RMB million	2018 RMB million
– Share of profits of associates	**(2,100)**	(1,555)
– Charge to retirement benefit obligations	**104**	134
– Government subsidies	**(166)**	(886)
– Depreciation and amortisation	**11,565**	9,875
Operating cash flows before movements in working capital	**50,064**	45,006
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Increase in other prepayments	**(98)**	(265)
– Increase in properties held for sale	**(827)**	(8,612)
– Increase in properties under development for sale	**(30,430)**	(22,183)
– (Increase) decrease in inventories	**(2,253)**	8,691
– (Increase) decrease in trade and other receivables	**(7,389)**	58,535
– Decrease in retirement and other supplemental benefit obligations	**(389)**	(461)
– Increase in trade and other payables	**26,803**	8,401
– Decrease (increase) in other financial assets at amortised cost	**700**	(2,278)
– (Decrease) increase in payables arising from consolidated structured entities	**(208)**	1,919
– Increase in contract assets	**(22,355)**	(71,430)
– Increase in contract liabilities	**18,384**	5,524
– Increase (decrease) in provisions	**411**	(202)
– (Increase) decrease in government grant	**(355)**	641
– Increase in financial assets at FVPL	**(149)**	(522)
– Decrease (increase) in amounts due from central bank	**374**	(239)
– Decrease (increase) in loans to customers	**1,924**	(1,300)
– Increase in amount due to customers of CREC Finance	**318**	609
– Restricted cash	**(3,901)**	(1,566)
Cash generated from operations	**30,624**	20,268

47. Cash Generated from Operations (Continued)

(b) Non-cash investing and financing activities

	2019 **RMB million**	2018 RMB million
Addition of right-of-use assets	**1,338**	—
Acquisition of plant and equipment by means of finance leases	**—**	107

(c) Net debt reconciliation

This section sets out an analysis of net debt for each of the periods presented.

	2019 **RMB million**	2018 RMB million
Cash and cash equivalents *(Note 37)*	**138,186**	117,768
Restricted cash *(Note 36)*	**19,973**	16,709
Financial assets at FVPL *(Note 35)*	**5,441**	4,296
Borrowings – repayable within one year *(Note 42)*	**(112,311)**	(102,112)
Borrowings – repayable after one year *(Note 42)*	**(118,934)**	(88,808)
Net debt	**(67,645)**	(52,147)

	2019 **RMB million**	2018 RMB million
Cash and Financial assets at FVPL	**163,600**	138,773
Gross debt – fixed interest rates	**(137,718)**	(118,310)
Gross debt – variable interest rates	**(93,527)**	(72,610)
Net debt	**(67,645)**	(52,147)

No change in financial assets are included in cash flows of financing activities during the year of 2019.

48. Business combinations

(a) Acquisition of Shanxi Jing Xing Highway Co., Ltd.

Shanxi Jing Xing Highway Co., Ltd. ("Shanxi Jing Xing") was a then joint venture of the Group, in which the Group indirectly held 20% equity interests. In 2019, the Group acquired the remaining 80% equity interests in Shanxi Jing Xing from Tianjin Mintong Qiming Enterprise Management Center LLP ("Tianjin Mintong"), the joint venture partner, at a cash consideration of approximately RMB2,130 million. The acquisition was completed on 5 April 2019, being the date of the Group obtaining control over Shanxi Jing Xing. Upon completion of the acquisition, Shanxi Jing Xing became a wholly owned subsidiary of the Group.

Shanxi Jing Xing was incorporated in Shanxi Province, PRC, and is mainly engaged in investment, construction and operation of the highway from Shanxi Jingle County to Xing County.

The following table summarises the consideration paid for Shanxi Jing Xing and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	Shanxi Jing Xing RMB million
Purchase consideration	
– cash paid	2,130
– Fair value of 20% equity interest held at the acquisition date	538
	2,668
Amounts of identifiable assets acquired and liabilities assumed:	
Shanxi Jing Xing	
Cash and cash equivalents	2,755
Trade and other receivables	89
Property, plant and equipment	3
Intangible assets	1,463
Borrowings	(1,500)
Trade and other payables	(110)
Deferred tax liabilities	(10)
Net assets acquired by the Group	2,690
Goodwill	(22)

48. Business combinations (Continued)

(a) Acquisition of Shanxi Jing Xing Highway Co., Ltd. (Continued)

	Shanxi Jing Xing RMB million
Net cash inflow in respect of the acquisition of the Shanxi Jing Xing is analysed as follows:	
Purchase consideration	
– cash paid	**2,130**
Less: cash and cash equivalents in acquired subsidiary	**2,755**
Net cash inflow on acquisition	**625**

Shanxi Jing Xing contributed no revenue and profit to the Group for the period from acquisition date to 31 December 2019. The highway is under construction and has not generated any revenue for the year ended 31 December 2019.

(b) Acquisition of Yunnan Yuchu Expressway Development Co., Ltd.

Yunnan Yuchu Expressway Development Co., Ltd. ("Yunnan Yuchu") was a then joint venture of the Group, in which the Group indirectly held 18% equity interests. In 2019, the Group acquired the remaining 72% equity interests in Yunnan Yuchu from Yunnan Transportation Development Investment Co., Ltd. ("Yunnan Transportation"), the joint venture partner, at a cash consideration of approximately RMB2,673 million. The acquisition was completed on 31 December 2019, being the date of the Group obtaining control over Yunnan Yuchu. Upon completion of the acquisition, Yunnan Yuchu became a subsidiary of the Group.

Yunnan Yuchu was incorporated in Yunnan Province, PRC, and is mainly engaged in investment, construction and operation of the highway from Yunnan Yuxi County to Chuxiong County.

48. Business combinations (Continued)

(b) Acquisition of Yunnan Yuchu Expressway Development Co., Ltd. (Continued)

The following table summarises the consideration paid for Yunnan Yuchu and the amounts of the assets acquired and liabilities assumed at the acquisition date.

	Yunnan Yuchu RMB million
Purchase consideration	
– cash paid	2,673
– Fair value of 18% equity interest held at the acquisition date	985
	3,658
Amounts of identifiable assets acquired and liabilities assumed:	
Yunnan Yuchu	
Cash and cash equivalents	299
Trade and other receivables	269
Financial assets at FVPL	100
Property, plant and equipment	3,402
Intangible assets	6,223
Borrowings	(3,822)
Trade and other payables	(2,091)
Deferred tax liabilities	(22)
Non-controlling interests	(700)
Net assets acquired by the Group	3,658
Goodwill	–
Net cash outflow in respect of the acquisition of the Yunnan Yuchu are analysed as follows:	
Purchase consideration	
– cash paid	2,673
Less: cash and cash equivalents in acquired subsidiary	299
Net cash outflow on acquisition	2,374

Yunnan Yuchu contributed no revenue and profit to the Group for the period from acquisition date to 31 December 2019. The highway is under construction and has not generated any revenue for year ended 31 December 2019.

48. Business combinations (Continued)

(c) Disposal of China Railway Expressway

China Railway Expressway was a wholly owned subsidiary of the Group. In 2019, the Group disposed of its 51% equity interests in China Railway Expressway to China Merchants Expressway Network & Technology Holdings Co., Ltd. and ICBC Financial Assets Investment Co., Ltd. at a cash consideration of RMB6,001 million. The transaction was completed on 23 December 2019, being the date of the Group losing control over China Railway Expressway. The Group retained a 49% equity interests in and has joint control over China Railway Expressway. The investment has been reclassified to investments in joint ventures in the consolidated balance sheet upon completion of the disposal.

Details of sales proceeds and gains on disposal are as follows:

	China Railway Expressway RMB million
Sales proceeds:	
– Cash received	**3,601**
– Receivable	**2,400**
– Fair value of the remaining 49% share of China Railway Expressway on disposal date	**5,764**
Less: net assets disposed – as shown below	**9,095**
– Non-controlling interests	**2,285**
Gains on disposal	**4,955**
The details of the net assets disposal are as follows:	
Current assets	**1,087**
Non-current assets	**34,234**
Less: Current liabilities	**9,134**
Non-current liabilities	**17,092**
Net assets	**9,095**
Net cash inflow in respect of the disposal of the China Railway Expressway are analysed as follows:	
Sales proceeds – cash received	**3,601**
Less: cash and cash equivalents of China Railway Expressway	**786**
Net cash inflow on disposal of China Railway Expressway	**2,815**

49. Contingencies Liabilities

	2019	2018
	RMB million	RMB million
Pending lawsuits *(Note (a))*		
– arising in the ordinary course of business	**3,446**	3,615
Outstanding guarantees *(Note (b))*	**46,209**	32,510

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

(b) The Group has provided guarantees to banks in respect of banking facilities utilised by certain related companies and third parties. The maximum exposure of these financial guarantees to the Group is as follows:

	2019		2018	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**8,374**	**2020-2042**	2,904	2019-2025
Joint ventures	**1,190**	**2028**	–	–
A government-related entity	**60**	**2020**	60	2019
Property purchasers	**36,075**	**2020-2038**	28,992	2019-2038
An investee of the Group	**5**	**2030**	–	–
A former associate	**505**	**2027**	554	2027
	46,209		32,510	

50. Commitments

(a) Capital expenditure

Significant capital expenditure contracted for at the end of reporting period but not recognised as liabilities is as follows:

	2019 **RMB million**	2018 RMB million
Property, plant and equipment	**4,886**	5,173

(b) Investment commitment

According to relevant agreements, the Group has the following commitments:

	2019 **RMB million**	2018 RMB million
Investment commitment to a subsidiary, associates, joint ventures and others	**23,700**	17,621

(i) It includes the Group's investment in certain mining projects (including development and construction expenditures) of an associate in the Democratic Republic of the Congo pursuant to co-operation agreements signed between the co-operation partners. The co-operation partners have been discussing the mining project details and negotiating the investment amounts. The negotiation was still in progress as at the date of issuance of the consolidated financial statements. The amount of investment commitment disclosed above was based on the latest status of the negotiation between the co-operation partners which is subject to change based on the projects and the negotiation progress in the future.

50. Commitments (Continued)

(b) Investment commitment (Continued)

(ii) As resolved by the meeting of Board of Directors held on 25 May 2019, it was approved to acquire the controlling shareholdings of Beijing Hengtong Innovation Luxwood Technology Co., Ltd. ("Hengtong Tech"), an A share listed company on the ChiNext Market of Shenzhen Stock Exchange. Hengtong Tech provides a full-chain services of producing prefabricated building components, modular design and automated production. The Company will acquire the controlling shareholdings by way of share transfer and waiver of voting rights by then shareholders. The acquisition is still in progress. Upon completion, Hengtong Tech will become a subsidiary of the Company.

(c) Operating Lease Commitments – as lessor

As the lessor, the Group's undiscounted amount of lease receivables after the balance sheet date are summarized as follows:

	2019	2018
	RMB million	RMB million
No later than 1 year	**536**	414
Later than 1 year and no later than 5 years	**871**	986
Later than 5 years	**475**	880
	1,882	2,280

(d) Operating Lease Commitments – as lessee

The Group leases various offices, warehouses, residential properties, machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 3 and Note 19 for further information.

	2019	2018
	RMB million	RMB million
No later than 1 year	**–**	1,144
Later than 1 year and no later than 5 years	**–**	1,284
Later than 5 years	**–**	82
	–	2,510

50. Commitments (Continued)

(d) Operating Lease Commitments – as lessee (Continued)

Rental expense relating to operating leases are as follows:

	2019 RMB million	2018 RMB million
Rental expense relating to operating	–	31,449

51. Related-party transactions

The Company is controlled by the following entity:

Name	Relationship	Place of incorporation and operation	Ownership interest 2019	Ownership interest 2018
CREC	Parent and ultimate holding company	PRC	**47.21%**	50.70%

The Company is controlled by CREC, the parent company and a state-owned enterprise established in the PRC. CREC is controlled by the PRC government (CREC and its subsidiaries other than the Group are referred to as the "CREC Group"). The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities").

