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中國中鐵股份有限公司

CHINA RAILWAY GROUP LIMITED

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

(Stock Code: 390)

RESULTS ANNOUNCEMENT FOR THE YEAR OF 2017

The board of directors (the "**Board**" or "**Board of Directors**") of China Railway Group Limited (the "**Company**" or "**China Railway**") is pleased to announce the annual audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017.

1 CORPORATE INFORMATION

Basic Information

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

Contact Details

Name:	Yu Tengqun
Address:	Block A, China Railway Square, No. 69 Fuxing Road, Haidian District, Beijing, People's Republic of China
Postal code:	100039
Telephone:	86-10-5187 8413
Facsimile:	86-10-5187 8417
E-mail:	ir@crec.cn

2 SUMMARY OF ACCOUNTING DATA

2.1 Key Accounting Data Prepared under International Financial Reporting Standard ("IFRS")

2.1.1 Summary of consolidated income statement

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

2.1.2 Summary of consolidated balance sheet

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

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

	Net Assets as at 31 December 2017 *RMB million*	**Profit for the Year Ended 31 December 2017** *RMB million*
Amount attributable to the ordinary shareholders of the Company stated in the financial statements prepared in accordance with CAS	155,380	16,067
Adjustments as required by IFRS:		
– Recognition of loss on non-tradable shares reform of a subsidiary	(163)	–
Amount attributable to the owners of the Company stated in the financial statements prepared in accordance with IFRS	155,217	16,067

3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3.1 Changes in Share Capital

3.1.1 Changes in shares

(1) Changes in shares

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

(2) Explanation for the changes in shares

Not applicable

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

Not applicable

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

Not applicable

3.1.2 Changes in shares with selling restrictions

Unit: Shares

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

3.2 Information of Shareholders and Ultimate Controller

3.2.1 Number of shareholders

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

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

Unit: Shares

Shareholdings of the top ten shareholders

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

Shareholdings of the top ten shareholders of shares without selling restrictions

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

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

Note 1: CREC held 12,424,784,308 shares of the Company, including 12,260,390,308 A shares (including 308,880,308 shares with selling restrictions) and 164,394,000 H shares of the Company.

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

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

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

Unit: Shares

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

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

Not applicable

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

As at 31 December 2017, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"):

Holders of A shares

Name of substantial shareholders	Capacity	Number of A shares held *(Shares)*	Nature of interest	Approximate percentage of issued A shares *(%)*	Approximate percentage of total issued shares *(%)*
CREC	Beneficial owner	12,260,390,308	Long position	65.79	53.67

Holders of H shares

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

Notes:

1 *According to the Corporate Substantial Shareholder Notice filed by 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*
Black Rock, Inc.	–	–	–	*4,982,000*	–	–	–	–
Deutsche Bank Aktiengesellschaft	–	–	–	*17,624,000*	–	–	–	*10,166,000*
Lehman Brothers Holdings Inc.	–	–	*10,000,000*	–	–	–	*60,000*	–

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

3.4 Information on Controlling Shareholder and the Ultimate Controller

3.4.1 Details of controlling shareholder

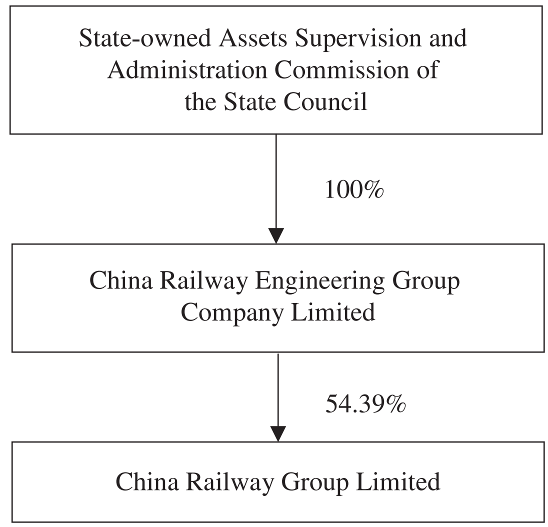
Name of controlling shareholder:	China Railway Engineering Group Company Limited
Legal representative:	LI Changjin
Date of establishment:	7 March 1990
Principal business:	Construction works, related engineering technological research, survey, design, services, manufacturing of specialized equipment and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

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

3.4.2 Details of ultimate controller

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

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



4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Review and Outlook

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

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

Only those who steadfastly uphold values will succeed in the end. From its establishment and listing in 2007 to present day, with the care and support of investors at large, the Company was listed on the capital market for a whole decade. These ten years have been filled not only with difficulties and challenges, but also with reforms and progress. During these ten years, bearing in mind our traditional can-do spirit and the honorable mission of serving the country, we worked hand-in-hand and shared joys and sorrows with investors. In the 10 years since we were listed, the Company's total assets grew 3.9 times from RMB215.0 billion to RMB843.9 billion, and the net assets increased 2.9 times from RMB58.7 billion to RMB169.6 billion. The compound annual growth rate of the value of new contracts, revenue and total profits reached 20%, 15% and 20% respectively. In 2017, the Company jumped to 55th place on the Fortune Global 500 list, 287 places higher than our rank in 2007, and the Company ranked second out of the top global contractors by the Engineering News Record (ENR).

We are determined to make progress with hard work and devotion. We start on a new chapter at the outset of the new era, following the national requirements of winning the "Three Tough Battles" and achieving high-quality development, instead of relying merely on pipe dreams and boasts. We will focus on the supply-side structural reform and quality and efficiency enhancement under the leadership of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We will seek to optimize our structure through reforms, identify growth drivers through innovation and enhance our quality through transformation to fulfil our vision of becoming a leading, ultra-large integrated industrial group at home and abroad.

4.2 Business Overview

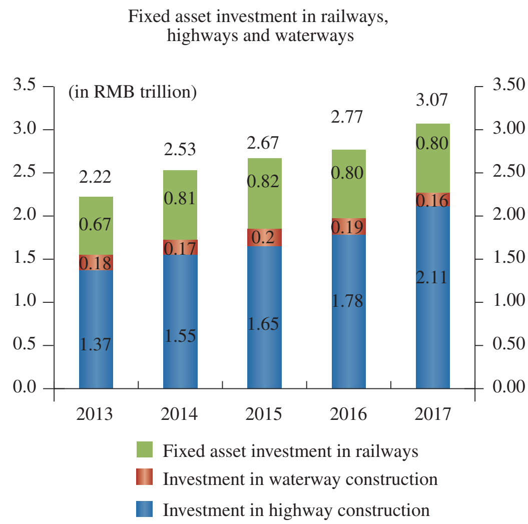
The Group is one of the largest multi-functional integrated construction groups in the PRC and even the world, which enables us to offer a full range of construction and industrial products and related services to our customers. The Group holds an industrial leading position in fields such as infrastructure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

4.2.1 Industry development overview

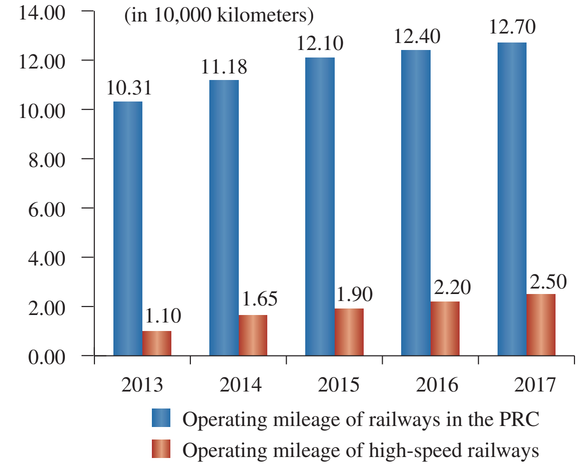
(1) Infrastructure construction business

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

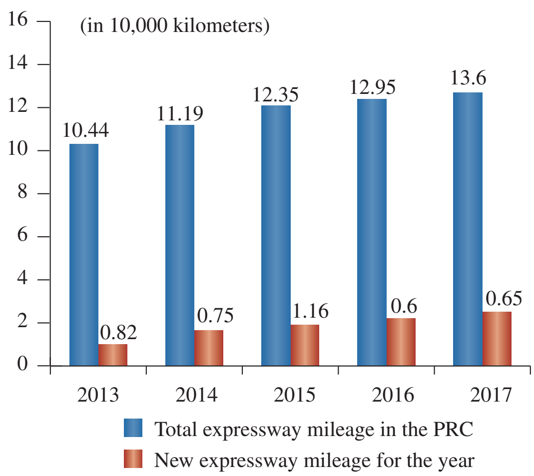
In 2017, infrastructure construction, as an important foundation for securing growth, a crucial factor for promoting supply-side structural reform and a strategic option for combating poverty, continued to maintain a healthy growth. China's economy is now at a critical stage of restructuring with growth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



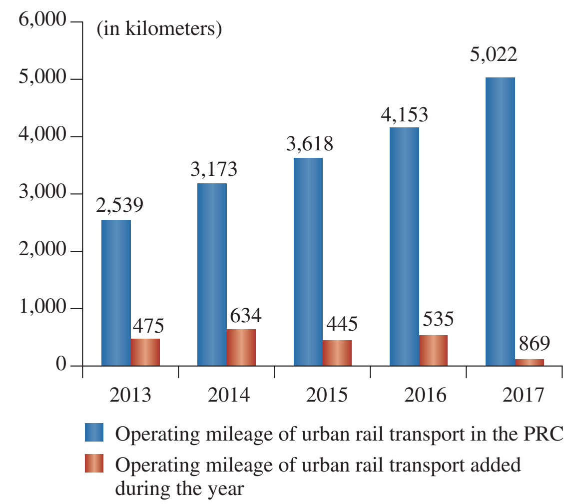
Source: Ministry of Transport



Source: Ministry of Transport

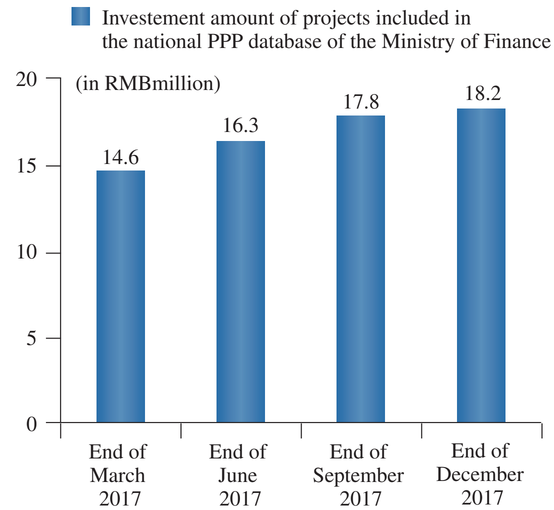


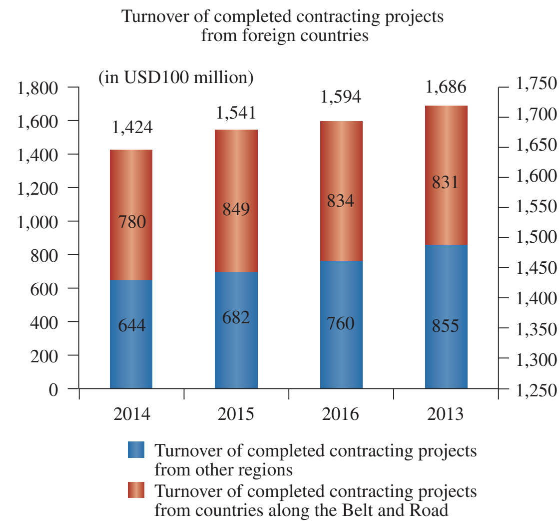
Source: Ministry of Transport



Source: China Urban Rail Transit Association

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





Source: Ministry of Finance

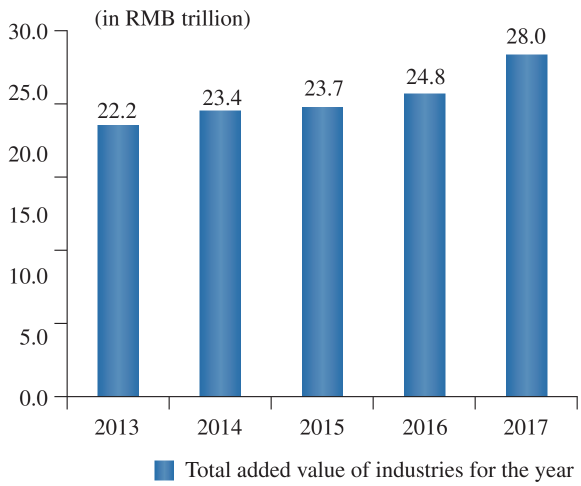
In 2017, the Belt and Road Initiative entered into a new stage of comprehensive cooperation. As the joint construction of the Belt and Road Initiative bore fruits, the trading volume gradually expanded with deeper mutual cooperation. During the year, the turnover of contracting projects from the Belt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