During the year, the Group had transactions with government-related entities including, but not limited to, the provision of infrastructure construction services, survey, design and consulting services and sales of goods. The Directors consider that the transactions with these government-related entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the customers are government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

The following is a summary of significant related party transactions between the Group and its related parties during the year and balances arising from related party transactions at the end of the reporting period.

51. Related-party transactions (Continued)

(a) Significant related party transactions

The following transactions were carried out with related parties other than government-related entities:

	2019 RMB million	2018 RMB million
Transactions with the CREC Group		
– Service expenses paid	**24**	32
– Revenue from rendering of services	**22**	–
– Rental expense	**24**	22
– Interest income	**112**	27
– Interest expense	**5**	6
– Purchase	**–**	128
– Provision of borrowings	**2,150**	1,950
– Repayment of borrowings	**3,950**	700
Transactions with joint ventures		
– Revenue from construction contracts	**32,271**	18,007
– Revenue from sales of goods	**411**	897
– Purchase	**2,247**	1,725
– Rental income	**2**	2
– Interest income	**377**	506
– Lending funds	**3,720**	5,883
Transactions with associates		
– Revenue from construction contracts	**19,703**	21,217
– Revenue from sales of goods	**848**	692
– Purchase	**5,800**	5,341
– Rental income	**3**	3
– Interest income	**–**	5
– Interest expense	**1**	1

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

51. Related-party transactions (Continued)

(b) Balances with related parties

	2019 RMB million	2018 RMB million
Balances with the CREC Group		
Trade and bills receivables	**11**	14
Other receivables	**–**	3
Other financial assets at amortised cost	**147**	1,911
Trade payables	**13**	8
Other payables	**108**	147
Deposits for land use rights	**–**	94
Deposits	**265**	153
Right-of-use assets	**11**	—
Lease liabilities	**16**	—
Balances with joint ventures		
Trade and bills receivables	**8,846**	7,489
Other receivables	**335**	171
Advance to suppliers	**52**	176
Other financial assets at amortised cost	**3,888**	3,609
Contract assets	**3,479**	866
Trade payables	**1,046**	324
Other payables	**691**	736
Contract liabilities	**6,169**	1,307
Advance from customers	**14**	–
Deposits	**626**	247
Balances with associates		
Trade and bills receivables	**3,990**	5,480
Other receivables	**328**	55
Other financial assets at amortised cost	**–**	118
Contract assets	**2,202**	2,819
Advance to suppliers	**13**	55
Trade payables	**604**	480
Other payables	**585**	185
Contract liabilities	**1,261**	655
Advance from customers	**96**	25
Deposits	**10**	222
Right-of-use assets	**12**	—
Lease liabilities	**6**	—

51. Related-party transactions (Continued)

(c) Guarantees

	2019 RMB million	2018 RMB million
Outstanding loan guarantees provided by the Group to		
– Associates *(Note 26(a))*	**8,374**	2,063
– A joint venture *(Note 26(b))*	**1,190**	–
– A government-related entity	**60**	60
Outstanding debentures guarantees provided by CREC to the Group	**11,000**	11,000

(d) Key management compensation

The remuneration of Directors and other members of key management during the year were as follows:

	2019 RMB'000	2018 RMB'000
Basic salaries, housing allowances and other allowances	**4,128**	3,220
Fees	**260**	260
Contributions to pension plans	**620**	578
Others	**10,070**	6,825
	15,078	10,883

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committee having regard to the performance of the respective individuals and the market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. Particulars of Principal Subsidiaries

(a) General information of principal subsidiaries

As at 31 December 2019 and 2018, the Company had the following principal subsidiaries:

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	**2019**	2018	**2019**	2018	
Listed-							
中鐵高新工業股份有限公司 China Railway Industry *(i)*	PRC	RMB2,221,552	**49.12%**	52.13%	**50.88%**	47.87%	Engineering Equipment and Component Manufacturing
Unlisted-							
中鐵一局集團有限公司 China Railway No.1 Engineering Group Co., Ltd.	PRC	RMB5,588,710	**100%**	100%	**–**	–	Infrastructure construction
中鐵二局集團有限公司 China Railway No.2 Engineering Group Co., Ltd.	PRC	RMB6,292,920	**100%**	74.68%	**–**	25.32%	Infrastructure construction
中鐵三局集團有限公司 China Railway No.3 Engineering Group Co., Ltd.	PRC	RMB4,956,311	**100%**	70.62%	**–**	29.38%	Infrastructure construction
中鐵四局集團有限公司 China Railway No.4 Engineering Group Co., Ltd.	PRC	RMB7,146,219	**100%**	100%	**–**	–	Infrastructure construction
中鐵五局集團有限公司 China Railway No.5 Engineering Group Co., Ltd.	PRC	RMB5,615,152	**100%**	73.02%	**–**	26.98%	Infrastructure construction
中鐵六局集團有限公司 China Railway No.6 Engineering Group Co., Ltd.	PRC	RMB2,200,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵七局集團有限公司 China Railway No.7 Engineering Group Co., Ltd.	PRC	RMB2,600,000	**100%**	100%	**–**	–	Infrastructure construction
中鐵八局集團有限公司 China Railway No.8 Engineering Group Co., Ltd.	PRC	RMB5,906,056	**100%**	76.19%	**–**	23.81%	Infrastructure construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2019	2018	2019	2018	
中鐵九局集團有限公司 China Railway No.9 Engineering Group Co., Ltd.	PRC	RMB2,500,000	100%	100%	-	-	Infrastructure construction
中鐵十局集團有限公司 China Railway No.10 Engineering Group Co., Ltd.	PRC	RMB3,836,510	100%	100%	-	-	Infrastructure construction
中鐵大橋局集團有限公司 China Railway Major Bridge Engineering Group Co., Ltd.	PRC	RMB4,018,533	100%	100%	-	-	Infrastructure construction
中鐵電氣化局集團有限公司 China Railway Electrification Engineering Group Co., Ltd.	PRC	RMB3,885,010	100%	100%	-	-	Infrastructure construction
中鐵建工集團有限公司 China Railway Construction Group Co., Ltd.	PRC	RMB8,465,180	100%	100%	-	-	Infrastructure construction
中鐵隧道局集團有限公司 China Railway Tunnel Group Co., Ltd.	PRC	RMB2,997,688	100%	100%	-	-	Infrastructure construction
中鐵國際集團有限公司 China Railway International Group Co., Ltd.	PRC	RMB2,500,000	100%	100%	-	-	Infrastructure construction
中鐵二局建設有限公司 China Railway No.2 Construction Co., Ltd.	PRC	RMB1,663,820	100%	100%	-	-	Infrastructure construction
中鐵二院工程集團有限責任公司 China Railway Eryuan Engineering Group Co. Ltd.	PRC	RMB1,246,138	100%	100%	-	-	Survey and design
中鐵北京工程局集團有限公司 China Railway Beijing Engineering Group Co. Ltd	PRC	RMB3,485,846	100%	100%	-	-	Infrastructure construction
中鐵上海工程局集團有限公司 China Railway Shanghai Engineering Group Co. Ltd	PRC	RMB2,273,078	100%	100%	-	-	Infrastructure construction

52. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2019	2018	2019	2018	
中鐵廣州工程局集團有限公司 China Railway Guangzhou Engineering Group Co. Ltd	PRC	RMB2,300,000	100%	100%	–	–	Infrastructure construction
中鐵置業集團有限公司 China Railway Real Estate Group Co., Ltd.	PRC	RMB6,508,410	100%	100%	–	–	Property development
中鐵資源集團有限公司 China Railway Resources Group Co., Ltd.	PRC	RMB5,427,127	100%	100%	–	–	Mining
中鐵交通投資集團有限公司 China Railway Communications Investment Group Co., Ltd.	PRC	RMB6,000,000	100%	100%	–	–	Build-operate-transfer service concession arrangement
中鐵南方投資集團有限公司 China Southern Investment Group Co..Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵投資集團有限公司 China Railway Investment Group Co., Ltd	PRC	RMB2,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵開發投資有限公司 China Railway Development & Investment Co., Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management
中鐵城市發展投資集團有限公司 China Railway City Development and Investment Group Co. Ltd	PRC	RMB1,500,000	100%	100%	–	–	Infrastructure construction and asset management

52. Particulars of Principal Subsidiaries (Continued)

(a) General information of principal subsidiaries (Continued)

Name of subsidiary	Country/ place of establishment and operation	Issued and paid in capital	Proportion of interest and voting power held by the Group		Proportional of ordinary shares held by non-controlling interests		Principal activities
		RMB '000	2019	2018	2019	2018	
中鐵(上海)投資集團有限公司 China Railway (Shanghai) Investment Group Co., Ltd	PRC	RMB1,164,410	**100%**	100%	**–**	–	Infrastructure construction and asset management
中鐵信託有限責任公司 China Railway Trust *(ii)*	PRC	RMB5,000,000	**93%**	93%	**7%**	7%	Financial trust management
中鐵財務有限責任公司 China Railway Finance Co., Ltd.	PRC	RMB9,000,000	**95%**	95%	**5%**	5%	Comprehensive financial service
中鐵資本有限公司 China Railway Capital Co., Ltd	PRC	RMB3,019,340	**100%**	100%	**–**	–	Asset Management
中鐵物貿集團有限公司 China Railway Material Trade Co., Ltd	PRC	RMB3,000,000	**100%**	100%	**–**	–	Trade
中鐵文化旅遊投資有限公司 China Railway Cultural and Tourism Investment Co., Ltd.	PRC	RMB1,500,000	**100%**	100%	**–**	–	Tourism, sports and cultural projects investment

All the above subsidiaries were established as limited liability companies in the PRC, which have similar characteristics of limited liability company incorporated under the Hong Kong Companies Ordinance.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Unless otherwise stated, above subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group.

(i) At 31 December 2019, 28.57% (2018: 31.58%) of ordinary shares of China Railway Industry is indirectly held by the Group.

(ii) At 31 December 2019, 14% (2018: 14%) of ordinary shares of China Railway Trust is indirectly held by the Group.

52. Particulars of Principal Subsidiaries (Continued)

(b) Information of debt securities

As at 31 December 2019, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	**5,000**	**27/01/2020**
	2,500	**19/10/2020**
	3,500	**19/10/2025**
	4,659	**23/03/2021**
	1,135	**28/01/2021**
	2,120	**28/01/2026**
	2,500	**17/01/2022**
	1,000	**21/01/2022**
	1,000	**27/01/2024**
	1,300	**15/04/2022**
	2,200	**15/04/2022**
	1,000	**29/04/2021**
	1,500	**29/04/2022**
	2,500	**18/06/2022**
	500	**18/06/2024**
	1,900	**16/07/2022**
	1,100	**16/07/2024**
China Railway Resources Huitung Limited	**3,488**	**05/02/2023**
China Railway Xunjie Co. Limited	**3,488**	**25/07/2022**
	3,488	**28/07/2026**

52. Particulars of Principal Subsidiaries (Continued)

(b) Information of debt securities (Continued)

As at 31 December 2018, the Group had outstanding issued debt securities as follows:

Name	Face value of debt securities RMB Million	Maturity date
China Railway Group Limited	5,000	27/01/2020
	2,500	19/10/2020
	2,050	28/01/2021
	4,659	23/03/2021
	3,500	19/10/2025
	2,120	28/01/2026
China Railway Resources Huitung Limited	3,267	05/02/2023
China Railway Xunjie Co. Limited	3,267	25/07/2022
	3,267	28/07/2026

53. Events occurring after the balance sheet date

Subsequent to 31 December 2019, the following significant event took place:

(a) As approved by the Board meeting on 30 March 2020, the Company declared a dividend in respect of the year ended 31 December 2019 of RMB0.169 per ordinary share, amounting to a total dividend of RMB4,152 million. The dividend is to be approved at the 2019 annual general meeting.

(b) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented and improving across the country/region, while the disease spreads overseas. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

54. Balance Sheet and Reserve Movement of the Company

	2019 RMB million	2018 RMB million
ASSETS		
Non-current assets		
Amounts due from subsidiaries	**224**	1,953
Other non-current assets	**27,315**	19,681
Investments in subsidiaries	**187,502**	163,277
	215,041	184,911
Current assets		
Amounts due from subsidiaries	**92,072**	89,513
Other current assets	**6,025**	8,214
Bank balances and cash	**38,028**	45,423
	136,125	143,150
Total assets	**351,166**	328,061
EQUITY		
Share capital	**24,571**	22,844
Perpetual notes	**31,535**	32,109
Share premium and reserves	**125,428**	107,592
Total equity	**181,534**	162,545
LIABILITIES		
Non-current liabilities		
Borrowings	**27,898**	17,762
Other non-current liabilities	**4,231**	3,591
	32,129	21,353
Current liabilities		
Amounts due to subsidiaries	**99,204**	104,226
Other current liabilities	**38,299**	39,937
	137,503	144,163
Total liabilities	**169,632**	165,516

The balance sheet of the Company was approved by the Board of Directors on 30 March 2020 and were signed on its behalf.

Director	*Director*
Zhang Zongyan	Chen Yun

54. Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Share premium RMB million	Capital reserves RMB million	Statutory reserve RMB million	Retained earnings RMB million	Total RMB million
At 31 December 2017	43,982	7,739	6,586	41,990	100,297
Change in accounting policies	–	335	7	67	409
Restated total equity as at 1 January 2018	43,982	8,074	6,593	42,057	100,706
(Loss)/profit and total comprehensive income for the year	–	(526)	–	10,702	10,176
Transfer to reserves	–	–	1,112	(1,112)	–
Dividend recognised as distribution	–	–	–	(2,581)	(2,581)
Dividend declared to perpetual notes holders	–	–	–	(709)	(709)
At 31 December 2018	43,982	7,548	7,705	48,357	107,592
Profit and total comprehensive income for the year	**–**	**39**	**–**	**13,330**	**13,369**
Issuance of A shares	**9,145**	**–**	**–**	**–**	**9,145**
Redemption of perpetual notes	**(18)**	**–**	**–**	**–**	**(18)**
Transfer to reserves	**–**	**–**	**1,360**	**(1,360)**	**–**
Dividend recognised as distribution	**–**	**–**	**–**	**(2,924)**	**(2,924)**
Dividend declared to perpetual notes holders	**–**	**–**	**–**	**(1,736)**	**(1,736)**
At 31 December 2019	**53,109**	**7,587**	**9,065**	**55,667**	**125,428**

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

1. Formulation, Implementation or Adjustment of the Cash Dividend Policy

(1) Specific policies for profit distribution

According to the Articles of Association of the Company (the "**Articles of Association**"), the specific policies for profit distribution of the Company are as follows:

(i) *Form of profit distribution:* The Company distributes profits in cash, stock or a combination of cash and stock. The Company can make interim profit distributions when conditions permit.

(ii) *Specific conditions, proportion and interval of the Company's cash dividends:* Under the premise of ensuring the Company's continuous operation and long-term development, if the Company is profitable in the year and the accumulated undistributed profit is positive and there are no major investment plans or other major cash expenditures, the Company will distribute the profits in cash after appropriation to the statutory reserves and other reserves in full. In any three consecutive years, the Company's accumulated profits distributed in cash shall not be less than 30% of the annual average distributable profits realized in the three years; the annual profits distributed in cash shall generally not be less than 10% of the distributable profits realized in the year. The Company may not distribute cash dividends under the following special circumstances:

① The auditors issue a non-standard unqualified audit report on the Company's financial report for the year.

② The operating net cash flow is negative in the year.

If the abovementioned conditions for cash dividends are met, the Company in principle shall distribute cash dividends once a year, and the Company's Board of Directors can propose the Company to make interim cash dividends based on the Company's profitability and capital demand.

(iii) *Specific conditions for the Company to issue stock dividends:*

The Company can propose a stock dividend distribution plan when the Company is in good operating condition, and the Board of Directors believes that the Company's stock price does not match the Company's share capital and that issuing stock dividends is beneficial to the overall interests of all shareholders of the Company, under the premise that the abovementioned conditions for cash dividends are met.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, Implementation or Adjustment of the Cash Dividend Policy (Continued)

(2) Implementation of the cash dividend policy during the reporting period

Profits are distributed in cash under the profit distribution plan of the Company for 2018. Pursuant to the profit distribution plan considered and passed at the 2018 annual general meeting convened on 25 June 2019, a cash dividend of RMB1.28 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2018 was declared by the Company, totaling RMB2,924,070,597.50 and representing 17% of net profit attributable to the listed company's shareholders under the consolidated financial statements for the year of 2018 of the Company. The announcement on the profit distribution of A shares was published on 16 July 2019 on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the website of Shanghai Stock Exchange. As at 29 July 2019, the implementation of the profit distribution plan of the Company for 2018 has been completed.

(3) Profit distribution plan for 2019

Pursuant to the relevant requirements of the Company Law and the Articles of Association, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, and in accordance with the "Resolution on the Profit Distribution Plan for 2019 of the Company" which was passed at the 36th meeting of the fourth session of the Board, the details of the profit distribution plan are set out below: the retained profits of the Company at the beginning of 2019 was RMB49,906,924,530.36 based on the audited financial report of the Company for 2019. After taking into account the added net profit realised by the Company of RMB13,601,467,227.98 during the year and deducting the cash dividends for 2019 and interest payments on perpetual notes amounting to RMB4,660,487,331.13, and with 10% of the net profit of the Company, i.e. RMB1,360,146,722.80, being appropriated to its surplus reserve, the distributable profit of the Company to shareholders amounted to RMB57,487,757,704.41 for the year. A cash dividend of RMB1.69 per 10 shares (tax inclusive) is proposed to be distributed. Based on the Company's total share capital of 24,570,929,283 shares as at 31 December 2019, the total amount of such dividend is RMB4,152,487,048.83 (tax inclusive), representing 17.5% of net profit attributable to the Company's shareholders under the consolidated financial statements for the current year of the Company. Upon the distribution, the remaining retained profit of the Company amounting to RMB53,335,270,655.58 will be carried forward to the next year.

The independent directors of the Company have expressed their opinions on the plan, and the above plan is still subject to the approval of the 2019 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2019 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, Implementation or Adjustment of the Cash Dividend Policy (Continued)

(4) Information on the profit distribution for 2019

In 2019, the Company intends to make a cash dividend at 17.5% of net profit attributable to the listed company's shareholders under the consolidated financial statements for the current year of the Company, which is lower than the proportion in the guidelines, mainly based on the following considerations:

(i) Situation and characteristics of the industry of the Company

In terms of the external macro environment, affected by the COVID-19 epidemic, the internal and external environment facing China's economic development is becoming increasingly complicated and the economy is under further downward pressure. The growth rate of the infrastructure construction market has gradually slowed down, and industry competition has become fiercer.

In terms of the domestic and international infrastructure construction market, the Company is still in a period of great opportunities. Firstly, the implementation of major national strategies is accelerated. Development plans such as the co-development of Beijing-Tianjin-Hebei, integration of the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Xiong'an New District, Hainan Free Trade Zone, Yangtze River Economic Belt, and the Ecological Protection of the Yellow River Basin have successively put into implementation, and a large number of infrastructure construction projects have been accelerated. Secondly, the policy dividend comes into being thanks to the strengthening of areas of weakness in the infrastructure. China has stepped up counter-cyclical adjustments, strengthened and improved the "stability in six key areas" measures, and the favorable factors of the infrastructure construction market have shown constantly. Areas such as the high-speed rail, urban rail, renovation of shanty towns, renovation of old quarters, logistics network construction, water conservancy and hydropower, ecological environment protection and urban renewal have unlimited business opportunities and huge development space. Thirdly, technological innovation and industrial upgrading have injected reform momentum. With the rapid rise of new technologies such as artificial intelligence, big data, cloud computing, and blockchain, and the widespread use of new materials and processes, a large number of new industries, new formats, and new models have been born. Fourthly, the policy hedging the impact of the outbreak has boosted development confidence. With the implementation of the country's boosting policies for finance and taxation, and measures to stabilize growth in various places, the construction market is facing recovery and compensatory growth opportunities. Fifthly, the "One Belt, One Road" Initiative has developed in depth, providing significant opportunities for expanding overseas markets.

(ii) The Company's development stage and its own business model

At present, the Company is at a stage of rapid development and strategic upgrade. While the business scale has been expanding year by year, the Company is strengthening further reform, core competitiveness enhancement and development quality improvement, especially the scale of investment is increasing year by year, which causes more funding pressure on the Company.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, Implementation or Adjustment of the Cash Dividend Policy (Continued)

(4) Information on the profit distribution for 2019 (Continued)

(iii) Profitability level and demands on the funds of the Company

In recent years, based on the steady growth of the Company's operating scale and the sound operation of various types of business, the Company's profitability has been continuously improved, profits have increased year by year, and each year's annual profits has recorded the best in history; for the year of 2019, the Company's net profit attributable to shareholders of the Company increased by 37.68% year-on-year, and the basic earnings per share increased by 32.31% year-on-year. In 2020, in order to successfully complete the Company's in-hand infrastructure construction contract and the expected new contracts signed in the year, a certain scale of construction equipment needs to be purchased. The capital expenditures indicate a large amount of funds are required. The Company's investment in infrastructure PPP projects is large, and the investment and construction funds are in great demand in 2020. At the same time, real estate projects under construction need more development efforts in order to quickly return funds. The Company will rationally arrange fund requirements according to business development needs, improve the efficiency of fund use and serve the Company's sustainable and healthy development, so as to create greater benefits for the Company.

(iv) Reasons for the Company's low level of cash dividends

The construction sector, to which the Company belongs, is a sector with adequate competition. In this sector, market competition is extremely intensified, general gross profit margin is low, asset-liability ratio is high, amounts of receivables and stocks are high and construction projects are all-sided, single buildings are large-sized and the production cycle is long, so the Company has large demands on the funds in order to maintain daily operation and turnover, and shall not adopt high cash dividend policies.

In order to seize market opportunities, continue to deepen the Company's strategies, enhance structural adjustments and transformation and upgrading, and seek new growth points for benefits, a large amount of capital investment is required in the areas of infrastructure business and overseas business, and appropriate retained earnings need to be accumulated to resolve fund issues during development.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

1. Formulation, Implementation or Adjustment of the Cash Dividend Policy (Continued)

(4) Information on the profit distribution for 2019 (Continued)

(v) The exact purpose of the Company's retained undistributed profits and estimated earnings

In 2020, the theme of development of the Company is to accelerate the adjustment of industrial structure based on adherence to the traditional core businesses of the infrastructure sector, strive to promote relevant diversified development and go all out to create more and greater value or returns for the Company and its shareholders. The Company will firmly seize new market opportunities and stabilize capital expenditures such as fixed assets, intangible assets, and equity investments to meet the needs of production and development. At the same time, the Company will continue to consolidate and expand shares on traditional advantageous markets such as the railways, highways and urban rails, increase investment in incremental markets, make good use of relevant national supportive policies, and effectively expand room for development in new areas and markets such as the urban construction, environmental governance, new infrastructure construction, public health service infrastructure and prefabricated buildings. The Company will further enhance the intensity of reform, proactively adapt to the investment and financing system reform and market situation, change the investment concept, and accelerate the transformation from a contractor to an "investor + builder + operator".