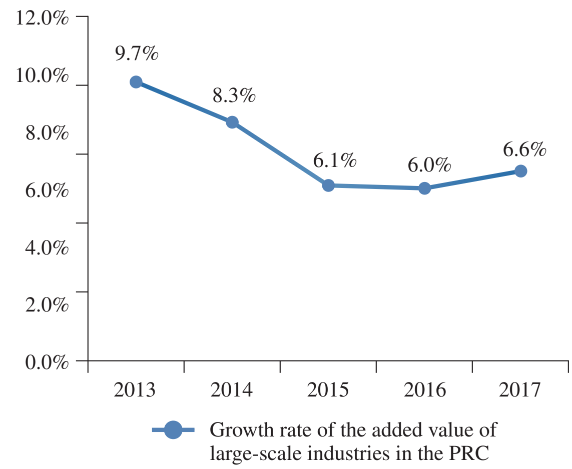
(2) Survey, design and consulting services business

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

(3) Engineering equipment and component manufacturing business

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





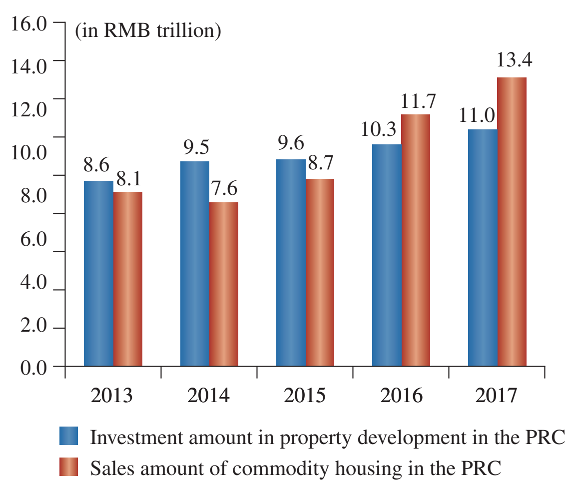
Source: National Bureau of Statistics

Source: National Bureau of Statistics

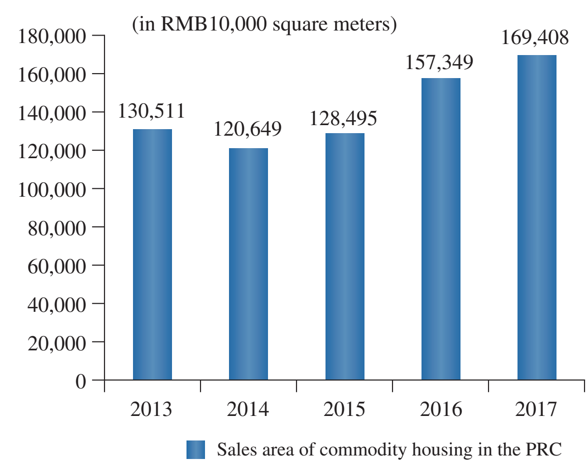
(4) *Property development business*

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

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



Source: National Bureau of Statistics



Source: National Bureau of Statistics

4.2.2 Business development overview

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

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

Unit: RMB100 million

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

Notes:

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

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

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

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

Unit: RMB100 million

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

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

Unit: RMB100 million

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

(1) Infrastructure construction business

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

(i) Railway construction

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

(ii) Highway construction

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

(iii) Municipal works and other businesses

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

(2) Survey, design and consulting services business

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

(3) Engineering equipment and component manufacturing business

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

(4) Property development business

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

(5) Other businesses

In 2017, the other businesses of the Group realised revenue of RMB53.074 billion, representing a year-on-year increase of 24.4%. As the prices of copper, cobalt and molybdenum products rebounded, mining development projects such as Luming Molybdenum Mine and Sicomines Copper-Cobalt Mine have been operating smoothly, and the mining development business has entered a stage of steady development. The overall operation of the investment and operation projects for expressways, sewage treatment plants and overseas railway and transit transportation projects undertaken by the Group remained satisfactory with a continuous increase in revenue. The gross profits of merchandise trading business further increased as a result of our business focusing on internal centralised procurement and stable external operations. Owing to an increase in market demand, the finance business grew at a high speed. By further consolidating internal financial resources, the Group solidly promoted the integration of industry and finance, created innovative investment and financing models and set up an industry-chain financial service system, which in turn helped to supplement the development of its principal operations.

4.2.3 Scientific research investment and technological achievements

In 2017, following the State's guidance on technological development of "achieving innovation and focused breakthroughs to support development and lead the future", by vigorously implementing the strategy of development through technology, the Group applied a lot of new technology, new techniques, new materials and new equipment in project construction, which led to the full advancement of the quality of our projects and products. The innovation capability of the Group was significantly enhanced.

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

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

4.2.4 Establishment and implementation of safety and quality system

In 2017, the Group conscientiously implemented and complied with the standards of the quality management system, environmental management system, occupational health and safety management system (international quality management system: ISO 9001:2015; national quality management systems: GB/T 19001-2016/ISO 9001:2015 and GB/T 50430-2007; international environmental management system: ISO 14001:2015; international environmental management system: GB/T 24001-2016/ISO 14001:2016; international occupational health and safety management system: GB/T 28001-2011/OHSAS 18001:2007). It also strictly implemented the domestic and international industrial standards and continuously improved its internal quality assurance system to make sure that its system and rules (including the Measures for Supervision on and Management of Construction Quality) are effectively compatible with those currently in force in relation to construction quality control, quality assurance and management, quality accident handling, and accountability for accidents, and that the management process is in an orderly and controllable condition, thus providing a solid foundation for the highly effective operation of the Group's quality management system. During the year, 2 projects of the Group won the golden award of the National Outstanding Quality Project Award, 11 projects won the Luban Prize and 35 projects were granted the National Outstanding Quality Project Award (2 of them were overseas projects). The brand reputation of the construction quality of the Group was further enhanced.

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

4.2.5 Implementation of environmental protection measures

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

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

4.2.6 Compliance with laws and regulations

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

4.2.7 Maintenance of relationship with stakeholders

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

4.2.8 Prospects

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

In respect of the international infrastructure market, as the global economy enters a stage of intensified adjustment, infrastructure investment and construction have become the keys to driving economic recovery and realizing economic growth for different countries. With the progression of the Belt and Road Initiative and the international cooperation on production capacity promoted by China, different countries have quickened their steps in mutual cooperation and development and their investments in infrastructure have been increasing. In particular, most of the 65 countries along the Belt and Road are developing countries with poor infrastructure and huge demand for infrastructure construction. This will definitely lead to continuous increase in the demand for infrastructure construction along the Belt and Road and create new development opportunities for the world's construction industry. According to the latest study conducted by the Development Research Center of the State Council, the funding needed for infrastructure development in Belt and Road countries will exceed US$10.6 trillion from 2016 to 2020. At the same time, in view of their needs to upgrade and renew their infrastructure, the developed countries in Europe and the Americas have also rolled out large-scale infrastructure renovation and construction plans. All in all, the future prospect of global infrastructure investment and construction is promising.

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

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

4.2.9 Operation plan

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

4.3 Financial Performance Overview

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

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

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

4.4 Consolidated Results of Operations

Revenue

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

Cost of sales and services and gross profit

The Group's cost of sales primarily includes cost of raw materials and consumables, subcontracting cost, equipment usage cost (consisting of maintenance, rental and fuel), employee compensation and benefits and depreciation and amortization expenses. In 2017, the Group's cost of sales recorded a year-on-year increase of 7.4% to RMB626.044 billion while gross profit of the Group increased year-on-year by 26.0% to RMB62.729 billion. The overall gross profit margin for 2017 was 9.1%, representing an increase of 1.2 percentage points as compared to 7.9% in 2016, which was mainly attributable to the increase in gross profit margin of the infrastructure construction business.

Other income

The Group's other income primarily consists of profits from sundry operations supplemental to our principal revenue-generating activities, such as sales of materials, dividend income, relocation compensation and subsidies from government, and other income. In 2017, the Group's other income was RMB2.819 billion, increased by 52.0% from RMB1.855 billion of last year. The increase of other income was primarily due to the increase in revenue from sales of materials and dividend income.

Other expenses

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

Other gains and losses

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

Selling and marketing expenses

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

Administrative expenses

The Group's administrative expenses mainly consist of employee compensation and benefits and depreciation and amortization of its assets related to administration. In 2017, the Group's administrative expenses increased year-on-year by 13.8% to RMB20.119 billion. Administrative expenses as a percentage of revenue was 2.9%, representing an increase of 0.1 percentage point from 2.8% for 2016.

Interest income

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

Interest expenses

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

Profit before tax

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

Income tax expense

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

Profit for the year attributable to owners of the Company

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

4.5 Segment Results

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

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

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

Infrastructure construction business

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

Survey, design and consulting services business

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

Engineering equipment and component manufacturing business

Revenue from the operation of the engineering equipment and component manufacturing business primarily derives from the design, research and development, manufacture and sale of turnouts and other railway-related equipment, bridge steel structures and engineering machinery. In 2017, benefiting from the gradual increase in the scale in manufacture and installation of steel structures and engineering construction machinery manufacture as well as continuing steady development of manufacture and leasing of shields and subcontracting business of drilling, revenue of the engineering equipment and component manufacturing business of the Group increased by 8.5% year-on-year to RMB18.521 billion in total. Gross profit margin and profit before tax margin was 21.0% and 8.3% respectively for 2017 (2016: 21.4% and 7.9% respectively). The decrease in gross profit margin was mainly due to the increase in proportion of revenue from products with lower gross profit margin. The increase in profit before tax margin was mainly due to the increase in share of profits from joint ventures and associated companies as well as the decrease in interest expenses.

Property development business

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

Other businesses

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

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

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

4.6 Cash Flow

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

Capital expenditure

The capital expenditure of the Group primarily comprises expenditure on purchases of equipment and upgrading of the Group's production facilities. The Group's total capital expenditure (excluding acquisition of subsidiaries) for 2017 was RMB15.748 billion (2016: RMB14.677 billion).

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

For the year ended 31 December 2017	Infrastructure construction *RMB million*	Survey, design and consulting services *RMB million*	Engineering equipment and component manufacturing *RMB million*	Property development *RMB million*	Other businesses *RMB million*	Total *RMB million*
Property, plant and equipment	9,844	184	677	898	3,266	14,869
Land use rights	376	2	127	–	157	662
Investment properties	2	–	–	10	2	14
Intangible assets	58	22	11	2	103	196
Mining assets	–	–	–	–	7	7
Total	**10,280**	**208**	**815**	**910**	**3,535**	**15,748**

Working capital

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

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

Trade and bills receivables

According to the ageing analysis of the Group's trade and bills receivables, most of the Group's trade and bills receivables were of less than 6 months and the trade and bills receivables of more than one year accounted for 26.2% (31 December 2016: 25.4%) of the total receivables, which reflected the sound receivables management capability of the Group.

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

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

Trade and bills payables

The Group's trade and bills payables primarily consist of amounts owed to the Group's suppliers of raw materials, machinery and equipment. The Group's trade and bills payables increased by 12.6% from the end of 2016 to RMB336.388 billion as at the end of 2017. It was mainly because ① simultaneous increase in payable for staff outsourcing and purchase as a result of the expansion of the Group's business scale and increase in investment in projects and ② reasonable payment arrangement by making good use of the Group's good business credit as well as maximization of the Group's profitability. Therefore, the turnover days of trade and bills payables was 183 days in 2017, representing an increase from 173 days in 2016. According to the ageing analysis of the Group's trade and bills payables, most of the Group's trade and bills payables were of less than one year and the trade and bills payables of more than one year accounted for 9.0% (31 December 2016: 9.9%) of the total payables.

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

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

4.7 Borrowings

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

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

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

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

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

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

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

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

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

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

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

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

4.8 Contingent Liabilities

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

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

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

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

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

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

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

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

Note 4: The Group has provided guarantees to banks in respect of banking facilities utilized by certain related companies and third parties resulting in certain contingent liabilities. The following table sets forth the maximum exposure of these guarantees to the Group.