(vi) All the independent directors of the Company express the following independent opinions on the reasonability of the above 2019 profit distribution plan: ① When formulating the 2019 profit distribution plan, the Company has considered the characteristics of the construction sector, to which the Company belongs, the development stage, the operation mode and funds demands of the Company and other relevant factors and the plan complies with the actual conditions of the Company. ② The proportion of the cash dividends in 2019 to the net profit attributed to the shareholders of the Company presented in the consolidated statement of profit of the year is 17.5%, higher than the distribution proportion of 2018, and the net profit keeps rising in each year and the distribution base continues to grow, which, on one hand, guarantees the continuity and sustainable development of the profit distribution policy of the Company and complies with the policy specified in the Articles of Association on cash dividends and middle-and-long-term plans of returns to shareholders, and, on the other hand, not only brings reasonable returns to investment to investors, but also keeps the operation of the Company normal. Therefore, we believe that the 2019 profit distribution plan of the Company is reasonable, and the independent directors agree on the profit distribution plan.

I. The Plan for Profit Distribution on Ordinary Shares or Capitalisation of Capital Reserves (Continued)

2. The Plan or Budgets for Dividend Distribution for Ordinary Shares or Capitalisation of Capital Reserves of the Company for the Latest Three Years (Including the Reporting Period)

Unit: RMB100 million Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend amount per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of the parent company during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to shareholders of the parent company under the consolidated financial statements *(%)*
2019	0	1.69	0	41.52	236.78	17.5
2018	0	1.28	0	29.24	171.98	17
2017	0	1.13	0	25.81	160.67	16

3. The Inclusion of Shares Repurchased Through Cash Offer in Cash Dividend

Not applicable

4. If Profits for the Reporting Period and the Distributable Profit of the Parent Company to Ordinary Shareholders are Positive and No Profit Distribution Plan in Cash for the Ordinary Shares is Proposed, the Company Should Disclose the Reasons as well as the Use and Intended Use of the Retained Profits in Details

Not applicable

II. Performance Status of Undertakings

1. Undertakings Made by Undertaking Parties, Including the Ultimate Controller, Shareholders, Related Parties, Acquirers of the Company and the Company Given or Subsisting in the Reporting Period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CREC	Upon the establishment of China Railway in accordance with the law, CREC and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CREC or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the core businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CREC or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CREC warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	No	No	Yes	/	/
Undertakings related to refinancing	Other undertakings	CREC	If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, CREC shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes	/	/

II. Performance Status of Undertakings (Continued)

1. Undertakings Made by Undertaking Parties, Including the Ultimate Controller, Shareholders, Related Parties, Acquirers of the Company and the Company Given or Subsisting in the Reporting Period (Continued)

Note 1: For details of the relevant undertakings made by the Company and CREC during the material asset restructuring of China Railway Erju Co., Ltd. (renamed as China Railway Hi-Tech Industry Co., Ltd. in March 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings.

Note 2: The Company issued the Letter on Extending the Performance Term of Undertakings on Certain Contingencies to China Railway Hi-Tech Industry Co., Ltd. on 20 December 2018, pursuant to which, the performance term of the undertaking in relation to apply for ownership certificates for defective real estate was changed, which was considered and approved by the shareholders' general meeting of China Railway Hi-Tech Industry Co., Ltd. on 12 March 2019. Details of which please refer to the Announcement of China Railway High-tech on Extending the Performance Term of Undertakings on Certain Contingencies by the Controlling Shareholder of the Company published at the website of Shanghai Stock Exchange (http://www.sse.com.cn) on 29 December 2018.

Note 3: For details of the relevant undertakings made by the Company and CREC during the share issuance for asset acquisition, please refer to the Report on the Share Issuance for Asset Acquisition of China Railway Group Limited (Revision) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 31 May 2019. The Company and CREC are currently duly complying with all the undertakings.

2. If the Company Has Made a Profit Forecast to Its Assets or Projects, and the Profit Estimate Period is Within the Reporting Period, the Company's Explanation on Whether Its Assets or Projects Would Meet Its Profit Forecast and the Reasons Thereof

Not applicable

3. Fulfillment of Undertakings and Its Impact on Goodwill Impairment Test

Not applicable

III. Fund Appropriation and Progress of Collection During the Reporting Period

Not applicable

IV. Explanation of the Company on the "Modified Audit Report" from Auditors

Not applicable

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

1. Analysis and Explanation of the Company on the Reasons for and Impacts of the Changes in Accounting Policies or Accounting Estimates

The Ministry of Finance issued the revised "Accounting Standards for Business Enterprises No. 21 – Leases", "Accounting Standards for Business Enterprises No. 12 – Debt Restructuring", "Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets", "Notice on Revising and Issuing the Format of 2019 General Corporate Financial Statement"《關於修訂印發2019年度一般企業財務報表格式的通知》(Cai Kuai [2019] No. 6), and "Notice of the Ministry of Finance on Revising and Issuing the Format of 2019 Consolidated Financial Statements"《財政部關於修訂印發合併財務報表格式(2019版)的通知》(Cai Kuai [2019] No. 16) (the "**Notices**"), respectively in 2018 and 2019. The Company has prepared the financial statements for 2019 in accordance with the above amendments and Notices. The change of accounting policies was made by the Company according to the relevant regulations issued by the Ministry of Finance as of the date of this announcement, combining the specific circumstances of the Company.

2. Analysis and Explanation of the Company on the Reasons for and Impacts of Correction of Material Accounting errors

Not applicable

3. Communications with Former Auditors

Not applicable

4. Others

Not applicable

VI. Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

	Current engagement
Name of domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic accounting firm	3,110
Term of domestic accounting firm	3 years
Name of international accounting firm	PricewaterhouseCoopers
Remuneration of international accounting firm	220
Term of international accounting firm	3 years

	Name	Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	180

VI. Appointment and Removal of Auditors (Continued)

Explanation on the Appointment and Removal of Auditors

On 29 March 2019, two resolutions including the Resolution on the Appointment of Auditors for 2019 and the Resolution on the Appointment of Internal Control Auditors for 2019 were considered and passed at the twentieth meeting of the fourth session of the Board. These resolutions were then considered and passed at the 2018 annual general meeting of the Company on 25 June 2019. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2019 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2019. For details, please refer to the Announcement of China Railway Group Limited on Resolutions of Annual General Meeting of 2018 disclosed by the Company on the website of the Shanghai Stock Exchange on 26 June 2019.

VII. Risk of Suspension of Listing

1. **Reason for Suspension of Listing**
   Not applicable

2. **Response Measures to be Adopted by the Company**
   Not applicable

VIII. Delisting and the Reasons Thereof

Not applicable

IX. Matters Relating to Insolvency or Restructuring

Not applicable

X. Material Litigation and Arbitration

Not applicable

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

Not applicable

XII. Integrity of the Company, its Controlling Shareholders and Ultimate Controllers during the Reporting Period

Not applicable

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

1. Incentives Which were Disclosed in Announcement Without Subsequent Progress or Changes

Not applicable

2. Incentives Which were Undisclosed in Announcement or Might Have Had Subsequent Progress

Not applicable

XIV. Significant Related Party Transactions

1. Related Party Transactions in Ordinary Course of Business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions (%)
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	24,030	24,030	Less than 1%
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	24,120	24,120	Less than 1%
Total					**48,150**	**48,150**	

Description of related party transactions	The above two transactions resulted from the implementation during the reporting period of the Premises Leasing Agreement and Comprehensive Services Agreement renewed by the Company and CREC on 27 December 2018. The term of both agreements is three years. The total transaction amount involved was within the decision-making authority of the Board and was considered and approved at the 18th meeting of the fourth session of the Board, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the Premises Leasing Agreement and Comprehensive Services Agreement were exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(3) Matters undisclosed in announcement

Not applicable

XIV. Significant Related Party Transactions (Continued)

2. Related Party Transactions in Relation to Acquisition and Disposal of Assets

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

Not applicable

(2) Matters which were disclosed in announcement with subsequent progress or change

Not applicable

(3) Matters undisclosed in announcement

Not applicable

(4) If agreement upon performance is involved, the performance achievements during the reporting period shall be disclosed

Not applicable

3. Significant Related Party Transactions in Relation to Joint External Investment

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

4. Amounts Due from/to Related Parties

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

XIV. Significant Related Party Transactions (Continued)

5. Others

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
CREC *(Note)*	China Railway	5,000,000	January 2010	January 2020	No
CREC *(Note)*	China Railway	3,500,000	October 2010	October 2025	No
CREC *(Note)*	China Railway	2,500,000	October 2010	October 2020	No

Note: These are unconditional and irrevocable joint and several liability guarantees provided by CREC for the entire amount of the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 and the 15-year 2010 Corporate Bonds (Tranche 2) and 10-year 2010 Corporate Bonds (Tranche 2) issued in October 2010. As at 31 December 2019, the remaining payable amount of abovementioned bonds was RMB11,266,893,000 (31 December 2018: RMB11,260,367,000).

As at 27 January 2020, the related party guarantees provided by CREC for the 10-year 2010 Corporate Bonds (Tranche 1) issued by the Company in January 2010 has been released.

(2) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2019	31 December 2018
Loans	CREC	**150,000**	1,950,000

Unit: Thousand Currency: RMB

Item	Related Party	31 December 2019	31 December 2018
Deposit-taking (Note)	CREC	**154,569**	144,681
Deposit-taking (Note)	China Railway State Assets Management Co., Ltd.	**110,025**	8,029

Note: In order to increase the Company's utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Group Co., Ltd. was considered and passed at the 18th meeting of the fourth session of the Board convened by the Company on 7 December 2018, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would renew the Financial Services Framework Agreement (the agreement would expire on 31 December 2021) with CREC, the controlling shareholder of the Company, and provide deposits, loans and other financial services to CREC and its subsidiaries pursuant to the agreement. For details, please see the relevant announcement of the Company dated 28 December 2018 published on the website of the Shanghai Stock Exchange.

As at 31 December 2019, the balance of the loan provided by China Railway Finance Co., Ltd. to CREC was RMB150 million. During the reporting period, the daily loan balance (including interest accrued) obtained by CREC from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement; and the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to CREC and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

XIV. Significant Related Party Transactions (Continued)

5. Others (Continued)

(3) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related Party	Amount of the current period	Amount of the corresponding period last year
Interest income	CREC	**112,266**	27,000
Interest expense	CREC	**3,344**	5,940
Interest expense	China Railway State Assets Management Co., Ltd.	**1,701**	102
Interest expense on lease liabilities	China Railway State Assets Management Co., Ltd.	**416**	—

Note: The interest income represents the interest receivable by China Railway Finance Co., Ltd., a subsidiary of the Company, from CREC for the loans to CREC. The interest expenses represent the interest payable by China Railway Finance Co., Ltd. to CREC and China Railway State Assets Management Co., Ltd. for deposit-taking.

XV. Material Contracts and Their Performance

1. Trusteeship, Contracting and Leasing

(1) Trusteeship

Not applicable

(2) Contracting

Not applicable

(3) Leasing

Not applicable

XV. Material Contracts and Their Performance (Continued)

2. Guarantees

Unit: Thousand Currency: RMB

Guarantee provided by the Company (excluding those provided to subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee amount	Commencement date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Guarantee fully fulfilled	Overdue	Overdue amount	Counter-guarantee available	Guarantee provided to related parties	Related party relationship
China Railway Group Limited	The Company	Linha Railway Co., Ltd.	504,890.00	2008/6/30	2008/6/30	2027/6/20	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Group Limited	The Company	Yunnan Fuyan Expressway Co., Ltd.	749,000.00	2015/4/5	2015/4/5	2027/11/1	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Group Limited	The Company	Shaanxi Yulin Shen-jia-mi Expressway Co., Ltd.	3,459,900.00	2015/4/29	2015/4/29	2038/12/1	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway No.2 Construction Co., Ltd.	Wholly-owned subsidiary	Yunnan Fuyan Expressway Co., Ltd.	525,000.00	2007/8/30	2007/8/30	2020/12/20	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway No.4 Engineering Group Co., Ltd.	Wholly-owned subsidiary	Xuzhou Yingbin Expressway Construction Co., Ltd.	1,190,000.00	2018/10/22	2018/10/30	2028/10/29	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	2,325,245.00	2015/12/24	2015/12/24	2023/11/24	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Shantou Niutianyang Expressway Investment Development Co., Ltd.	6,250.00	2019/11/11	2019/11/11	2039/8/23	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	60,396.20	2012/12/29	2012/12/29	2020/6/30	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Shanghai Group Co., Ltd.	Wholly-owned subsidiary	Fangchenggang China Railway Diluyuan Investment Development Co., Ltd.	5,000.00	2019/5/8	2019/5/8	2030/12/31	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway International Group Co., Ltd.	Wholly-owned subsidiary	MontagProp Proprietary Limited	71,025.00	2015/7/3	2015/7/3	2020/7/30	Suretyship of joint and several liability	No	No	–	No	No	–
China Railway Communications Investment Group Co., Ltd.	Wholly-owned subsidiary	Henan Pingzheng Expressway Development Co., Ltd.	803,800.00	2016/6/1	2016/6/1	2028/9/30	Suretyship of joint and several liability	No	No	–	No	No	–
China Southern Investment Group Co., Ltd	Wholly-owned subsidiary	Shantou Niutianyang Expressway Investment Development Co., Ltd.	433,690.70	2019/8/7	2019/8/7	2042/8/23	Suretyship of joint and several liability	No	No	–	No	No	–

XV. Material Contracts and Their Performance (Continued)

2. Guarantees (Continued)

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	7,456,540.70
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	10,134,196.90
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	2,955,132.90
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	43,875,831.60
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	54,010,028.50
Percentage of aggregate guarantee to net assets of the Company (%)	24.39
Representing:	
Amount of guarantee provided to shareholders, ultimate controller and their related parties (C)	0
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	47,374,546.10
Excess amount of aggregate guarantee over 50% of net assets (E)	0
Aggregate amount of the above three categories (C+D+E)	47,374,546.10
Statement on the contingent joint and several liability in connection with unexpired guarantee Statement on guarantee	As at 31 December 2019, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB36,075,229,100.

XV. Material Contracts and Their Performance (Continued)

3. Management of Cash Assets Entrusted to Third Parties

(1) Entrusted wealth management

(i) Overview of entrusted wealth management

Unit: Ten thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Trust financial product	Self-owned funds	349,830.00	348,830.00	1,000.00

Others:
Not applicable

(ii) Breakdown of entrusted wealth management

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
CCB Trust Co., Ltd.	Trust financial product	32,925.00	2016/9/3	2021/9/3	Self-owned funds	Chengdu Metro Line No. 1, 3 & 7	By agreement	–	–	1,593.19	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,500.00	2014/9/5	2021/9/5	Self-owned funds	Chongqing Metro Line No. 10	By agreement	–	–	193.14	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,500.00	2014/3/11	2021/3/11	Self-owned funds	Chongqing Metro Line No. 5	By agreement	–	–	969.75	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,000.00	2015/12/18	2021/6/18	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	10.00	100.00	586.52	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	12,135.00	2016/11/2	2020/11/2	Self-owned funds	Phase two of PPP project of roadwork in Zhaoqing	By agreement	6.40	776.64	–	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000.00	2015/12/25	2020/12/25	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	6.90	345.00	–	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	7,500.00	2016/2/2	2021/2/2	Self-owned funds	BT project of roadwork in Zhaoqing	By agreement	6.40	480.00	106.46	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000.00	2017/4/12	2045/4/12	Self-owned funds	PPP project of Pingtan Tunnel	By agreement	6.40	320.00	231.43	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	11,000.00	2017/9/15	2037/9/15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing	By agreement	6.10	671.00	331.45	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	9,200.00	2018/6/12	2037/9/15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing	By agreement	6.10	561.20	681.73	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	4,390.00	2018/6/21	2020/6/21	Self-owned funds	PPP project of Hancheng National Highway 327	By agreement	6.80	280.96	154.23	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	30,766.67	2015/12/9	2021/12/9	Self-owned funds	Beijing-Shanghai Expressway – Jinan Link project	By agreement	4.75	13,909.44	2,721.07	30,766.67	Yes	No	–

XV. Material Contracts and Their Performance (Continued)

3. Management of Cash Assets Entrusted to Third Parties (Continued)

(1) Entrusted wealth management (Continued)

(ii) Breakdown of entrusted wealth management (Continued)

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date	Termination date	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
China Railway Trust Co., Ltd.	Trust financial product	60,000.00	2016/8/3	2023/8/3	Self-owned funds	Shandong Tai'an-Dong'e Expressway project	By agreement	4.90	17,856.91	-	-	Yes	No	-
China Railway Trust Co., Ltd.	Trust financial product	51,333.33	2016/11/23	2022/11/23	Self-owned funds	Shandong Weifang-Rizhao Expressway project	By agreement	4.75	15,855.22	9,480.94	25,666.67	Yes	No	-
China Railway Trust Co., Ltd.	Trust financial product	15,000.00	2019/3/19	2021/3/19	Self-owned funds	Renovation of shanty towns in Zunyi	By agreement	10.00	2,820.00	-	-	Yes	No	-
Minmetals International Trust Co., Ltd.	Trust financial product	4,000.00	2019/6/4	2021/6/4	Self-owned funds	Company equity investment in PPP project	By agreement	-	-	5.17	-	Yes	No	-
CITIC Railway Trust Co., Ltd.	Trust financial product	100.00	2014/11/1	2021/12/31	Self-owned funds	BT project of Jiangxi Nanchang Jiulong Lake Tunnel	By agreement	2	8.00	-	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	8,750.00	2016/4/1	2028/4/1	Self-owned funds	PPP project of infrastructure in the Huzhou Economic & Technological Development Zone in Zhejiang Province	By agreement	0	603.75	381.46	8,750.00	Yes	No	-
CITIC Railway Trust Co., Ltd.	Trust financial product	54,220.00	2019/5/20	2022/5/20	Self-owned funds	Shanghai Chunfeng Project in Kunming	By agreement	9.5	-	3,036.20	-	Yes	No	-
CCB Trust Co., Ltd.	Trust financial product	6,400.00	2016/12/28	2031/12/27	Self-owned funds	PPP project of Liuzhou Guantang Bridge	By agreement	5.5	3,520.00	-	-	Yes	No	-
Zhonghai Trust Co., Ltd.	Trust financial product	300.00	2011/4/6	2016/4/7	Self-owned funds	Capital contribution to a joint venture	By agreement	0	-	-	-	Yes	No	-
Zhonghai Trust Co., Ltd.	Trust financial product	700.00	2011/4/6	2016/4/7	Self-owned funds	Capital contribution to a joint venture	By agreement	0	-	-	-	Yes	No	-
CITIC Railway Trust Co., Ltd.	Trust financial product	27,110.00	2019/5/24	2022/5/24	Self-owned funds	Development and construction of plots A11, 12, 13, and 14 on the east coast of Caohai, Kunming	By agreement	9.5	7,733.41	1,519.15	-	Yes	No	-

XV. Material Contracts and Their Performance (Continued)

3. Management of Cash Assets Entrusted to Third Parties (Continued)

(1) Entrusted wealth management (Continued)

(ii) Breakdown of entrusted wealth management (Continued)

Others:

Not applicable

(iii) Provision for impairment of entrusted wealth management

Not applicable

(2) Entrusted loans

(i) Overview of entrusted loans

Unit: Ten thousand Currency: RMB

Type	Source of capital	Amount incurred	Unexpired balance	Overdue outstanding amount
Entrusted loans	Self-owned funds	615,000.00	615,000.00	0

Others:

Not applicable

XV. Material Contracts and Their Performance (Continued)

3. Management of Cash Assets Entrusted to Third Parties (Continued)

(2) Entrusted loans (Continued)

(ii) Breakdown of entrusted loans

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted loan	Entrusted loan amount	Commencement date	Termination date	Source of capital	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted loan plan available	Amount of impairment provision (if any)
China Railway Finance Co., Ltd.	Entrusted loans	16,000.00	2019-03-13	2020-03-12	Self-owned funds	Payment of principal and interest by Dianzhong	By agreement	4.79	765.60	623.11	–	Yes	No	83.91
China Railway Finance Co., Ltd.	Entrusted loans	5,600.00	2019-06-18	2020-06-17	Self-owned funds	Payment of principal and interest by Dianzhong	By agreement	4.79	267.96	145.89	–	Yes	No	41.14
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loans	20,000.00	2017-09-08	2024-12-20	Self-owned funds	Changsha Metro Line No. 5 Project	By agreement	5.39	7,546.00	1,092.97	–	Yes	No	310.48
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loans	10,000.00	2016-09-29	2024-12-20	Self-owned funds	Changsha Metro Line No. 5 Project	By agreement	5.39	4,312.00	546.49	–	Yes	No	155.24
China Railway Finance Co., Ltd.	Entrusted loans	4,800.00	2019-09-06	2020-09-05	Self-owned funds	Payment of principal and interest by Dianzhong	By agreement	4.79	229.68	74.01	–	Yes	No	44.59
China Railway Finance Co., Ltd.	Entrusted loans	28,000.00	2019-11-11	2020-11-10	Self-owned funds	Payment of principal and interest by Dianzhong	By agreement	4.79	1,339.80	186.08	–	Yes	No	273.93
China Railway Finance Co., Ltd.	Entrusted loans	22,000.00	2019-01-18	2020-01-17	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	86.40	–	–	Yes	No	38.97
China Railway Finance Co., Ltd.	Entrusted loans	17,000.00	2019-03-13	2020-03-12	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	213.63	–	–	Yes	No	89.15
China Railway Finance Co., Ltd.	Entrusted loans	10,000.00	2019-05-24	2020-05-23	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	238.77	–	–	Yes	No	57.96
China Railway Finance Co., Ltd.	Entrusted loans	22,500.00	2019-06-11	2020-06-10	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	600.84	–	–	Yes	No	165.23
China Railway Finance Co., Ltd.	Entrusted loans	30,000.00	2019-08-22	2020-08-21	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	1,140.43	–	–	Yes	No	235.52
China Railway Finance Co., Ltd.	Entrusted loans	31,000.00	2019-09-09	2020-09-08	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	1,266.09	–	–	Yes	No	287.76
China Railway Finance Co., Ltd.	Entrusted loans	50,000.00	2019-11-11	2020-11-10	Self-owned funds	Payment of principal and interest by Fuyan	By agreement	5.66	2,536.90	–	–	Yes	No	488.95
China Railway Finance Co., Ltd.	Entrusted loans	5,000.00	2019-06-18	2020-06-17	Self-owned funds	Payment of principal and interest by Pingzheng	By agreement	4.35	106.94	–	–	Yes	No	36.74
China Railway Finance Co., Ltd.	Entrusted loans	26,900.00	2019-10-14	2020-10-13	Self-owned funds	Payment of principal and interest by Pingzheng	By agreement	4.35	958.87	–	–	Yes	No	226.05

XV. Material Contracts and Their Performance (Continued)

3. Management of Cash Assets Entrusted to Third Parties (Continued)

(2) Entrusted loans (Continued)

(ii) Breakdown of entrusted loans (Continued)