	As at 31 December			
	2017		2016	
	Amount RMB million	**Expiry period**	Amount RMB million	Expiry period
Guarantees given to banks in respect of banking facilities to:				
Associates	**5,077**	**2018-2023**	5,467	2017-2023
Joint ventures	**400**	**2018-2019**	400	2017-2019
A government-related enterprise	**58**	**2019**	61	2017
Property purchasers	**23,121**	**2018-2038**	21,005	2017-2025
Former associates	**754**	**2020-2027**	1,363	2020-2024
A former subsidiary	**–**	**–**	928	2022
	29,410		29,224	

4.9 Business Risks

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

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

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

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

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

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

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

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

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

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

5 SIGNIFICANT EVENTS

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

5.1.1 Formulation, implementation or adjustment of the cash dividend policy

(1) Implementation of the cash dividend policy during the reporting period

Profits are distributed in cash under the profit distribution plan of the Company in 2016. Pursuant to the profit distribution plan considered and passed at the 2016 annual general meeting convened on 28 June 2017, a cash dividend of RMB0.88 (tax inclusive) per 10 shares based on the total share capital of 22,844,301,543 shares as at 31 December 2016 was declared by the Company, totaling RMB2,010,298,535.78 and representing around 16% of net profit attributable to the listed company's shareholders under the consolidated income statement for the year 2016 of the Company. The announcement on the profit distribution of A shares was published on 14 July 2017 on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and the website of Shanghai Stock Exchange. As at 10 August 2017, the implementation of the profit distribution plan of the Company for 2016 has been completed.

(2) Profit distribution plan for 2017

Pursuant to the relevant requirements of the Company Law and the Articles of Association, and in accordance with the "Resolution on the Profit Distribution Plan for 2017 of the Company" which was passed at the 9th meeting of the fourth session of the Board, taking into account factors such as shareholder returns and the capital requirements of the Company for its business development, the details of which are set out below: the retained profits of the parent company at the beginning of 2017 was RMB28,798,842,750.89 based on the audited financial report of the Company for 2017. After adding the net profit realised by the parent company of RMB19,023,574,657.77 during the year and deducting the cash dividends for 2016 and interest payments on perpetual notes amounting to RMB2,797,104,091.33, and with 10% of the net profit of the parent company, i.e. RMB1,902,357,465.78, being appropriated to its statutory surplus reserve, the distributable profit of the parent company to shareholders amounted to RMB43,122,955,851.55 for the year. A cash dividend of RMB1.13 per 10 shares (tax inclusive) is proposed to be distributed. Based on the Company's total share capital of 22,844,301,543 shares as at 31 December 2017, the total amount of such dividend is RMB2,581,406,074.36, representing 16% of net profit attributable to the listed company's shareholders under the consolidated income statement for the current year of the Company. Upon the distribution, the remaining retained profit of the parent company amounting to RMB40,541,549,777.19 will be carried forward to the next year.

The independent directors of the Company have expressed their opinion on the plan, and the above plan is still subject to the approval of the 2017 annual general meeting of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2017 annual general meeting of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

(3) *Information on the profit distribution for 2017*

(i) The Company intends to distribute less than 30% of the net profits attributable to shareholders for the year as cash dividends due to the following reasons: ① considering the international infrastructure construction market, the in-depth development of the Belt and Road Initiative received positive response from the world, with more than 100 participating countries and international organisations. China has entered into the Belt and Road Initiative cooperation agreements with more than 30 Belt and Road countries. The continuing deepening of the financial cooperation, represented by the Asia Infrastructure Investment Bank and Silk Road Fund, will provide great opportunities for our expansion of overseas market. Domestically, the construction market is in the face of large production capacity and unprecedented reforms. Despite the general slowdown in the construction of railways and urban rail transits in the coming year, the construction market will maintain a rapid growth for some time in the future, given the acceleration in the implementation of national strategies, such as regional coordinative development, construction of city clusters, development of Xiong'an New Area and Bay Area and establishment of a strong transportation country, and an increase in construction investments in water engineering, environmental protection, affordable housing projects and urban enhancement and renovation. Together with the ascendance of new business types, new models and new markets, and the promotion of the construction along the Belt and Road and international capacity cooperation, we are faced up with the historic development opportunities both at home and abroad. ② the construction industry where the Company is in is extremely competitive, where comparatively low profit margins, comparatively high debt gearing ratios, comparatively large amounts of receivables and inventory are not uncommon. Moreover, due to the extensive locations and scope of construction projects and the large scale of each single project, the working capital requirements of the Company to maintain its ordinary course of operations are relatively high.

(ii) All the independent directors of the Company have issued the following independent opinions on the rationality of the above 2017 profit distribution plan: ① the formulation of the Company's profit distribution plan for 2017 has considered the characteristics of the construction industry where the Company is in, the stage of development of the Company, its own business model, its need for proceeds and many other factors, and thus was in line with the actual situation of the Company. ② the amount of the Company's 2017 cash dividend accounted for 16% of the net profit attributable to owners of the Company in the consolidated income statement of the current year. Although it remained at the same level as the previous year's distribution proportion, the base for distribution continued to increase since the net profit kept increasing every year. On the one hand, the continuity and sustainable development of the Company's profit distribution policy were maintained, which is in line with the cash dividend policy as provided in the articles of association of the Company and the requirements for medium and long-term plans on shareholders' return. On the other hand, such plan can not only enable investors to obtain a reasonable return on investment, but also take into account the Company's normal operations. Therefore, the Company's 2017 profit distribution plan is reasonable, and the independent directors agreed with such profit distribution plan.

5.1.2 The plan or proposal for profit distribution for ordinary shares or capitalisation of capital reserves of the Company for the latest three years (including the reporting period)

Unit: Hundred million Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Dividend amount per 10 shares (tax inclusive) *(RMB)*	Number of shares for every 10 shares *(share)*	Amount of cash dividend (tax inclusive)	Net profit attributable to the listed company's ordinary shareholders during the year of dividend distribution under the consolidated financial statements	Percentage in net profit attributable to the listed company's ordinary shareholders under the consolidated financial statements *(%)*
2017	0	1.13	0	25.81	160.67	16
2016	0	0.88	0	20.10	125.09	16
2015	0	0.86	0	19.65	122.58	16

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

Not applicable

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

Not applicable

5.2 Performance Status of Undertakings

5.2.1 Undertakings made by relevant undertaking parties, including the ultimate controller, shareholders, related parties and acquirers of the Company and the Company given or subsisting in the reporting period or continuing during the reporting period

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Timing and duration of undertaking	Whether there is a deadline for performance	Whether duly complied	If not duly complied, describe the specific reasons	If not duly complied, describe future plans
IPO-related undertakings	Dealing with competition in the industry	CREC	Upon the establishment of China Railway in accordance with the law, CREC and its subsidiaries (other than China Railway) will not in any form, directly or indirectly, engage in or participate in or assist in the engagement or participation in any business that competes, or is likely to compete with the core businesses of China Railway and its subsidiaries. If CREC or its subsidiaries (other than China Railway) become(s) aware of any new business opportunity which directly or indirectly competes, or is likely to compete, with the principal businesses of China Railway, it shall notify China Railway in writing of such business opportunity immediately upon becoming aware of it, and undertakes that priority and a preemptive right of first refusal in respect of the business opportunity shall be available to China Railway or its subsidiaries. If CREC or any of its subsidiaries intends to transfer, sell, lease or license or otherwise assign to any third parties or permit them any new business opportunity, assets or interests that it may acquire in future and which may compete or is likely to compete, directly or indirectly, with the core businesses of China Railway, CREC warrants that such business opportunity, assets or interests will first be offered to China Railway or its subsidiaries.	No	No	Yes	/	/
Undertakings related to refinancing	Other undertakings	CREC	If China Railway is subject to administrative penalties or currently under formal investigation due to any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging, which cause losses to China Railway and its investors, CREC shall bear the liability for compensation according to the requirements of the relevant laws and administrative regulations and as required by the securities regulatory authorities.	Long term	No	Yes	/	/

Note: For details of the relevant undertakings made by the Company and CREC during the material asset restructuring of China Railway Erju Co., Ltd. (renamed as China Railway Hi-Tech Industry Co., Ltd. in March 2017, stock code: 600528), a subsidiary of the Company, please refer to the Report on the Material Asset Swap and Share Issuance for Asset Acquisition, Fundraising and Related Party Transaction of China Railway Erju Co., Ltd. (Revision) published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 21 September 2016. The Company and CREC are currently duly complying with all the undertakings.

5.2.2 If the Company has made a profit estimate as to its assets or projects, and the profit estimate period is within the reporting period, the Company's explanation on whether its assets or projects meet its previous profit forecast and the reasons

Not applicable

5.3 Fund Occupancy and Progress of Collection During the Reporting Period

Not applicable

5.4 Explanation of the Company on the "Modified Audit Report" from Auditors

Not applicable

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

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

On 28 April 2017, the Ministry of Finance issued the "Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations" (Cai Kuai [2017] No. 13) and stipulated that the standard shall be effective since 28 May 2017. Pursuant to such standard, the non-current assets and disposal groups held for sale and discontinued operations which already existed as of the effective date of such standard shall be taken prospective approach.

On 10 May 2017, the Ministry of Finance issued the "Notice on Publication of the Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15) and stipulated that the standard shall be effective since 12 June 2017. Pursuant to such standard, government grants which already existed as of 1 January 2017 shall be taken prospective approach, while the new government grants obtained between 1 January 2017 and the effective date of the standard shall be adjusted according to such standard.

The 2017 financial statements of the Company have been disclosed and presented pursuant to the above new requirements, which do not have any material impact on the 2017 financial statements.

Description of and reasons for the changes in accounting policies	Standard	Name of accounting item and amount affected
In the form of a standalone standard, the "Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations" (Cai Kuai [2017] No. 13) unifies the regulation of non-current assets, disposal groups held for sale and discontinued operations. The financial statements for 2017 have been presented pursuant to such requirements.	"Notice on Publication of the Accounting Standard for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations" (Cai Kuai [2017] No. 13)	Such change in accounting policy did not have any material impact on the financial conditions, operating results and cash flows of the Company.
The "Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15) specifies the application scope of the standard for government grants and the classification principle of government grants and revenue; allows an enterprise to determine the presentation item of government grants in the income statement based on the substance of business activities and present it separately as "other gains" under "operating profits" in the income statement; allows an enterprise to present the government grants through newly-added net amount approach and government grants related to the daily activities can be accounted as other gains (on a gross basis) or to be set off with relevant costs (on a net basis); government grants related to assets can offset the book value of the relevant assets (on a net basis) or be recognized as deferred revenue (on a gross basis), and be recorded to profits and losses in installments in a reasonable and systematic manner during the useful life of the relevant assets; and provides more detailed requirements on the accounting treatment of financial discount. The financial statements for 2017 have been presented pursuant to such requirements.	"Accounting Standard for Business Enterprises No. 16 – Government Grants" (Cai Kuai [2017] No. 15)	The government grants related to the daily activities with an amount of RMB117,096,000 incurred during the period from 1 January 2017 to 31 December 2017 have been transferred from "non-operating income" to "other gains" in the income statement.

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

Not applicable

5.5.3 Communications with former auditors

Not applicable

5.5.4 Others

Not applicable

5.6 Appointment and Removal of Auditors

Unit: Ten thousand Currency: RMB

	Current appointment
Name of domestic auditors	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic auditors	1,630
Term of domestic auditors	1 year
Name of international auditors	PricewaterhouseCoopers
Remuneration of international auditors	1,500
Term of international auditors	1 year

	Name	**Remuneration**
Auditors for internal control audit	PricewaterhouseCoopers Zhong Tian LLP	180

5.6.1 Explanation on the appointment and removal of auditors

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, the Company has changed both the auditors for annual audit and the internal control auditors for 2017 simultaneously. On 30 March 2017, the "Resolution on the appointment of auditors for 2017" and "Resolution on the appointment of internal control auditors for 2017" were considered and passed at the 31st meeting of the third session of the Board. These resolutions were then considered and passed at the 2016 annual general meeting of the Company on 28 June 2017. The Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditors of the Company for 2017 and engaged PricewaterhouseCoopers Zhong Tian LLP as the internal control auditors for 2017. For details of such changes, please refer to the Announcement of China Railway on the Change of Auditors for Annual Audit published by the Company on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) on 31 March 2017.

5.6.2 Explanation on the change of auditors during the audit period

Not applicable

5.7 Risk of Suspension of Listing

5.7.1 Reason for suspension of listing

Not applicable

5.7.2 Response measures to be adopted by the Company

Not applicable

5.8 Delisting and the Reasons Thereof

Not applicable

5.9 Matters Relating to Insolvency or Restructuring

Not applicable

5.10 Material Litigation and Arbitration

5.10.1 Litigation and arbitration which were disclosed in an announcement without subsequent progress

Outline and nature	Information link
Poland A2 Highway construction disputes: The consortium comprising China Overseas Engineering Group Co., Ltd. and China Railway Tunnel Group Co., Ltd. (subsidiaries of the Company) and two third-party companies (the "**Consortium**") had litigation disputes over the contract termination with the project owner, Polish General Directorate for National Roads and Motorways in Poland, in respect of the bid won for sections A and C of Poland A2 Highway.	2011 Interim Report and subsequent periodic reports of the Company.