Trustee	Type of entrusted loan	Entrusted loan amount	Commencement date	Termination date	Source of capital	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted loan plan available	Amount of impairment provision (if any)
China Railway Finance Co., Ltd.	Entrusted loans	4,000.00	2019-06-18	2020-06-17	Self-owned funds	Payment of principal and interest by Shen-jia-mi Expressway	By agreement	4.35	85.55	–	–	Yes	No	29.39
China Railway Finance Co., Ltd.	Entrusted loans	5,000.00	2019-06-18	2020-06-17	Self-owned funds	Payment of principal and interest by Yulin-Shenmu highway	By agreement	4.35	106.94	–	–	Yes	No	36.74
China Railway Finance Co., Ltd.	Entrusted loans	51,000.00	2019-07-17	2020-07-16	Self-owned funds	Payment of principal and interest by Miansui Expressway	By agreement	4.35	1,269.48	–	–	Yes	No	326.20
China Railway Finance Co., Ltd.	Entrusted loans	21,000.00	2019-09-17	2020-09-16	Self-owned funds	Payment of principal and interest by Miansui Expressway	By agreement	4.35	680.05	–	–	Yes	No	195.13
China Railway Finance Co., Ltd.	Entrusted loans	23,000.00	2019-11-11	2022-11-10	Self-owned funds	Payment of principal and interest by Miansui Expressway	By agreement	4.75	3,195.56	–	–	Yes	No	331.87
China Railway Finance Co., Ltd.	Entrusted loans	5,000.00	2019-08-22	2020-08-21	Self-owned funds	Payment of principal and interest by Cenxi-Cangwu Expressway	By agreement	4.79	160.83	–	–	Yes	No	39.26
China Railway Finance Co., Ltd.	Entrusted loans	33,000.00	2019-03-28	2020-03-27	Self-owned funds	Payment by Guangxi Expressway for the acquisition of Yulin-Shenmu Highway	By agreement	4.79	416.69	–	–	Yes	No	173.06
China Railway Finance Co., Ltd.	Entrusted loans	58,200.00	2019-11-11	2022-11-10	Self-owned funds	Gap of capital dividends from Guangxi Expressway	By agreement	5.23	8,894.78	–	–	Yes	No	839.26
China Railway Finance Co., Ltd.	Entrusted loans	60,000.00	2019-12-02	2022-12-01	Self-owned funds	Funding cap of subsidiaries of Guangxi Expressway	By agreement	5.23	9,352.75	–	–	Yes	No	890.99
China Railway Finance Co., Ltd.	Entrusted loans	56,000.00	2019-12-03	2022-12-02	Self-owned funds	Funding cap of subsidiaries of Guangxi Expressway	By agreement	5.23	8,737.36	–	–	Yes	No	831.60

Others:
Not applicable

(iii) Provision of impairment of entrusted loans

Not applicable

(3) Others

Not applicable

XV. Material Contracts and Their Performance (Continued)

4. Other Material Contracts

(1) Material contracts signed during the reporting period

(i) Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway Guangzhou, China Railway Shanghai	Construction Headquarters Office of Nanjing Railway Terminal Project of China Railway Shanghai Group Co.,Ltd.	NYJZQ-8 Section, NYJZQ-1 Section, NYJZQ-4 Section, and NYJZQ-10 Section of the civil engineering and relating construction project of the New South Jiangsu Riverside Intercity Railway	2019.04-05	1,064,229	48 months
2	China Railway No. 3 Engineering, China Railway No. 9 Engineering, China Railway Beijing, China Railway No. 8 Engineering, China Railway Electrification, China Railway Construction	Chengdu-Lanzhou Railway Co., Ltd., South Sichuan Intercity Railway Co., Ltd., Zigong City Dongtou Construction Development Co., Ltd.	ZYZQ-1-3 Section of the civil engineering and relating construction project of the Zigong-Yibin Line of the new South Sichuan Intercity Railway; Supplementary contract: CN-3 Section of the civil engineering and relating construction project of the Neijiang-Zigong-Luzhou Line; Lump sum contract of CNSDJC-1 of the "Four Electric" system integration of the Neijiang-Zigong-Luzhou Line and related works; Lump sum contract of CNZF-1 Section of the east Zigong station building of the Neijiang-Zigong-Luzhou Line and related works, the project of supporting facilities for the east Zigong station	2019.01-03 2019.12	970,382	540-1,776 calendar days
3	China Railway Major Bridge Engineering, China Railway No. 3 Engineering, China Railway No. 5 Engineering, China Railway No. 4 Engineering	Shanghai-Kunming Railway Passenger Line Zhejiang Co., Ltd.	Civil engineering and relating construction project of the new Huzhou-Hangzhou west-Hangzhou-Huangshan High-speed Railway (excluding the early commencement segment); 2 Section, 3 Section, and 4 Section of the civil engineering and relating construction project	2019.10-12	838,826	2019.11-2023.3
Highway						
1	China Railway and its subsidiaries	Shenzhen Traffic Public Facilities Construction Center	2 Section of the Shenzhen Mawan Cross-Sea Passage (Moon Bay Avenue-Yangjiang Expressway) project	2019.03	555,928	1,820 calendar days
2	China Railway No. 1 Engineering, China Railway No. 4 Engineering, China Railway Eryuan Engineering	Shaoxing Infrastructure Construction Investment Co., Ltd.	EPC contract of the improvement project of the intelligent expressway (Hu'an road to Yuexing road) of National Highway 329	2019.01	422,580	995 calendar days
3	China Railway No. 10 Engineering	Macheng Communications and Transportation Bureau	MCJY-1 Section project of the seventh batch of "integrative management of expressway construction and maintenance" (Macheng, the second time) of ordinary highways in Huanggang	2019.11	241,600	900 calendar days
Municipal Works						
1	China Railway and its subsidiaries	Chengdu Rail Transit Group Co., Ltd.	EPC contract of the phase III project of Line 10 and the phase I project of Line 13 of Chengdu Rail Transit	2019.12	2,124,917	1,635-1,767 calendar days
2	China Railway and its subsidiaries	Development Office of the Industrial Park of Guangzhou Nansha Development Zone	Comprehensive development project of the Qingsheng hub cluster (Qingsheng Sci-Tech education core area project)-EPC Section	2019.05	815,643	1,825 calendar days
3	China Railway and its subsidiaries	Xi'an Rail Transit Group. Co., Ltd.	EPC contract of Section 3 of Xi'an Metro Line 8	2019.11	737,731	1,523 calendar days

XV. Material Contracts and Their Performance (Continued)

4. Other Material Contracts (Continued)

(1) Material contracts signed during the reporting period (Continued)

(ii) Survey, design and consulting services business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Liuyuan	Hubei Industrial Construction Group Co., Ltd.	EPC contract of design, procurement and construction project of sightseeing train (suspended monorail) Qingyun Cliff in Enshi	2019.10	49,200	24 months
2	China Railway Consulting	Weifang Rail Transit Construction Management Co., Ltd.	Feasibility research, survey and design project of Urban Rail Transit No. 1 (Phase I) and No. 2 in Weifang	2019.01	38,392	Until the terms of the contract are fulfilled
3	China Railway Eryuan	Sichuan Rail Transit Investment Co., Ltd.	Survey and design project of the poverty alleviation project of the mountain rail transit from Dujiangyan Irrigation System to Four Girls Mountain (Section 1)	2019.06	27,933	Until the terms of the contract are fulfilled

(iii) Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Engineering machinery						
1	China Railway Engineering Machinery Research & Design Institute	Jiangsu Huaxi Offshore Wind Power Engineering Co., Ltd.	Sales contract of "Warner" wind turbine installation ships	2019.07	9,670	8 months
2	China Railway Engineering Equipment	China Construction Tunnel Corporation Limited	Shield Sales & Purchase Contract	2019.05	8,962	7 months
Turnout						
1	China Railway Baoji Bridge	China Railway Design Corporation	Procurement contract of the turnout of the new Hangzhou-Shaoxing-Taizhou Railway	2019.06	24,505	From April 2019 to the completion of the project
2	China Railway Baoji Bridge	Shandong Weilai High-Speed Railway Co., Ltd.	Procurement contract of the owner-supply merchandise turnout of the civil engineering and relating construction project of the new Weifang-Laixi Railway	2019.08	10,971	From August 2019 to the completion of the project

XV. Material Contracts and Their Performance (Continued)

4. Other Material Contracts (Continued)

(1) Material contracts signed during the reporting period (Continued)

(iii) Engineering equipment and component manufacturing business (Continued)

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Manufacturing and installation of steel structures						
1	China Railway Baoji Bridge and China Railway Shanhaiguan Bridge	Shenzhen-Zhongshan Corridor Management Center	G04 Section and G05 Section of the manufacturing of steel box girders of the Shenzhen-Zhongshan Cross-River Corridor project	2019.10	260,095	43 months for G04 Section and 37 months for G05 Section
2	China Railway Baoji Bridge	Project manager department for the CN-7 Section of the civil engineering and relating construction project of the port-surrounding Yangtze River Bridge along the Zigong-Yibin Line of the South Sichuan Intercity Railway of Sichuan Road and Bridge Construction Group Company Limited	Manufacturing contract of steel box girders, steel anchor beams, bond beams, and girders for the CN-7 Section of the civil engineering and relating construction project of the port-surrounding Yangtze River Bridge along the Zigong-Yibin Line of the South Sichuan Intercity Railway	2019.12	54,928	35 months

(iv) Property development business

No.	Project name	Province where the project is located	Project type	Planning area *('0,000 m²)*
1	Land plot for the car depot at Juqu Road Station of Wuxi Metro Line 4	Jiangsu	Mixed residential and commercial project	63.92
2	Phase I of the logistics park project of Xuzhou railway	Jiangsu	Mixed residential and commercial project	47.27
3	Secondary developable plot for the renovation of shanty towns in Wanli Road, Honghuagang District, Zunyi City	Guizhou	Mixed residential and commercial project	43.68
4	No. 6 land of the China Railway Cosmopolitan Exposition project in Qingdao	Shandong	Mixed residential and commercial project	40.84
5	H plot in the Yangluo Economic Development Zone, Xinzhou District, Wuhan	Hubei	Residential	33.46

XV. Material Contracts and Their Performance (Continued)

4. Other Material Contracts (Continued)

(2) Material infrastructure investment projects (BOT and PPP projects) signed during the reporting period

No.	Name of contract	Signatory	Contract sum *(RMB'00,000,000)*	Signing date
1	Investment cooperation agreement of the PPP project of phase 1 of Guiyang Rail Transit Line 3	China Railway and other parties	322.3	2019.02
2	Investment agreement of the PPP project of the Yuxi-Chuxiong Section of the G8012 Mile-Chuxiong Expressway	China Railway and other parties	319.0	2019.04
3	PPP project contract of Western section of Yinbin Transit Expressway and Yibin-Yiliang Expressway (in Sichuan)	China Railway and other parties	205.4	2019.01
4	Investment agreement of the PPP project of Chongqing Rail Transit Line 4 (Min'an Avenue-Shichuan)	China Railway and other parties	198.3	2019.05
5	Investment agreement of the PPP project of Guizhou Jinsha-Renhuai-Tongzi Expressway	China Railway and other parties	173.9	2019.04
6	Contract for injecting social capital into the construction project starting from the Dali I Section to Chuxiong Section of the Central Yunnan Water Diversion Project	China Railway and other parties	165.4	2019.11
7	Contract for the PPP project of the ecological restoration and infrastructure construction of Donghu Area of Tangshan City	China Railway and other parties	130.6	2019.07
8	Shareholders' investment agreement of the PPP project of the Yibin-Weixin Expressway (Sichuan Border Section)	China Railway and other parties	130.5	2019.01
9	Contract for injecting social capital into the construction project starting from Chuxiong Section to Honghe Section of the Central Yunnan water diversion project	China Railway and other parties	120.2	2019.11

(3) Material infrastructure investment projects (BOT and PPP projects) operated during the reporting period

No.	Name of contract	Signatory	Contract sum *(RMB'00,000,000)*	Signing date
1	BOT project of the Shaanxi Yulin-Shenmu Expressway	China Railway	51.7	2007.10
2	BOT Project of the Guangxi Cenxi-Xingye Expressway	China Railway	51.6	2005.08
3	BOT project of the Yunnan Funing-Guangnan-Yanshan Expressway	China Railway	64.4	2005.12

XV. Material Contracts and Their Performance (Continued)

4. Other Material Contracts (Continued)

(4) Strategic framework agreements signed during the reporting period

No.	Signing time	Agreement name	Investment amount agreed *(RMB'00,000,000)*	Main contents of agreements
1	2019-11	Strategic cooperation framework agreement between the People's Government of Tianjin Municipality and China Railway Group Limited	2,000	Strategic partnerships are established in areas including industrial manufacturing, topside property and comprehensive land development, urban rail transit, railways, characteristic towns, ecological environment, shantytown renovation, integrated pipe corridors, environmental protection water services, and municipal roads, and the principles, ideas, contents and models of cooperation, as well as the rights and obligations of both parties and cooperation mechanisms are specified.
2	2019-07	Strategic cooperation framework agreement between the People's Government of Heze Municipality and China Railway Group Limited	1,173	Strategic partnerships are established in urban development and infrastructure construction as well as in specific projects such as the Heze Rail Transit Project, the Heze Section of the Xiongshang High-Speed Rail Project, and the Heze-Lankao Section of the Lunan High-speed Rail Project, and the principles, contents and models of cooperation, as well as the rights and obligations of both parties and cooperation mechanisms are specified.
3	2019-10	Strategic cooperation framework agreement between the People's Government of Guizhou Province and China Railway Group Limited	1,500	Strategic partnerships are established in engineering fields including highways, railways, rail transit, municipal roads, water conservancy, environmental protection water services, shantytown renovation, underground pipe corridors, sponge cities, airports, and urban development and construction, and the principles, ideas and contents, models of cooperation, as well as the rights and obligations of both parties and cooperation mechanisms are specified.

XV. Material Contracts and Their Performance (Continued)

5. Particulars of Material Properties

(1) Property held for development

Name of building or project	Address	Current land use	Site area *(square meters)*	Floor area *(square meters)*	State of completion	Expected completion date	Interests of the Company and its subsidiaries
Sichuan Heilongtan International Eco Tourism Resort Project	Renshou County, Meishan, Sichuan	Comprehensive	22,660,000	14,180,000	Under construction	2027	100%
Guiyang China Railway Yueshan Lake	Guanshan Lake District, Guiyang, Guizhou	Commercial, residential	2,360,000	2,660,000	Under construction	2020	80%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	863,900	1,482,700	Under construction	2029	100%
Taiyuan China Railway Nuode Mall	Chaoyang Street, Yingze District, Taiyuan	Commercial, residential	276,600	1,250,000	Under construction	2026	100%
Guiyang Qingzhen Project	Xiangchou Residential Quarters, Vocational Education Area, Qingzhen, Guiyang City, Guizhou	Commercial, residential	454,749	1,048,247	Under construction	2027	90%

XV. Material Contracts and Their Performance (Continued)

5. Particulars of Material Properties (Continued)

(2) Property held for investment

Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
Beijing Nuode Center Phase III Building S1, S2, 16 and 19	No. 1 South Yuren Road, Fengtai District, Beijing	Commercial	Medium term	100%
Tianjin Nuode Center No. 1 Building, No. 2 Building and equipped facilities	No. 50 Lvwei Road, Hebei District, Tianjin	Commercial	Medium term	100%
Beijing China Railway Mansion	No. 3 Yard, South Automobile Museum Road, Fengtai District, Beijing	Commercial	Medium term	100%
Guangzhou Nuode Center	No. 477 East Hanxi Avenue, Nancun Town, Panyu District, Guangzhou City, Guangdong	Commercial	Medium term	100%
Shanghai Nuode International Plaza	3/5 Block, 219 Lane, Xinzhuang Town, Minhang District, Shanghai	Commercial	Medium term	100%
Chengdu Nuode No. 1	Intersection of Guangxi Road and Huanhu Road, Shuangliu District, Chengdu, Sichuan	Commercial	Medium term	100%
China Railway Real Estate Qingdao Center	No. 8 Hong Kong Middle Road, South City District, Qingdao, Shandong	Commercial	Medium term	100%
Reeda Plaza	No. 46 South Shengli Road, Heping District, Shenyang, Liaoning	Commercial	Medium term	100%
China Railway South Headquarters Building	No. 3333 Houhai Center Road, Nanshan District, Shenzhen, Guangdong	Commercial	Medium term	100%
Nanjing Lukou Fur Town Shop District A-H, District J, Boutique Business District	No. 47 Xincheng Avenue, Jiangning District, Nanjing, Jiangsu	Commercial	Medium term	100%

XVI. Explanation for Other Significant Events

Not applicable

XVII. Proactive Fulfilment of Social Responsibilities

1. Poverty Relief Efforts of the Company

(1) Targeted poverty alleviation planning

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and the SASAC, in response to the call of the Communist Party of China and the State, CREC, our controlling shareholder, together with the Company have been active in fulfilling their social responsibilities and obligations as central enterprises. They have been participating in various targeted poverty alleviation programs since 2002. CREC and the Company have been devoting to targeted poverty alleviation by taking into account the real needs of the local people. They have been making due contributions to the timely poverty alleviation in the targeted counties by fully taking advantages of their corporate strengths and enhancing intelligence support, technical services as well as information and policy guidance. According to the "Notice on the Better Implementation of Precision Poverty Alleviation Work" (Guo Kai Ban Fa [2015] No. 27) as issued jointly by nine ministries including the Leading Group Office of Poverty Alleviation and Development of the State Council, the Company's targeted poverty alleviation counties are Rucheng and Guidong of Hunan Province and Baode of Shanxi Province. In order to better carry out our poverty alleviation work, the Company has formulated the "Implementation Plans on Targeted Poverty Alleviation Work for 2016-2020", insisting on alleviating property through measures including the implementation of poverty labor training and export, donation of fund for schooling, and implementation of industrial assistance. The Company strives to lift all registered impoverished households out of worrying clothing and food, and helps the three targeted counties officially got rid of poverty on schedule.

(2) Summary of annual targeted poverty alleviation

In 2019, a total of 18 secondary of under the Company participated in the poverty alleviation and development work, invested RMB123.66 million of dedicated funds in total, and helped nearly 3,932 registered impoverished people relieve from poverty under the help offered. The Company's headquarters invested RMB74.40 million of dedicated funds to three targeted alleviation counties, to introduce RMB916,200 of assistance funds, to train 93 grass-root cadres and 4,659 technical personnel, to purchase RMB6.6678 million of agricultural products, and to help sell RMB947,300 of agricultural products from poor areas. As the three targeted poverty alleviation counties have got rid of poverty, the Company, centering on how to consolidate the results of poverty alleviation, surpassed the various targets and tasks included in the poverty alleviation statement. An accumulative total number of 41,995 people have been lifted out of poverty in Guidong County, with the poverty incidence reduced to 0.31%; an accumulative total number of 61,773 people have been lifted out of poverty in Rucheng County, with the poverty incidence reduced to 0.46%; and an accumulative total number of 34,042 people have been lifted out of poverty in Baode County, with the poverty incidence reduced to 0.12%.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty Relief Efforts of the Company (Continued)

(2) Summary of annual targeted poverty alleviation (Continued)

The Company takes the following major measures: First, the Company continues to increase investment in dedicated funds for poverty alleviation, with the investment in 2019 increasing by RMB31.251 million as compared to the last year. The dedicated funds for poverty alleviation were used to support the expansion and reconstruction project of the X006 Line (Tiaoyulanou to Zengkou) in Guidong County, the student dormitory project of phase II of the new vocational education center in Rucheng County, the auxiliary project of China Railway Xingfu Avenue in Baode County, the regular education projects in the three counties, the establishment of grass roots organizations involved by the first secretary, and the development of an "employment management information system for targeted alleviation". Second, the Company sets up a platform for the sale of agricultural products. The Company holds a fair for featured agricultural products from impoverished counties at the Company's headquarters, plans and carries out the "China Railway Precision Poverty Alleviation at the Community" activity with China Railway Real Estate Co., Ltd., and takes the lead in selling superior-quality featured agricultural products in the supermarkets of Beijing Capital Agribusiness Group. In 2019, the whole system consumed RMB8.3175 million of agricultural products. Third, the Company actively carries out training and labor export. The Company launches knowledge training and practical courses in the forms of "apprenticeship" and "speaking on the stage". It also trains technical personnel by organizing activities such as the precision poverty alleviation drive of "Everyone Has a Skill" in the countryside in Rucheng County, the "Good Driver of Baode" activity in Baode County, and the activity of "With a professional skill, there would be no worry about employment" in Guidong County. Among them, the "Everyone Has a Skill" training program has been awarded as the "brand program for lifelong learning" by the Ministry of Education. Meanwhile, the Company has taken the initiative to establish partnerships with the employment markets in Guangdong and Shenzhen and exported 460 people there for employment. Fourth, the Company provides assistance in solving the prominent problem of "eliminating two worries and providing three guarantees" by upholding the principle that "intelligence development takes precedence over poverty alleviation". In 2019, the Company invested RMB1.004 million to subsidize 1,209 college students from families in financial difficulty in the three counties; provided RMB100,000 to help the Qijiang Primary School in Guidong County update multimedia teaching equipment; and donated RMB100,000 and 336 sets of down jackets to the left-behind children in 11 county schools in remote areas of Baode County. Bai Zhiyong, an employee of the Company honoured as the "National Model Worker and Great National Craftsman", was hired as a visiting senior lecturer at the Vocational Education Training Center in Rucheng County, and a studio was established to promote local education; and a medical team from the Central Hospital of the China Railway No. 3 Engineering was dispatched to Tuanwo Village, Hanjiachuan Town, Baode County for physical exams for permanent residents there free of charge. Fifth, the Company strengthens external exchanges. It attends the conference of advancing poverty alleviation for enterprises from China construction industry, participates in the program of "Central Enterprises Joining Hands to Take Action Targeting Poverty Alleviation" launched by China Media Group, and cooperates with China Foundation for Poverty Alleviation where it introduces RMB580,000 non-reimbursable assistance funds. Sixth, the Company develops an "employment management information system for targeted poverty alleviation", which is tailored to the employment of workers from low income families in the three targeted poverty alleviation counties, namely Baode County, Rucheng County, and Guidong County. Currently, the system has been initially debugged and put online in some units of the Company. There are 10,086 such workers registered in the system and the Company has made public 437 suitable posts through the system. As a result, the Company can choose the impoverished people it wishes to employ and the impoverished people can choose the posts likewise.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty Relief Efforts of the Company (Continued)

(3) Effectiveness of targeted poverty relief efforts

Unit: Ten thousand Currency: RMB

Indicators	Quantity & Implementation
I. General	
Including: 1. Fund	12,366
2. Materials converted into cash	1,537
3. Number of registered impoverished people relieved from poverty under the help offered (person)	3,932
II. Investment Breakdown	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial projects for poverty alleviation	☑ Agricultural and forestry poverty alleviation ☐ Tourism poverty alleviation ☐ E-commerce poverty alleviation ☐ Asset income poverty alleviation ☑ Technological poverty alleviation ☑ Others
1.2 Number of industrial projects for poverty alleviation	24
1.3 Amount of investment in industrial projects for poverty alleviation	4,361
1.4 Number of registered impoverished people relieved from poverty under the help offered (person)	3,315
2. Poverty alleviation through transferred employment	
Including: 2.1 Amount of investment in occupational skill training	135.96
2.2 Number of persons receiving vocational skill training (person/time)	5,252
2.3 Number of registered impoverished people getting employed under the help offered (person)	905
3. Poverty alleviation through relocation	
Including: 3.1 Number of employment for relocated household (person)	55
4. Poverty alleviation through education	
Including: 4.1 Amount of investment in financing needy students	285
4.2 Number of poor students financed (person)	2,942
4.3 Amount of investment in improving the educational resources in poverty-stricken areas	3,028.5
5. Poverty alleviation through health	
Including: 5.1 Amount of investment in the medical and health resources of poverty-stricken areas	5.42
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of Project	/
6.2 Amount of investment	–

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty Relief Efforts of the Company (Continued)

(3) Effectiveness of targeted poverty relief efforts (Continued)