During the reporting period, the progress of the abovementioned lawsuit is set out as below:

Based on the intention of the Consortium and the project owner to reach a settlement, both parties applied again to the Poland Warsaw Court for suspension of the trial procedures. On 19 May 2017, after several rounds of negotiation, the Consortium and the project owner formally entered into the Settlement Agreement. On the date of signing the agreement, the project owner and the Consortium submitted an application to the Poland Warsaw Court to withdraw all the litigations of both parties respectively. On 22 and 31 May, the Warsaw Court formally approved each of the withdrawal request of the project owner and the Consortium, respectively, marking an end of such litigation.

5.10.2 Litigation and arbitration which were undisclosed in announcement or might have had subsequent progress

Not applicable

5.10.3 Others

Not applicable

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

Not applicable

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

During the reporting period, the Company and its controlling shareholder and ultimate controller have no outstanding obligations pursuant to any judgement made by a court nor have they failed to repay substantial debts that have become due and outstanding.

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

5.13.1 Incentives which were disclosed in announcement without subsequent progress or changes

Not applicable

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

Not applicable

5.14 Significant Related Party Transactions

5.14.1 Related party transactions in ordinary course of business

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

Not applicable

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

Unit: Thousand Currency: RMB

Related parties	Related relationship	Type of related party transaction	Particulars of the related party transaction	Pricing method of related party transaction	Price of related party transaction	Amount of related party transaction	Percentage of transaction value to the same type of transactions *(%)*
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Lease of office premises, etc.	Contract price	27,961	27,961	Less than 1%
China Railway State Assets Management Co., Ltd.	Wholly-owned subsidiary of parent company	Receipt of labor services	Receipt of comprehensive services	Contract price	28,295	28,295	Less than 1%
Total					56,256	56,256	
Description of related party transactions				The above two transactions resulted from the implementation during the reporting period of the Comprehensive Services Agreement and Premises Leasing Agreement renewed by the Company and China Railway Engineering Group Co., Ltd. on 30 December 2015. The terms of both agreements are three years. The total transaction amount involved was within the decision-making authority of the Board and was considered and approved at the 15th meeting of the third session of the Board, which complied with the relevant requirements of The Rules Governing the Listing of Stock on Shanghai Stock Exchange. Meanwhile, the Premises Leasing Agreement and Comprehensive Services Agreement were exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval as the annual caps of such transactions were within the de minimis exemption under the Hong Kong Listing Rules.			

Note: On 29 December 2017, China Railway Hongda Asset Management Center was renamed as China Railway State Assets Management Co., Ltd.

(3) Matters undisclosed in announcement

Not applicable

5.14.2 Related party transactions in relation to acquisition and disposal of assets or equity interests

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

Not applicable

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

Not applicable

(3) *Matters undisclosed in announcement*

Not applicable

(4) *If agreement upon performance is involved, the performance achievements during the reporting period shall be disclosed*

Not applicable

5.14.3 Significant related party transactions in relation to joint external investment

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

Not applicable

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

Not applicable

(3) Matters undisclosed in an announcement

Not applicable

5.14.4 Amounts due from/to related parties

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

Not applicable

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

Not applicable

(3) Matters undisclosed in announcement

Not applicable

5.14.5 *Others*

(1) Related party guarantees

Unit: Thousand Currency: RMB

Guarantor	Guarantee	Guaranteed amount	Commencement date of guarantee	Expiry date of guarantee	Guarantee fully fulfilled
China Railway Group Limited *(Note 1)*	Linha Railway Co., Ltd. *(Note 3)*	554,240	June 2008	June 2027	No
China Railway Engineering Group Co., Ltd. *(Note 2)*	China Railway Group Limited	5,000,000	January 2010	January 2020	No
China Railway Engineering Group Co., Ltd. *(Note 2)*	China Railway Group Limited	3,500,000	October 2010	October 2025	No
China Railway Engineering Group Co., Ltd. *(Note 2)*	China Railway Group Limited	2,500,000	October 2010	October 2020	No

Note 1: At the 2007 annual general meeting of the Company held on 25 June 2008, the Proposal of Provision of a Guarantee with Respect to the Loans for Lince Railway Co., Ltd. and China Railway Engineering Sunite Railway Co., Ltd. was considered and approved, in which it was agreed that a guarantee would be provided with respect to the bank loan for Lince Railway Co., Ltd. in the amount of RMB820.7 million for a guarantee period of 17 years. In June 2008, the Company and Huhhot Xincheng Dongjie Sub-branch of the Industrial and Commercial Bank of China Limited entered into a guarantee contract agreeing that a guarantee in the total amount of RMB783 million (product of the total loan amount of RMB2.7 billion multiplied by the shareholding percentage of 29%) with a joint and several liability and a guarantee period commencing on 30 June 2008 and ending on 20 June 2027 should be provided to Lince Railway Co., Ltd. In 2016, in order to follow the national policy of "cutting excessive industrial capacity, lowering corporate costs, destocking, deleveraging, and improving weak links" and to actively implement the national guidance principle on eliminating overcapacity in coal industry, the Company transferred all its equity interests in Lince Railway and 12 coal-related assets and the relevant equity interests held by CRRG to Beijing Yinuojie Investment Management Co., Ltd. On 29 December 2016, CRRG and China Railway Engineering Group Company Limited, the controlling shareholder of the Company, entered into the Agreement on the Transfer of Equity Interests in Beijing Yinuojie Investment Management Co., Ltd., pursuant to which CRRG transferred its 100% equity interests in Beijing Yinuojie Investment Management Co., Ltd. to China Railway Engineering Group Company Limited at a consideration of RMB2,456.336 million. As at 31 December 2017, Chen Wenxin, a supervisor of the Company, remained as a director of Lince Railway Co., Ltd. Lince Railway Co., Ltd., which remained as a related party of the Company according to the Guidelines on Related Party Transactions of Listed Companies of the Shanghai Stock Exchange. Therefore, these guarantees remained as related party guarantees of the Company.

Note 2: These are unconditional and irrevocable joint and several liability guarantees provided by China Railway Engineering Group Co., Ltd. for the entire amount of the 10-year corporate bonds issued by the Company in January 2010 and the 10-year and 15-year corporate bonds issued by the Company in October 2010. As at 31 December 2017, the remaining payable amount of above-mentioned bonds was RMB10,975,563,000 (31 December 2016: RMB10,969,480,000). For details, please refer to the notes to the financial statements.

Note 3: Lince Railway Co., Ltd. was renamed as Linha Railway Co., Ltd. in February 2018, and Chen Wenxin, a supervisor of the Company, has ceased to be a director of Linha Railway Co., Ltd.

(2) Related party transactions in respect of financial services

Unit: Thousand Currency: RMB

Item	Related Party	**31 December 2017**	31 December 2016
Loans	China Railway Engineering Group Co., Ltd.	**700,000**	1,600,000

Unit: Thousand Currency: RMB

Item	Related Party	**31 December 2017**	31 December 2016
Deposit-taking *(Note)*	China Railway Engineering Group Co., Ltd.	**97,101**	55,311

Note: In order to increase the Company's utilisation efficiency of funds, reduce settlement fees, lower interest expenses and obtain funding support, the Proposal on the Financial Services Framework Agreement between China Railway Finance Co., Ltd. and China Railway Engineering Group Co., Ltd. was considered and passed at the 15th meeting of the third session of the Board convened by the Company on 2 December 2015, in which it was agreed that China Railway Finance Co., Ltd., a subsidiary of the Company, would renew the Financial Services Framework Agreement (the agreement would expire on 31 December 2018) with China Railway Engineering Group Co., Ltd., the controlling shareholder of the Company, and provide deposits, loans and other financial services to China Railway Engineering Group Co., Ltd. and its subsidiaries pursuant to the agreement. For details, please see the relevant announcement of the Company dated 30 December 2015 published on the website of the Shanghai Stock Exchange.

As at 31 December 2017, the balance of the loan provided by China Railway Finance Co., Ltd. to China Railway Engineering Group Co., Ltd. in order to supplement the liquid capital of China Railway Engineering Group Co., Ltd. amounted to RMB0.7 billion. The daily loan balance (including interest accrued) obtained by China Railway Engineering Group Co., Ltd. from China Railway Finance Co., Ltd. did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

During the reporting period, the maximum daily balance of deposits (including interest accrued) of the deposit service provided by China Railway Finance Co., Ltd. to China Railway Engineering Group Co., Ltd. and its subsidiaries did not exceed the maximum amount stipulated in the Financial Services Framework Agreement.

(3) Other related party transactions

Unit: Thousand Currency: RMB

Item	Related Party	Amount of the current period	Amount of the corresponding period last year
Interest income	China Railway Engineering Group Co., Ltd.	**40,765**	492
Interest expense	China Railway Engineering Group Co., Ltd.	**4,625**	18,651

Note: The interest income represents the interest receivable by China Railway Finance Co., Ltd., a subsidiary of the Company, from China Railway Engineering Group Co., Ltd. for the Loans to China Railway Engineering Group Co., Ltd.

The interest expenses represent the interest payable by China Railway Finance Co., Ltd., a subsidiary of the Company, to China Railway Engineering Group Co., Ltd. for deposit-taking.

5.15 Material Contracts and Their Performance

5.15.1 Trusteeship, contracting and leasing

(1) Trusteeship

Not applicable

(2) Contracting

Not applicable

(3) Leasing

Not applicable

5.15.2 *Guarantees*

Unit: Thousand Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guarantee	Guarantee 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
Guarantee provided by the Company (excluding those provided to subsidiaries)													
China Railway Group Limited	The same entity	Linha Railway Co., Ltd.	554,240.00	2008-06-30	2008-06-30	2027-06-20	Suretyship of joint and several liability	No	No	–	No	Yes	Others
China Railway Group Limited	The same entity	Inner Mongolia Guobai Railway Co., Ltd	100,000.00	2008-11-24	2008-11-24	2020-11-30	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Mobei Road & Bridge Co., Ltd.	173,355.00	2014-09-23	2014-09-23	2018-09-22	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yingwuzhou Bridge Co., Ltd.	529,000.00	2013-04-23	2013-04-23	2019-06-12	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Wuhan Yangsigang Bridge Co., Ltd.	1,341,995.00	2015-12-24	2015-12-24	2023-11-24	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Major Bridge Engineering Group Co., Ltd.	Wholly-owned subsidiary	Yichang Miaozui River Bridge Construction Engineering Co., Ltd.	200,000.00	2014-03-26	2014-03-26	2018-10-20	Suretyship of joint and several liability	No	No	–	No	No	
China Railway Tunnel Group Co., Ltd.	Wholly-owned subsidiary	China Shanghai (Group) Corporation for Foreign Economic & Technological Cooperation	16,792.22	2012-12-29	2012-12-29	2019-04-04	Suretyship of joint and several liability	No	No	–	No	No	

Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)	–380,618.38
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)	2,915,382.22
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total guarantee to subsidiaries incurred during the reporting period	3,376,343.85
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)	39,727,306.80
Aggregate guarantee of the Company (including those provided to subsidiaries)	
Aggregate guarantee (A+B)	42,642,689.02
Percentage of aggregate guarantee to net assets of the Company (%)	27.44
Representing:	
Amount of guarantee provided for shareholders, ultimate controller and their related parties (C)	–
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratios over 70% (D)	36,239,041.30
Excess amount of aggregate guarantee over 50% of net assets (E)	–
Aggregate amount of the above three categories (C+D+E)	36,239,041.30
Statement on the contingent joint and several liability in connection with unexpired guarantee	
Statement on guarantee	As at 31 December 2017, the aggregate guarantee of China Railway Group Limited (consolidated) in relation to real estate mortgage was RMB22,947,643.25

5.15.3 *Management of cash assets entrusted to third parties*

(1) Entrusted wealth management

(i) General conditions of entrusted wealth management

Unit: Ten Thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Private fund product	Self-owned funds	4,500.00	4,500.00	–
Trust financial product	Self-owned funds	524,700.00	524,700.00	1,000.00
Securities firm financial product	Self-owned funds	5,000.00	5,000.00	–

Others

Not applicable

(ii) Breakdown of entrusted wealth management

Unit: Ten Thousand Currency: RMB

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date of entrusted wealth management	Termination date of entrusted wealth management	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
CCB Trust Co., Ltd.	Trust financial product	1,000	2015-12-18	2021-6-18	Self-owned funds	BT project of roadwork in Zhaoqing Municipality	By agreement	10.00	100.00	106.46	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	4,390	2016-6-21	2018-6-21	Self-owned funds	PPP project of Hancheng National Highway 327	By agreement	6.80	280.96	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	12,135	2016-11-2	2019-11-2	Self-owned funds	Phase two of PPP project of roadwork in Zhaoqing Municipality	By agreement	6.40	776.64	116.93	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000	2015-12-25	2020-12-25	Self-owned funds	BT project of roadwork in Zhaoqing Municipality	By agreement	6.90	345.00	292.74	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	15,000	2016-2-2	2021-2-2	Self-owned funds	BT project of roadwork in Zhaoqing Municipality	By agreement	6.40	480.00	482.64	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000	2017-4-12	2045-4-12	Self-owned funds	PPP project of Pingtan Tunnel	By agreement	6.40	320.00	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	11,000	2017-9-15	2037-9-15	Self-owned funds	Phase three of PPP project of roadwork in Zhaoqing Municipality	By agreement	6.10	671.00	0.00	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	92,300	2015-12-9	2021-12-9	Self-owned funds	Beijing-Shanghai Expressway – Jinan Link project	By agreement	4.90	19,096.80	3,490.95	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	60,000	2016-8-3	2023-8-3	Self-owned funds	Shandong Tai'an-Dong'e Expressway project	By agreement	4.90	17,640	2,129.12	–	Yes	No	–

Trustee	Type of entrusted wealth management	Entrusted wealth management amount	Commencement date of entrusted wealth management	Termination date of entrusted wealth management	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted wealth management plan available	Amount of impairment provision (if any)
China Railway Trust Co., Ltd.	Trust financial product	77,000	2016-11-23	2022-11-23	Self-owned funds	Shandong Weifang-Rizhao Expressway project	By agreement	4.90	18,235	2,868.23	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	40,000	2017-3-6	2024-3-6	Self-owned funds	Xi'an North-Airport Inter-city Rail project	By agreement	0.00	0.00	0.00	–	Yes	No	–
Tianjin Trust Co., Ltd.	Trust financial product	27,900	2016-3-19	2019-3-18	Self-owned funds	Investment in Tianjin Metro Line 6 project	By agreement	5.24	1,460.80	1,460.80	–	Yes	No	–
CITIC Trust Co., Ltd.	Trust financial product	100	2014-11-1	2018-11-1	Self-owned funds	BT project of Jiangxi Nanchang Jiulong Lake Tunnel	By agreement	2.00	8.00	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	8,750	2016-4-1	2028-4-1	Self-owned funds	PPP project of infrastructure in the Huzhou Economic & Technological Development Zone in Zhejiang Province	By agreement	0.00	603.75	213.43	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	6,400	2016-12-28	2031-12-27	Self-owned funds	PPP project of Liuzhou Guantang Bridge	By agreement	5.50	3,520	216.62	–	Yes	No	–
China Railway Trust Co., Ltd.	Trust financial product	50,000	2017-12-29	2018-6-29	Self-owned funds	Real estates	By agreement	6.00	1,500	0.00	–	Yes	Yes	–
Zhonghai Trust Co., Ltd.	Trust financial product	300	2011-4-6	2016-4-7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	0.00	0.00	–	Yes	No	–
Zhonghai Trust Co., Ltd.	Trust financial product	700	2011-4-6	2016-4-7	Self-owned funds	Capital contribution to a joint venture	By agreement	0.00	0.00	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	12,500	2017-8-18	2023-8-17	Self-owned funds	Guiyang Shuanglong project	By agreement	4.89	3,660.47	228.78	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	200.00	2017-8-18	2028-8-17	Self-owned funds	Guiyang Shuanglong project	By agreement	4.89	58.57	3.66	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	7,000.00	2017-4-14	2028-10-28	Self-owned funds	PPP project of Changsha Airport Link	By agreement	7.00	122.50	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	1,500.00	2014-9-1	2019-9-1	Self-owned funds	Hengyang Binjiang New District project	By agreement	12.17	912.95	182.50	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	5,000.00	2016-1-12	2018-1-12	Self-owned funds	Hengyang Binjiang New District project	By agreement	4.72	471.81	0.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	16,000	2016-10-20	2023-10-20	Self-owned funds	Linfen Guihua Third Street project	By agreement	2.78	3,105.06	443.58	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	2,000	2016-10-28	2028-10-28	Self-owned funds	PPP project of Changsha Airport Link	By agreement	10.00	200.00	200.00	–	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	32,925	2016-9-3	2021-9-3	Self-owned funds	Chengdu Metro Project	By agreement	6.85	30,000	2,229.40	30,000	Yes	No	–
CCB Trust Co., Ltd.	Trust financial product	19,000	2014-3-11	2021-3-11	Self-owned funds	Chengdu Metro Line No 5 Project	By agreement	5.60	32,500	1,565.91	32,500	Yes		–
CCB Trust Co., Ltd.	Trust financial product	11,500	2014-9-5	2021-9-5	Self-owned funds	Chengdu Metro Line No 10 Project	By agreement	6.85	10,000	797.00	10,000	Yes	No	–
Bairui Trust Co. Ltd.	Trust financial product	100	2016-9-18	2018-9-18	Self-owned funds	Theoretical research project on trust	By agreement	/	1.50	1.50	–	Yes	No	–
Caitong Securities Co., Ltd.	Securities firm financial product	5,000	2017-12-27	2018-1-4	Self-owned funds	Debt product	By agreement	/	7.19	–	–	Yes	No	–
China Railway CCB Trust (Beijing) Investment Fund Management Co., Ltd.	Private Equity Product	4,500	2017-10-16	2025-10-16	Self-owned funds	Shenzhen-Shantou Cooperation Zone Infrastructure PPP Project	By agreement	6.5	292.50	0.00	–	Yes	No	0

Others

Not applicable

(iii) Provision for impairment of entrusted wealth management

Not applicable

(2) Entrusted loans

(i) General conditions of entrusted loans

Unit: Ten thousand Currency: RMB

Type	Source of funds	Amount incurred	Unexpired balance	Overdue outstanding amount
Entrusted loan	Self-owned funds	75,266.40	67,966.40	–

Others

Not applicable

(ii) Breakdown of entrusted loans

Unit: Ten thousand Currency: RMB

Trustee	Type of entrusted loan	Entrusted loan amount	Commencement date of entrusted loan	Termination date of entrusted loan	Source of funds	Investment target	Determination of returns	Annualized yield rate	Expected gains (if any)	Actual gains or losses	Actual recovery	Whether followed the statutory procedures	Future entrusted loan plan available	Amount of impairment provision (if any)
PingAn Bank, Xian Branch	Entrusted loan	9,606.40	2014-06-09	2018-12-31	Self-owned funds	Gansu Lanzhou Soho Project	By agreement	12.00	3,400.00	1,171.03	4,700.00	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loan	11,000	2017-04-11	2018-04-10	Self-owned funds	Chongqing Dianzhong Expressway Project	By agreement	4.35	483.82	337.61	–	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loan	4,160	2017-09-15	2018-09-14	Self-owned funds	Chongqing Dianzhong Expressway Project	By agreement	4.35	182.97	48.76	–	Yes	No	–
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loan	20,000	2017-09-08	2024-12-20	Self-owned funds	Changsa Metro Line No 5 Project	By agreement	5.39	7,546.00	–	–	Yes	No	–
China Railway Finance Co., Ltd.	Entrusted loan	13,200	2017-09-08	2018-11-16	Self-owned funds	Chongqing Dianzhong Expressway Project	By agreement	4.35	580.58	54.23	–	Yes	No	–
Sales Department of Agricultural Bank of China, Hunan Branch	Entrusted loan	10,000	2016-09-29	2024-12-20	Self-owned funds	Changsa Metro Line No 5 Project	By agreement	5.39	4,312.00	–	–	Yes	No	–

Others

Not applicable

(iii) Provision of impairment of entrusted loans

Not applicable

(3) Others

Not applicable

5.15.4 *Other material contracts*

(1) New material construction contracts

(i) Material contracts executed before the reporting period but remaining effective during the reporting period:

1. Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 1 Engineering, China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 5 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway No. 10 Engineering, China Railway Tunnel, China Railway Guangzhou, China Railway Beijing, China Railway Shanghai, China Railway Electrification	Mengxi-Huazhong Railway Co., Ltd.	The civil engineering of the new coal transportation railway channel from west Inner Mongolia to Central China MHTJ-10 Section, MHTJ-28 Section, MHTJ-24 Section, MHTJ-3 Section, MHTJ-15 Section, MHTJ-17 Section, MHTJ-19 Section, MHTJ-6 Section, MHTJ-9 Section, MHTJ-30 Section, MHTJ-31 Section, MHTJ-16 Section; key monitoring project of MHSS-3 Section, MHSS-5 Section, MHSS-6 Section; relocation and alteration of the telecommunication cables, radio and TV cables and electric power lines of MHQG-2 Section, MHPJ-1 Section, MHPJ-2 Section, MHTJ-14Section, supplementary contracts: MHTJ-16 Section, MHTJ-28 Section, MHTJ-30 Section, MHSS-6 Section	2015-02 2015-07 2016-04	3,866,381	47-60 months
2	China Railway	Bangladesh Ministry of Railways	Bangladesh Padma Bridge Rail Link Project	2016-08	2,080,897	54 months
3	China Railway No. 3 Engineering, China Railway No. 4 Engineering, China Railway No. 6 Engineering, China Railway No. 8 Engineering, China Railway Tunnel, China Railway Electrification, China Railway Beijing, China Railway Shanghai	Jingfu Passenger Railway Line Anhui Co., Ltd.	Before-station construction project of SHZQ-3 Section, SHZQ-5 Section, SHZQ-8 Section, SHZQ-10 Section, SHZQ-11 Section, SHZQ-13 Section, SHZQ-15 Section, SHZQ-16 Section	2015-11	2,041,162	59.4 months

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Highway						
1	China Railway Major Bridge Engineering	Bangladesh Ministry of Transportation Bridge Authority	Main Bridge of Bangladesh Padma Multi-Purpose Bridge Project	2014-06	967,490	3.5 years
2	China Railway	Jingxin Highway Linhe-Baigeda Section (in Alxa League) Construction Management Office	Jingxin Highway Linhe-Baigeda (in Alxa League) of LBAMSG-2 Section	2014-12	869,121	30 months
3	China Railway Tunnel	Shantou Su'ai Passage Construction Investment and Development Co., Ltd.	EPC contract of design and construction project of Su'ai Passage, Shantou	2016-02	388,377	/
Municipal Works						
1	China Railway	Chengdu Metro Co., Ltd.	Investment and financing construction project of Phases 2 and 3 of Chengdu Metro Line 3	2015-10	787,310	39 months
2	China Railway	Nanning Rail Transit Group Co., Ltd.	EPC Contract of construction of Section 02 of Phase one of Line 3 of Nanning Rail Transport (Keyuan Road and Pingle Road)	2015-06	456,913	1,340 calendar days
3	China Railway No. 7 Engineering	Xiangtan Urban and Rural Construction and Development Group Co., Ltd.	Construction contract of the Xiangjiang River Scenery Zone Project in Xiangtan (Shaoyao Port-Xiang Gangtieniu Wharf Wide and Thick Plate Pier-Shuangyong Road)	2016-12	428,000	730 days

2. Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Chengdu-Guiyang Railway Co., Ltd.	New Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2013-11	101,000	72 months
2	China Railway Eryuan Engineering	Laos-China Railway Company Limited	Survey and design project of the new China-Laos Railway Project (Boten-Vientiane Segment)	2016-12	93,800	48 months
3	China Railway Eryuan Engineering	Chengdu-Lanzhou Railway Co., Ltd.	Survey and design contract of the new Chengdu-Lanzhou Railway	2011-01	84,100	72 months

3. Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum (RMB'0,000)	Construction period
Steel structure						
1	China Railway Baoji Bridge	Hunan Dayue Highway Dongtinghu Bridge Construction Development Co., Ltd.	Construction project of main bridge steel truss girder of Hang Rui National Highway Hunan Linxiang (Hunan-Hubei Border) – Yueyang Highway Dongtinghu Bridge	2015-08	51,105	22 months
2	China Railway Baoji Bridge	Hutong Yangtze River Bridge Project Manager Department of CCCC Second Harbour Engineering Company Ltd.	GL01 Package production and installation for steel truss girder (arch) of New Hutong Railway Hutong Yangtze River Bridge HTQ-1 Section	2014-11	49,048	41 months
Turnout						
1	China Railway Shanhaiguan Bridge	Chengdu-Guiyang High Speed Railway Co., Ltd.	New Chengdu-Guiyang Railway (Leshan-Guiyang Segment)	2016-11	31,712	24 months
2	China Railway Baoji Bridge	Huning Intercity Railway Co., Ltd.	Engineering Corporation management and materials procurement contract of the new Shanghai-Nantong Railway (Nantong-Anting Segment)	2016-03	21,694	/
Construction Machinery						
1	China Railway Baoji Bridge	Yan'an Travel Group Huangling Investment Co., Ltd.	Construction contract of the sightseeing light rail lines and equipment purchase contract of the sightseeing light rail train in Yellow Emperor Mausoleum, Huangling County	2016-05	20,794	27 months
2	China Railway Engineering Equipment	CCCC Fourth Harbor Engineering	Shield Sales & Purchase Contract	2016-10	14,479	7 months

4. Property development business

No.	Project name	Project location	Project type	Planning area (*'0,000 m^2*)
1	China Railway • Yidu International	Guiyang, Guizhou	Residential	230.60
2	Bairuijing Central Living Area	Wuhan, Hubei	Residential	105.54
3	Nuode Mingcheng	Jinan, Shandong	Residential	89.34
4	Qingdao West Coast Project	Qingdao, Shandong	Comprehensive	78.86

5. BOT operation projects

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period	Operation (Repurchase) term
BOT							
1	China Railway	Yulin Municipal Government	BOT project of the Shaanxi Yulin-Shenmu Expressway	2007-10	517,000	36 months	30 years
2	China Railway	Guangxi Department of Communications	BOT Project of the Guangxi Cenxi-Xingye Expressway	2005-08	516,361	36 months	28 years
3	China Railway	Yunnan Department of Communications	BOT project of the Yunnan Funing-Guangnan, Guangnan-Yanshan Expressway	2005-12	644,000	36 months	27 years

6. Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway, China Railway Construction	People's Government of Chengdu	50%	BOT project of Pujiang-Dujiangyan Segment of Ring Expressway of Chengdu Economic Region and the new Airport Expressway of Chengdu	2016-04	355.59	36 months	29.5 years
2	China Railway and Urumqi Urban Group Co., Ltd.	Urumqi Urban Metro Group Co., Ltd.	51%	PPP project of Phase One of the Urumqi Metro Line 3	2016-11	173.88	58 months	30 years
3	China Railway and other parties	Office of Construction of Airport and Railway of Hohhot	49%	PPP project of Hohhot Metro Line 1 Phase One	2016-08	146.80	57 months	30 years
4	China Railway and other parties	Management and Construction Office of Urban Rail Transit of Wuhu	14%	Phase One of Wuhu Metro Line 1 and Line 2 project	2016-12	146.00	3 years	27 years

7. Particulars of material properties

Property held for development

Unit: square meter

Name of building or project	Address	Current land use	Site area	Floor area	State of completion	Expected completion date	Interests of the Company and its subsidiaries
China Railway International Eco City (Phase I)	Gujiao Town, Longli County, Guizhou	Comprehensive	8,000,000	6,150,000	Under construction	2019	100%
China Railway International Eco City (Phase II)	Gujiao Town, Longli County, Guizhou	Comprehensive	3,000,000	5,260,000	Under construction	2022	100%
Guiyang China Railway • Yidu International	No. 1 North Part Jinyang Avenue, Jinyang District, Guiyang	Commercial, residential	1,060,600	2,425,300	Under construction	2018	80%
Bairuijing Central Living Area	No. 586, Wuluo Road, Wuchang District, Wuhan, Hubei	Residential	528,000	1,141,400	Under construction	2018	67%
Qingdao West Coast Project	West Coast Central Vitality Zone, Qingdao	Comprehensive	863,900	1,482,700	Under construction	2029	100%

Property held for investment

Name	Location	Use	Tenure	Interests of the Company and its subsidiaries
Tanmulin Hotel	No. 2, Xinhua Neighbourhood, Dongxing Temple Road, Ziliujing District, Zigong City, Sichuan	Hotel	Medium term	100%
Huaxi Changan Center Building A1, Floor 1-2	No. 69 Fuxing Road, Haidian District, Beijing	Commercial	Medium term	100%
Gongti Building 3/F Section 2	Restaurant No. 3, 3/F Section 2, Workers Stadium Building, Chaoyang District, Beijing	Commercial	Medium term	100%
Huilong Bay Yichulianghua Mall	No. 1 Shawan Road, Jinniu District, Chengdu, Sichuan	Commercial	Medium term	100%
Beijing Chaowai Research Building and Ancillary Space	No. 227, Chaowai Road, Chaoyang District, Beijing	Commercial	Medium term	100%
Tianyu Shopping Center	No. 17 North Part of Yanta Road, Xi'an City	Commercial	Medium term	100%
Celebrity Resort Huashuiwan	Huashuiwan Wenguan Town, Dayi County, Chengdu, Sichuan	Hotel	Medium term	100%
15-17/F of Jingxin Building	No. A2 Dongsanhuan North Road, Chaoyang District, Beijing	Commercial	Medium term	100%
China Railway Consultation Building	No. 15, Guangan Road, Fengtai District, Beijing	Commercial	Medium term	100%

(ii) Material contracts signed during the reporting period

1. Infrastructure construction business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Railway						
1	China Railway No. 4 Engineering, China Railway No. 3 Engineering, China Railway No. 6 Engineering	Shenzhen Engineering Construction Headquarters of Guangzhou Railway (Group) Company and Changjiu Intercity Railway Co., Ltd.	Sections GSSG-5, GSSG-2 and GSSG-3 of the Boundary between Jiangxi and Guangdong-Tangxia Segment of the new Ganzhou-Shenzhen Railway (excluding previous-commenced sections); Sections GSJXZQ-1, 2 and 4 and before-station construction of Section GSJXZQ-4 of Jiangxi Segment of the new Ganzhou-Shenzhen Passenger Dedicated Railway	2017-10 2017-11	1,015,212	47-60 months
2	China Railway No. 2 Engineering, China Railway Guangzhou Engineering, China Railway Beijing Engineering, China Railway No. 1 Engineering	Yunnan-Guangxi Railway Guangxi Co., Ltd.	EPC contract of before-station construction of Sections GNZQ-5, GNZQ-9, GNZQ-10, GNZQ-7 and GNZQ-11 of Guangxi Segment of the new Guiyang-Nanning Railway	2017-12	992,492	6 years
3	China Railway No. 2 Engineering, China Railway No. 3 Engineering, China Railway No. 7 Engineering, China Railway Major Bridge Engineering	Henan Intercity Railway Co., Ltd.	EPC contract of before-station (including part of post-station) construction of Sections ZPZQ-VI, ZPZQ-I, ZPZQ-VIII, ZPZQ-VI (additional contract sum), (Puyang Segment) relocation and alteration of cables and lines – all sections, (second tender) – ZPZQ-VII of Zhengzhou-Puyang Segment of the new Zhengzhou-Jinan Railway	2017-06 2017-07	926,664	46-48 months
Highway						
1	China Railway No. 5 Engineering	Toll Road Management Department of Qinghai Province	Construction project of Wukuang Section 2 of Xihai – Chahannuo Highway Project	2017-04	360,000	36 months
2	China Railway Tunnel	Shenzhen-Zhongshan Corridor Management Center	Construction project of the eastern artificial islands and tunnel (S03 section) on the cofferdam section along the main line of the Shenzhen-Zhongshan Cross-River Corridor	2017-11	322,351	60 months
3	China Railway Major Bridge Engineering	Zhejiang Zhoushan Northward Passage Co., Ltd.	Construction project of Section DSSG05 of the main channel for Zhoushan Port, Ningbo (port highway for Yushan petrochemical base)	2017-09	176,689	42 months

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Municipal Works						
1	China Railway	Nanchang Urban Rail Transport Group Co. Ltd.	Civil construction project of Contract Section 02 of Nanchang Rail Transit Line 4 (Phase 1)	2017-12	437,410	1,122 calendar days
2	China Railway	Fuzhou Subway Group Co. Ltd.	EPC contract of Section 1 (Construction) of Fuzhou Rail Transit Line 5 (Phase 1)	2017-12	400,856	1,553 calendar days
3	China Railway No. 4 Engineering	Xiamen Rail Transport Group Co. Ltd.	Construction project of Caicuo car depot of Xiamen Rail Transit Line 3	2017-08	246,214	1,132 calendar days

2. Survey and design business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
1	China Railway Eryuan Engineering	Ministry of Railways of Pakistan	Survey and design contract of the upgrading and renovation project of the existing Pakistan ML1 line and the new Havelian Dry Port	2017-05	65,194	36 months
2	China Railway Liuyuan Engineering	Bengbu Zhongxin Investment Development Co. Ltd.	EPC contract of the construction of a resettlement housing project on B and D land plots in Xiaoxinzhuang	2017-10	26,000	Until December 2019
3	China Railway Eryuan Engineering	Chengdu Tianfu New Area Investment Group Co., Ltd.	Survey and design contract of the construction project of Zhiguan District for 2017 (Outer Ring Expressway of Tianfu New Area)	2017-03	22,774	12 months

3. Engineering equipment and component manufacturing business

No.	Signatory	Owner	Name of contract	Date of contract	Contract sum *(RMB'0,000)*	Construction period
Steel structure						
1	China Railway Baoji Bridge	Nanjing Pubic Project Construction Center	Manufacturing of the steel structure of the Fifth Nanjing Yangtze River Bridge (B1 section)	2017-08	53,929	35 months
2	China Railway Shanhaiguan Bridge	Guizhou Highway Development Co. Ltd.	Manufacturing of the steel structure of Pingtang Grand Bridge of Yuqing-Anlong Expressway(Pingtang-Luodian segment) in Guizhou	2017-12	27,881	18 months
Turnout						
1	China Railway Shanhaiguan Bridge	Changjiu Intercity Railway Co. Ltd.	New Nanchang-Ganzhou Railway Passenger Dedicated Line (High Speed)	2017-10	31,581	12 months
2	China Railway Shanhaiguan Bridge	Subei Railway Co. Ltd.	New Xuzhou-Hua'an-Yancheng Railway project	2017-07	22,887	12 months
Construction machinery						
1	China Railway Engineering Equipment	HONGRUN Construction Group Co., Ltd.	Shield Sales & Purchase Contract	2017-07	20,200	11 months
2	China Railway Engineering Equipment	Porr Bau GmbH & Bel Six Constuct LCC JV	Shield Sales & Purchase Contract	2017-11	12,626	11 months

4. Particulars of material properties

No.	Project name	Project location	Project type	Planning area *(0,000 m²)*
1	General development of "R2 type residential land on land plots No. HD00-0404-6005 and 6005 in Liangjiadian Village, Xibeiwang Town" in the northern area of Haidian	Haidian, Beijing	Residential	32.59
2	Beijing Shunyi Houshayu SY00-0019-6001/6003/6004	Shunyi, Beijing	Residential	48.35
3	KCC2016-A1~A4	Kunming, Yunnan	Complex	23.87
4	"Jiangcheng Gate" property development project of Huadian Wuchang	Wuhan, Hubei	Complex	35.48
5	Urban renewal project of Shangdong Power Plant in Xichong, Shenzhen	Shenzhen, Guangzhou	Residential	12.7

5. Material infrastructure investment projects

No.	Signatory	Owner	Shareholding of the project company	Project name	Date of investment agreement or date of winning the bid	Total investment amount of the project *(RMB100 million)*	Construction period	Concession period
1	China Railway and other parties	Qingdao Metro Construction Headquarters Office	11.6%	PPP project of Qingdao Metro Line 8	2017-02	387.3	5.5 years	19.5 years
2	China Railway and other parties	Taiyuan Transportation Bureau	50%	BOT project of the re-routing of Taiyuan Ring Northwest Segment (Taiyuan Northwest Second Ring) of Beijing-Kunming Expressway	2017-7	239.98	3 years	30 years
3	China Railway and other parties	Shaanxi Provincial Department of Transportation	20%	PPP project of Xunyi-Fengxiang and Hancheng-Huanglong Expressways in Shaanxi Province	2017-12	223.67	4 years	28 years
4	China Railway and other parties	Chengdu Urban and Rural Construction Commission	42%	PPP project of Chengdu Rail Transit Line 9 (Phase 1)	2017-7	193.99	4 years	22 years
5	China Railway and other parties	Bazhou Transportation Bureau	36%	"Public-Private-Partnership" (PPP) project of road projects in G0612 Ruoqiang-Minfeng Expressway, G216 Luntai-Minfeng Highway and State Agricultural Farm in Bayingolin Mongol Autonomous Prefecture	2017-7	168.93	3 years	30 years

5.16 Explanation for Other Significant Events

To strictly implement the "Guidelines on Deepening the Reform of State-owned Enterprises" of the CPC Central Committee and State Council and to proactively implement the strategies deployed in "Made in China 2025" to facilitate the structural optimization and upgrading of the industry manufacturing segment of the Company through tactics such as mergers, acquisitions and restructuring in the capital market, the Company and China Railway Erju (stock code: 600528.SH), a listed subsidiary controlled by the Company, conducted a material asset swap and an asset purchase through non-public share offering of China Railway Erju (the "**Transaction**"), with a view to building up a listed company platform in the industry manufacturing segment of China Railway.