Indicators	Quantity & Implementation
7. Baseline security	
Including: 7.1 Amount of investment in helping the elderly people, women and left-behind children in rural areas	4.25
7.2 Number of elderly people, women and left-behind children in rural areas helped (person)	380
7.3 Amount of investment in helping needy disabled people	17.50
7.4 Number of needy disabled people helped (person)	20
8. Poverty alleviation through society	
Including: 8.1 Amount of investment in coordinated eastern-western poverty alleviation	275
8.2 Amount of investment in precision poverty alleviation	9,162.48
8.3 Public social charitable fund for poverty alleviation	3
9. Other projects	
Including: 9.1 Number of projects	8
9.2 Amount of investment	122.18
9.3 Number of registered impoverished people relieved from poverty under the help offered (person)	277
9.4 Description about other projects	1 rural road construction project with assistance from China Railway Shanghai totaling RMB100,000. Providing assistance totaling RMB435,000 to 27 needy employees through 1 poverty alleviation project within the Group

III. Awards Received (Nature and Level)

1. China Railway Beijing won the trophy of Rural Revitalization Model Village from China Railway Urumqi Bureau.
2. Wang Zhong from China Railway No. 2 Engineering was named as an outstanding member of the Village Work Team in Sichuan.
3. China Railway won the award of Advanced Assistance Working Group (County Level).
4. The poverty alleviation working team of China Railway No. 4 Engineering resident in the Wangli Village, Yanghu Town, Yingshang County, Anhui Province won the honorary title of Advanced Collective of Poverty Alleviation of Anhui Provincial Unit (Sheng Zhi Gong Ban [2019] No. 97).
5. Zhang Kun, the first secretary and lead of the poverty alleviation working team of China Railway No. 4 Engineering resident in the Wangli Village, Yanghu Town, Yingshang County, Anhui Province won the honorary title of "Outstanding Poverty Alleviation Leader from China Railway" and "Model Worker from China Railway" (Zhong Tie Cheng Ban [2019] No. 51).
6. Zhang Kun, the first secretary and lead of the poverty alleviation working team of China Railway No. 4 Engineering resident in the Wangli Village, Yanghu Town, Yingshang County, Anhui Province won the honorary title of "Outstanding Member of the Communist Party in Yanghu Town, Yingshang County".

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

1. Poverty Relief Efforts of the Company (Continued)

(4) Subsequent targeted poverty alleviation plan

The year of 2020 is the final year for poverty alleviation. The Company will earnestly implement the CPC's spirit of poverty alleviation and work hard to overcome difficulties, to achieve a decisive victory in poverty alleviation in 2020. First, the Company will strictly execute the specific assessment requirements of the Leading Group Office of Poverty Alleviation and Development of the State Council, carry out work as required, and ensure the implementation of specific tasks. Second, the Company will continue to do well in the survey, supervision, and inspection of poverty alleviation. Third, the Company will continue to increase investment in funds for poverty alleviation. In 2020, the Company plans to invest no less than RMB50 million funds. Fourth, the Company will give priority to the initiation and implementation of key aid projects, the all-round popularization of the "employment management information system for targeted poverty alleviation", the building of the "Day Care Center for Rural Elders", and etc.

2. Social Responsibility Commitments

As a leading enterprise in the construction industry, the Company has always taken being a practitioner, promoter and leader as its corporate social responsibilities. Since 2008, China Railway has started setting up a scientific, regulated, systematic and effective mechanism for corporate social responsibility management system. Based on the ten aspects of social responsibility planning, namely legal corporate governance, quality services, efficiency creation, employee development, safety supervision, technological advancement, environmental protection, charity, win-win cooperation and overseas responsibilities, a series of corporate social responsibility activities was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous outstanding contribution to the society. During the reporting period, the Company donated a total of RMB85,691,000 (2018: RMB69,233,000) for the fulfillment of social responsibilities. For details in relation to the social responsibility commitments of the Company, please see the Social Responsibility Report and ESG (Environment, Social and Governance) Report of China Railway Group Limited for 2019 as disclosed on the website of Shanghai Stock Exchange together with this announcement by the Company.

3. Environmental Protection Information

(1) Description of environmental protection efforts of the highly polluting companies and their key subsidiaries as announced by the environmental protection authority

Not applicable

(2) Description of environmental protection efforts of companies other than highly polluting companies

In 2019, the Company implemented in an all-round way the decisions of the CPC Central Committee and State Council on ecological civilization construction and environmental protection, and learned more about General Secretary Xi Jinping's ecological civilization thought. With ecological environmental protection as an important way to achieve high-quality development for enterprises and a mandatory political task, the Company surmounted difficulties and launched innovative initiatives to actively promote the green development of construction enterprises. By improving the environmental protection mechanism and speeding up green transformation and upgrading, the Company also strengthened prevention and control of environmental pollution. Throughout the year, no environmental pollution and ecological damage accidents were reported, and the situation of the Company's ecological environmental protection was stable and controllable, and continued to move in a positive direction.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental Protection Information (Continued)

(2) Description of environmental protection efforts of companies other than highly polluting companies (Continued)

In 2019, by identifying and evaluating the environmental factors of projects under construction and workplaces, the Company identified the environmental factors requiring key control, prepared work plans for environmental management of projects, established an ecological environmental monitoring system, and strengthened control over risk sources of ecological environment pollution and pollutant emissions, to protect and improve both the living environment and the ecological environment. The Company pays high attention to the building of the organization and management system for ecological environmental protection by extending the coverage of the system to all secondary and tertiary companies. The project departments and command posts at all levels clearly designate the leading group, competent department, and full-time staff responsible for ecological environmental protection, to ensure the full implementation of ecological environmental protection. The Company also organizes member companies to prepare and revise the Administrative Measures for Ecological Environmental Protection of the Company, urges all subsidiaries and branches to improve the supporting management system, and guides all subordinate units to formulate and refine a series of bylaws including the Administrative Measures for Environmental Protection at Construction and Installation Sites, Administrative Measures for Construction and Environmental Protection, and Administrative Measures for Recycling Waste and Old Materials, to ensure that there are rules to go by, the rules are observed, and supervision is conducted on good grounds in respect of the daily environmental management. The Company strictly implements the reward and punishment system for ecological environmental protection. At the beginning of 2019, the Company set indicators of energy conservation and consumption reduction, requiring various units to decompose the indicators and communicate them to all their tertiary companies, project departments, and command posts. The Company aimed to be impartial in the dispensation of reward and punishment and mobilize each entity's initiative. The Company establishes a statistical monitoring platform for ecological environment protection and collects ecological environment monitoring data on a regular basis, to improve the intuitiveness and truthfulness of the information about ecological environment protection. The Company has conducted seven inspections on ecological and environmental protection, made special inspections on 135 projects throughout the Company, announced the units with potential ecological and environmental risks, and supervised the rectification and elimination of the risks. At the same time, the Company puts a high premium on green construction, scientific and technological research, and exemplary role of engineering projects, and carries out the technical research and development of ecological environmental protection in an all-round way.

For the Company's specific environmental protection work in 2019 and the results achieved, please see the Social Responsibility Report and ESG (Environment, Social and Governance) Report of China Railway Group Limited for 2019 as disclosed on the website of Shanghai Stock Exchange together with this announcement by the Company.

XVII. Proactive Fulfilment of Social Responsibilities (Continued)

3. Environmental Protection Information (Continued)

(3) Explanation of reasons for the undisclosed environmental information of the Company other than highly polluting companies

Not applicable

(4) Explanation of the subsequent progress or changes in the disclosure of environmental information content during the Reporting Period

Not applicable

4. Others

Not applicable

XVIII. Convertible Corporate Bonds

Not applicable

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

1	the Company, China Railway	China Railway Group Limited
2	the Group	the Company and its subsidiaries
3	CREC	China Railway Engineering Group Company Limited, whose predecessor is China Railway Engineering Corporation
4	CRHIC	China Railway Hi-Tech Industry Corporate Limited, Stock Code: 600528.SH, whose predecessor is China Railway Erju Corporate Limited.
5	BT	"Build-Transfer" mode
6	BOT	"Build-Operate-Transfer" mode
7	PPP	"Public-Private-Partnership" mode
8	Shield Tunneling Machine	a full-section tunneling excavator which can complete tunneling, slag discharging, pipe segments assembling and other operations under the protection of a rigid shield.
9	TBM	Tunnel Boring Machine
10	Turnout	a component used for changing the route of a train where a single track splits into two tracks. Turnout is applied in railway tracks
11	Engineering method	an integrated construction method with application of systematic construction principles to combine advanced technology and scientific management, under which certain engineering practices will be applied to the construction in line with technology
12	One Belt, One Road	the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road"
13	Three transformations	Promotion on the transformation of Chinese manufacturing to Chinese creation, Chinese speed to Chinese quality, and Chinese products to Chinese brands

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

14	Ecological restoration and urban renovation	Ecological restoration and urban renovation
15	Double hundred action	According to the Notice on Selecting Enterprises for the "Double Hundred Actions on State-owned Enterprise Reform" issued by the State-owned Assets Supervision and Administration Commission in March 2018, the Office of the State-owned Enterprise Reform Leading Group of the State Council decided to select one hundred central enterprises' subsidiary enterprises and one hundred local state-owned backbone enterprises, on which the "Double Hundred Actions of State-owned Enterprise Reform" would be implemented from 2018 to 2020 to further promote reform

COMPANY INFORMATION

Directors

Executive directors
ZHANG Zongyan *(Chairman)*
CHEN Yun
ZHANG Xian

Independent non-executive directors
GUO Peizhang
WEN Baoman
ZHENG Qingzhi
CHUNG Shui Ming Timpson

Non-executive director
MA Zonglin

Supervisors

ZHANG Huijia *(Chairman)*
LIU Jianyuan
YUAN Baoyin
CHEN Wenxin
FAN Jinghua

Joint company secretaries

HE Wen
TAM Chun Chung *CPA, FCCA*

Authorized representatives

ZHANG Xian
TAM Chun Chung *CPA, FCCA*

Audit and risk management committee

ZHENG Qingzhi *(Chairman)*
WEN Baoman
CHUNG Shui Ming Timpson

Remuneration committee

GUO Peizhang *(Chairman)*
WEN Baoman
MA Zonglin

Strategy committee

ZHANG Zongyan *(Chairman)*
CHEN Yun
GUO Peizhang
MA Zonglin

Nomination committee

ZHANG Zongyan *(Chairman)*
CHEN Yun
GUO Peizhang
WEN Baoman
ZHENG Qingzhi

Safety, health and environmental protection committee

CHEN Yun *(Chairman)*
ZHANG Xian
ZHENG Qingzhi
CHUNG Shui Ming Timpson
MA Zonglin

COMPANY INFORMATION

Registered office

918, Block 1
No. 128 South 4th Ring Road West
Fengtai District
Beijing 100070
PRC

Principal place of business in Hong Kong

Unit 1201-1203
12/F, APEC Plaza
49 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Auditors

Domestic
PricewaterhouseCoopers Zhong Tian LLP
11/F, PricewaterhouseCoopers Center
Link Square 2, 202 Hu Bin Road
Huangpu District
Shanghai, PRC

International
PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Legal advisors

For PRC Law
Jia Yuan Law Firm
F407, Ocean Plaza
158, Fuxing Men Nei Street
Beijing 100031
PRC

For Hong Kong Law
Linklaters
10/F, Alexandra House
Chater Road
Hong Kong

Shares registrars

A Shares
China Securities Depository and Clearing Corporation Limited, Shanghai Branch
36/F, China Insurance Building
No. 166, Lu Jia Zui Road East
Pudong New District, Shanghai
PRC

H Shares
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing information

A Shares
Place of listing: Shanghai Stock Exchange
Stock name: China Railway
Stock code: 601390

H Shares
Place of listing: The Stock Exchange of Hong Kong Limited
Stock name: China Railway
Stock code: 390

Principal bankers

The Export-Import Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bank of China
Bank of Communications
China Minsheng Bank
China Merchants Bank
China CITIC Bank

Company website

http://www.crec.cn

中國中鐵
CHINA RAILWAY

Block A, China Railway Square, No.69, Fuxing Road,
Haidian District, Beijing, China
Postal Code: 100039

http://www.crec.cn