At the 15th meeting of the third session of the Board and the 20th meeting of the third session of the Board, the relevant proposals, including Proposal on Approval of the Material Asset Swap and Share Issuance for Purchase of Assets Between the Company and China Railway Erju and the Plan for Raising Supporting Fund of China Railway Erju, were considered and approved. The relevant documents were disclosed on the website of the Shanghai Stock Exchange and the designated newspapers for information disclosure of the Company. The Transaction was approved by the SASAC of the State Council on 5 May 2016 and was considered and unconditionally approved by the 2016 56th work meeting of the Review Board for Mergers, Acquisitions, and Restructuring of Listed Companies of the CSRC held on 29 July 2016. An approval was received from the CSRC on 20 September 2016. The formalities of the transfer of equity interests and change of relevant business registration regarding the acquired assets and disposed assets under the transaction were completed on 5 January 2017. On 12 January 2017, China Railway Erju completed registering the 383,802,693 A shares issued to China Railway as consideration for the purchase of assets. The change of business registration regarding the change of name to China Railway Hi-Tech Industry Corporation Limited was completed on 24 January 2017, and the stock short name was changed from "China Railway Erju" to "China Railway Industry" on 2 March 2017. As approved by the CSRC, China Railway Industry conducted the supporting fundraising through non-public share offering to not more than 10 designated investors in March 2017 and eventually issued 378,548,895 shares at RMB15.85 per share for total proceeds of RMB5,999,999,985.75. Registration was completed for above new shares on 27 March 2017. For the full progress of the transaction, please refer to the relevant announcements published by the Company and China Railway Industry on the website of Shanghai Stock Exchange and the designated newspapers.

5.17 Proactive Fulfilment of Social Responsibilities

5.17.1 Poverty relief efforts of the listed company

(1) Precision poverty relief plans

Under the unified arrangements of the Leading Group Office of Poverty Alleviation and Development of the State Council and SASAC, in response to the call of the Party and State, CREC, our controlling shareholder, together with the Company have been active in fulfilling their social responsibilities and obligations as central enterprises. They have been participating in various targeted poverty relief programmes since 2002. For more than a decade, CREC and the Company have been devoting to targeted poverty relief by taking into account the real needs of the local people. They have been making due contributions to the timely poverty elimination in the targeted counties by fully taking advantages of their corporate strengths and enhancing intelligence support, technical services and information and policy guidance. To implement the "Outline for Development-oriented Poverty Reduction for China's Rural Areas (2011-2020)", "Opinions on Innovating the System Promoting Steadily the Poverty Relief and Development Work in Rural Areas" and the overall requirements and deployment of the Leading Group Office of Poverty Alleviation and Development of the State Council and SASAC of the State Council, the Company published the "Implementation Plans of China Railway on Targeted Poverty Relief Work for 2016-2020" to fully implement the poverty relief directions of "Four 'Practical'" and "Five 'A Batch'" given by Xi Jinping, General Secretary. By focusing on poverty alleviation through cadre's poverty alleviation, the Company insists in adopting a government-led approach with enterprise participation and following a practical, precise and focused direction with tiered guidance and cooperation between different levels to achieve poverty alleviation. The Company strives to lift all registered poor households out of worrying clothing and food and help eliminate poverty in three targeted counties in a timely manner by 2020.

(2) *Annual summary of precision poverty relief efforts*

In 2017, faced up with the new trends in poverty relief work, the whole Company continued to place high importance to poverty relief and development and focus on "precision poverty relief and precision poverty elimination" by taking into account the actual situation of the enterprise. All secondary units followed the arrangements of their local governments and a total of 15 enterprises participated in the poverty relief and development work. Through capital investment, industrial support and employment of poor labour, the Company actively assisted the poverty areas to reduce poverty. During the year, the Company planned to invest nearly RMB65 million in promoting poverty relief and development work development-oriented poverty reduction and helped to lift close to 6,000 registered poor households out of poverty. In particular, the Company invested RMB30 million in support of the conversion of the central-southern highway project in Baode County, which will effectively solve people's problems of traveling, utilization of mineral resources and external transport of agricultural products in the area. The Company invested RMB22.5 million to support the construction of the Datang Industrial Park Phase 1 project in Guidong County to address the employment problem of 320 relocated households of 1,100 persons in total. The Company also invested RMB1,434,000 to support the construction of a skill education and training base in Rucheng County. With the support of the educational resources of China Railway, about 300 students from registered poor households can be admitted each year, creating significant results in poverty alleviation. Meanwhile, adopting a site-specific approach, the Company actively supported the development of local industries by building a ten-thousand boar ecological farm in Shanlian Village, Nandong Township, Rucheng County, and a red cluster pepper farm in Xiyuan Village, Xinfang Township and a Chinese medicine demonstration base in Shangdong Village, Oujiang Township in Guidong County. A total of 1,500 poor people were employed, translating into an income increment of approximately RMB1,500 to RMB3,000 per household.

(3) Effectiveness of precision poverty relief efforts

Unit: Ten thousand Currency: RMB

Indicators	Quantity and Progress
I. General conditions	6,498.31
Representing: 1. Funds	5,457.49
2. Value of resources donated	981.52
3. Number of registered poor people lifted out of poverty (person)	8,584
II. Investment breakdown	
1. Industrial development for poverty alleviation	
Representing: 1.1 Type of industrial poverty alleviation projects	✔Forestry poverty alleviation ☐Tourism poverty alleviation ☐E-commerce poverty alleviation ✔Asset income poverty alleviation ✔Technological poverty alleviation ✔Others
1.2 Number of industrial poverty alleviation projects	26
1.3 Investment amount in industrial poverty alleviation projects	2,607.13
1.4 Number of registered poor people lifted out of poverty (person)	3,551
2. Job changing poverty alleviation	
Representing: 2.1 Investment amount in vocational training	165.57
2.2 Number of people received vocational training (person/number)	1,708
2.3 Number of registered poor people helped for employment (person)	1,801
3. Relocation poverty alleviation	
Representing: 3.1 Number of relocated people helped for employment (person)	83
4. Education poverty alleviation	
Representing: 4.1 Investment amount for subsidizing poor students	151.09
4.2 Number of poor students subsidized (person)	2,466
4.3 Investment amount for improving education investment in poverty areas	1,859.5

Indicators	Quantity and Progress
5.Health poverty alleviation	
Representing: 5.1 Investment amount in medical and hygienic resources in poverty areas	168.4
6. Ecological protection poverty alleviation	
Representing: 6.1 Project name	✔Commencing ecological protection and construction ☐Devising ways of ecological protection compensation ☐Setting up ecological charity job positions ☐Others
6.2 Investment amount	9.05
7. Basic protection	
Representing: 7.1 Investment amount for helping the "three types of left-behind people"	40
7.2 Number of the "three types of left-behind people" helped (person)	283
7.3 Investment amount for helping poor disabled people	5.71
7.4 Number of poor disabled people helped (person)	40
8. Social poverty alleviation	
Representing: 8.1 Investment amount in poverty relief collaboration in eastern and western areas	35.76
8.2 Investment amount in targeted poverty relief measures	4,810.5
8.3 Charity funds for poverty relief	404
9. Other projects	
Representing: 9.1. Number of projects	16
9.2. Investment amount	2,227.85
9.3. Number of registered poor people lifted out of poverty (person)	3,446
9.4. Description of other projects	

III. Awards received (Description and grade)

Zhang Zhongwen, a poverty alleviation cadre of the Company, was named as a poverty alleviation model in Xinzhou City.

(4) Subsequent precision poverty relief plans

The poverty alleviation and development work will enter a critical stage to conquer the issue in 2018. Through innovation of thinking methods and active actions, China Railway will implement the "Implementation Plans of China Railway on Targeted Poverty Relief Work for 2016-2020" and strive to enhance its work in order to continually and effectively facilitate poverty reduction.

5.17.2 *Social responsibility commitments*

As a leading enterprise in the construction industry, the Company has always taken being a practitioner, promoter and leader as its corporate social responsibilities. Since 2008, China Railway has started setting up a scientific, regulated, systematic and effective mechanism for corporate social responsibility management system. Based on the ten aspects of social responsibility planning, namely legal corporate governance, quality services, efficiency creation, employee development, safety supervision, technological advancement, environmental protection, charity, win-win cooperation and overseas responsibilities, a series of corporate social responsibility activities was launched in the headquarters and subsidiaries of the Company, with an aim to achieve the goals of complete coverage, full performance, gradual improvement and industry leadership in social responsibilities, making continuous outstanding contribution to the society. During the reporting period, the Company donated a total of RMB52,961,000 (2016: RMB5,219,000) for the fulfillment of social responsibilities. For details in relation to the social responsibility commitments of the Company, please see the Social Responsibility Report of China Railway Group Limited for 2017 as published on the website of Shanghai Stock Exchange at http://www.sse.com.cn.

5.17.3 *Environmental protection information*

(1) Description of environmental protection efforts of the highly polluting companies and their key subsidiaries as announced by the environmental protection authorities

Not applicable

(2) Companies other than highly polluting companies

In 2017, adhering to the green development concept that "natural resources are indeed valuable treasures", the Company attached equal weight to resources saving and environmental protection and strove to construct "environmentally-friendly and resource-saving" projects. At the preliminary stage of construction, professional institutions were arranged as required to conduct assessment on the environment and ecological system and draw up practical and effective plans for their protection. Special efforts were made to protect the water and soil, bio-diversity and vegetation in and of construction areas which were ecologically vulnerable through the simultaneous planning and implementation of environmental protection measures and construction works. In the course of the works, investment was made for ecological protection, environmentally-friendly equipment was used, work processes were improved and construction plans were optimised in order to reduce the impact on water, air, vegetation and organisms.

The Company fulfilled its enterprise environmental protection work according to the laws and regulations. First of all, pursuant to the laws and regulations, rules and technical standards on environmental protection, including the "Environmental Protection Law of the People's Republic of China" and "Regulations on the Administration of Construction Project Environmental Protection", the Company detailed and introduced the key points and requirements on environmental protection, and set up a corporate environmental protection administration working system. Secondly, the Company had a clearly defined corporate environmental protection administration working model. Based on the principles of "territoriality", "prevention-focused complemented by remediation" and "the polluter taking the responsibility" and under the supervision and administration of the national and local environmental protection authorities, the Company exercised unified leadership and adopted a tiered management model in its subsidiaries and branches in order to achieve clean production and sustainable development. The Company also proactively introduced the ISO14001:2004 environmental management system standard to ensure that the environmental protection work was orderly and controllable. Thirdly, the Company commenced environmental assessment and fulfilled its preliminary environmental protection examination duty as required by the laws. For construction projects invested by the Company, it insisted in conducting environmental impact appraisal and following the environmental review and approval procedures according to the laws. The Company required that its environmental protection projects must be incorporated in the overall construction organization and design of the projects to ensure that the relevant pollution prevention and remediation facilities of the relevant infrastructure and technical innovation projects were designed, constructed and put into operation at the same time with the main construction works. Fourthly, production was carried out at the construction sites according to the laws to control its environmental protection efforts. To guarantee the normal operation of the pollutant discharge and treatment facilities for the various sources of pollution from its production and living areas, the Company continued to strengthen its control and management over the emission of sewage (fluid waste), waste (smoke) gas, construction dust, noise (vibration), solid waste (residue) and radioactive hazardous waste from the course of production by setting up targets, formulating measures, assigning responsibilities and ensuring standardized emissions. For lands temporarily used in the construction process, the Company would devise a stringent land use and rehabilitation plan and pay special attention to the environmental protection of areas with a high density of population, water supply protection areas, scenic and sightseeing areas, conservation areas and scenic spots of historic interest. Upon completion of the construction projects, the Company would rehabilitate the land as required and restore the ecological environment as far as possible. For dust-prone materials in the workshops, the Company would adopt dust prevention measures, such as fences and covers. Construction sewage and mud would only be discharged after being treated in a triple-deck sedimentation tank, which was regularly cleaned by dedicated cleaning staff, in order to actively create a green construction site. The reutilization rate of industrial waters was increased to reduce the water consumption per product unit and save water resources.

In 2017, the Company took an active role in participating in the assessment and promotion of the national key environmental protection useful techniques and demonstration projects. The rural railway project from Zhengzhou 4th Ring Road South to Zhengzhou Southern Station undertaken by China Railway No.7 Engineering and the main sections of the Hong Kong-Zhuhai-Macau Bridge and Yichang Miaozui Yangtze River Bridge undertaken by China Railway Major Bridge Engineering were named as the "Green Construction Demonstration Projects in China's Construction Industry for 2017".

(3) Others

Not applicable

5.17.4 *Others*

Not applicable

5.18 *Convertible Corporate Bonds*

Not applicable

6 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Note	**2017 RMB million**	2016 RMB million
Revenue	*3*	**688,773**	632,856
Cost of sales and services		**(626,044)**	(583,067)
Gross profit		**62,729**	49,789
Other income	*4*	**2,819**	1,855
Other expenses	*4*	**(11,103)**	(10,417)
Other (losses)/gains, net	*5*	**(9,480)**	630
Selling and marketing expenses		**(2,852)**	(2,560)
Administrative expenses		**(20,119)**	(17,680)
Operating profit		**21,994**	21,617
Interest income		**2,075**	2,197
Interest expenses		**(4,773)**	(5,774)
Share of profit of joint ventures		**224**	118
Share of profit of associates		**1,308**	614
Profit before income tax		**20,828**	18,772
Income tax expense	*6*	**(6,624)**	(6,069)
Profit for the year		**14,204**	12,703
Profit attributable to:			
– Owners of the Company		**16,067**	12,509
– Non-controlling interests		**(1,863)**	194
		14,204	12,703
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
– Basic	*7*	**0.669**	0.517
– Diluted	*7*	**0.669**	0.517

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

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

CONSOLIDATED BALANCE SHEET
As at 31 December

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

	Note	**2017**	2016
		RMB million	RMB million
EQUITY			
Share capital		**22,844**	22,844
Share premium and reserves		**120,335**	105,287
Perpetual notes		**12,038**	12,038
		155,217	140,169
Non-controlling interests		**14,341**	8,827
Total equity		**169,558**	148,996
LIABILITIES			
Non-current liabilities			
Trade and other payables	*10*	**498**	686
Borrowings		**85,451**	92,308
Obligations under finance leases		**54**	42
Retirement and other supplemental benefit obligations		**3,161**	3,453
Provisions		**637**	335
Deferred government grant and income		**1,841**	1,140
Deferred tax liabilities		**1,006**	782
		92,648	98,746
Current liabilities			
Trade and other payables	*10*	**471,896**	407,418
Amounts due to customers for contract work		**14,964**	12,952
Current income tax liabilities		**5,572**	5,129
Borrowings		**88,483**	80,017
Obligations under finance leases		**349**	451
Retirement and other supplemental benefit obligations		**395**	466
Provisions		**–**	13
Held-for-trading financial liabilities		**57**	157
		581,716	506,603
Total liabilities		**674,364**	605,349
Total equity and liabilities		**843,922**	754,345

NOTES:

1. GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2018.

Significant events and transactions

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

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

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

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

2. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to standards adopted by the Group

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

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

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

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

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

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

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

(i) *IFRS 9 Financial instruments*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) IFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

(iii) IFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

The Group derives the revenue from the following businesses:

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

Revenue between segments is carried out at actual transaction prices.

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

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

For the year ended 31 December 2017

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

For the year ended 31 December 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other segment information:

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

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

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

	For the year ended 31 December	
	2017	2016
	RMB million	RMB million
Mainland China	**647,092**	604,590
Other regions (including Hong Kong and Macau)	**41,681**	28,266
	688,773	632,856

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

	2017	2016
	RMB million	RMB million
Mainland China	**110,052**	107,182
Other regions (including Hong Kong and Macau)	**8,818**	8,183
	118,870	115,365

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

4. OTHER INCOME AND EXPENSES

	2017 **RMB million**	2016 RMB million
Other income from:		
Net income from sundry operations *(Note (a))*	**1,499**	795
Government subsidies *(Note (b))*	**378**	421
Compensation income	**40**	57
Dividend income on available-for-sale financial assets	**362**	127
– Listed equity securities	**26**	12
– Unlisted equity investments	**336**	115
Relocation compensation	**31**	53
Others	**509**	402
	2,819	1,855
Other expenses on:		
Research and development expenditures	**11,103**	10,417

Notes:

(a) The balances comprise net income from sundry operations incidental to the main revenue-generating activities of the Group including sales of materials, rental income, transportation income, hotel operation income, etc.

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

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

5. OTHER (LOSSES)/GAINS, NET

	2017 **RMB million**	2016 RMB million
Impairment loss recognised on financial assets		
Available-for-sale financial assets	**(4)**	(263)
Trade and other receivables	**(8,421)**	(958)
Other loans and receivables	**(495)**	(352)
	(8,920)	(1,573)
Impairment loss on mining assets	**(282)**	(565)
Impairment loss on property, plant and equipment	**(21)**	(142)
Impairment loss on lease prepayments	**–**	(8)
Impairment loss on investment properties	**–**	(27)
Impairment loss on interest in associates	**–**	(345)
Gains on disposal of subsidiaries	**112**	427
Gains/(losses) on disposal and/or write-off of:		
– Property, plant and equipment	**74**	75
– Lease prepayments	**39**	444
– Available-for-sale financial assets	**4**	67
– Investment properties	**–**	38
– Interests in associates	**(6)**	(1)
– Interests in joint ventures	**(1)**	(5)
Loss arising on change in fair value of financial assets/liabilities classified as held-for-trading	**(471)**	(80)
Foreign exchange (losses)/gains, net	**(34)**	2,275
Gains on debt restructurings	**26**	50
	(9,480)	630

6. INCOME TAX EXPENSE

	2017 RMB million	2016 RMB million
Current income tax		
– Enterprise income tax ("**EIT**")	**5,836**	5,959
– Land appreciation tax ("**LAT**")	**1,284**	1,099
– Over-provision in prior years	**(241)**	(8)
Deferred income tax	**(255)**	(981)
Income tax expense	**6,624**	6,069

The majority of the entities in the Group are located in Mainland China. Pursuant to the relevant laws and regulations, the statutory EIT rate of 25% (2016: 25%) is applied to the Group except for certain subsidiaries which were either exempted from EIT or entitled to the preferential tax rate of 12.5% or 15% (2016: 12.5%, 15%) for the year ended 31 December 2017.

Certain of the Group's overseas entities are located in Democratic Republic of the Congo, South Africa, Mongolia, Hong Kong, Malaysia, Papua New Guinea and Kenya. Pursuant to the relevant laws and regulations of these jurisdictions, the EIT rates of 30%, 28%, 10%, 16.5%, 24%, 30% and 37.5% (2016: 30%, 28%, 10%, 16.5%, 24%, 30% and 37.5%) are applied to these entities respectively.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

The tax charge for the year can be reconciled to profit before tax per the consolidated income statement and other comprehensive income as follows:

	2017 RMB million	2016 RMB million
Profit before tax	**20,828**	18,772
Tax at PRC EIT rate of 25% (2016: 25%)	**5,206**	4,692
Tax effect of:		
Non-deductible expenses	**200**	177
Non-taxable income	**(99)**	(166)
Tax losses not recognised as deferred tax assets	**766**	1,071
Utilisation of tax losses previously not recognised as deferred tax assets	**(352)**	(168)
Utilisation of other deductible temporary differences previously not recognised as deferred tax assets	**(134)**	(59)
Other deductible temporary differences not recognised as deferred tax assets	**1,851**	812
Preferential tax rates on income of group entities and other income tax credits	**(1,259)**	(950)
Share of profit of joint ventures	**(56)**	(30)
Share of profit of associates	**(327)**	(154)
Deferred tax charges resulting from changes in applicable tax rates	**53**	23
LAT	**1,284**	1,099
Tax effect of LAT	**(321)**	(275)
Overprovision in respect of prior years	**(241)**	(8)
Others	**53**	5
Income tax expense for the year	**6,624**	6,069

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

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2017			2016		
	Before tax RMB million	**Tax credit RMB million**	**After tax RMB million**	Before tax RMB million	Tax charge RMB million	After tax RMB million
Actuarial gain/(losses) on retirement benefit and other supplemental obligations	**9**	**(8)**	**1**	(24)	8	(16)
Changes in fair value of available-for-sale financial assets and release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(496)**	**125**	**(371)**	(164)	31	(133)
Fair value (losses)/gains on cash flow hedging instrument	**(5)**	**–**	**(5)**	8	–	8
Share of other comprehensive income of investments accounted for using the equity method	**(47)**	**–**	**(47)**	–	–	–
Currency translation differences	**(364)**	**–**	**(364)**	548	–	548
Other comprehensive (expenses)/income	**(903)**	**117**	**(786)**	368	39	407
Current income tax						
Deferred income tax		**117**		39		
		117		39		

7. 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.

	2017	2016
Profit attributable to owners of the Company (RMB million)	**16,067**	12,509
Less: distribution relating to the perpetual notes (RMB million)*(Note i)*	**787**	701
Profit used to determine basic earnings per share (RMB million)	**15,280**	11,808
Weighted average number of ordinary shares in issue (millions)	**22,844**	22,844
Basic earnings per share (RMB per share)	**0.669**	0.517

(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 2017, were deducted from earnings when calculate the earnings per share for the year ended 31 December 2017.

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during both years.

8. DIVIDENDS

	2017 **RMB million**	2016 RMB million
Proposed final dividend of RMB0.113 per ordinary share (2016: RMB0.088)	**2,581**	2,010

The dividends paid in 2017 and 2016 were RMB2,010 million (RMB0.088 per ordinary share) and RMB1,964 million (RMB0.086 per ordinary share) respectively. A dividend in respect of the year ended 31 December 2017 of RMB0.113 per ordinary share, amounting to a total dividend of RMB2,581 million, is to be approved at the annual general meeting in 2018. These financial statements do not reflect this dividend payable.

9. TRADE AND OTHER RECEIVABLES

	2017 RMB million	2016 RMB million
Trade and bills receivables	**206,832**	166,058
Less: provision for impairment	**(4,783)**	(3,679)
Trade and bills receivables – net	**202,049**	162,379
Other receivables (net of impairment)	**48,925**	33,528
Advance to suppliers (net of impairment)	**29,183**	43,531
	280,157	239,438
Less: Amount due after one year included in non-current assets	**(15,755)**	(5,209)
Amount due within one year included in current assets	**264,402**	234,229

Included in trade and bills receivables are retention receivables of RMB47,979 million (31 December 2016: RMB47,961 million). Retention receivables are interest-free and recoverable at the end of the retention period of the respective construction contracts. The Group's normal operating cycle with respect to construction contracts is usually more than one year.

(a) Ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	2017 RMB million	2016 RMB million
Within 6 months	**120,130**	92,790
6 months to 1 year	**29,630**	28,783
1 year to 2 years	**36,706**	23,567
2 years to 3 years	**9,210**	10,031
Over 3 years	**11,156**	10,887
	206,832	166,058

Majority of the Group's revenues are generated through infrastructure construction, survey, design, consulting, engineering equipment and component manufacturing contracts and settlements are made in accordance with the terms specified in the contracts governing the relevant transactions. Please refer to Note 9(d), (e) and (f) for detailed impairment analysis.

(b) As at 31 December 2017, trade receivables of RMB7,185 million (2016: nil) had been transferred in accordance with relevant ABN and ABS issuance, and trade receivables of RMB2,192 million (2016: nil) had been transferred to financial institutions in accordance with relevant non-recourse factoring agreements. Relevant trade receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with the trade receivables have been transferred and therefore qualified for derecognition.

(c) As at 31 December 2017, bills receivables – bank acceptance and commercial acceptance notes of RMB480 million (2016: nil) were endorsed to suppliers, and RMB207 million were discounted with a third party with rights of recourse. In the opinion of the Directors, such transactions did not qualify for derecognition. In addition, as at December 2017, bills receivables – bank acceptance of RMB5,317 million (2016: RMB1,786 million) were endorsed to suppliers, and RMB965 million (2016: RMB496 million) were discounted with banks. Relevant bills receivables were derecognised as the Directors are of the opinion that the substantial risks and rewards associated with those bank acceptance notes have been transferred and therefore qualified for derecognition.

(d) As of 31 December 2017, trade and bills receivables of the Group amounting to RMB92,225 million (2016: RMB69,281 million) were neither past due nor impaired.

(e) As of 31 December 2017, trade and bills receivables of RMB114,607 million (2016: RMB96,777 million) were impaired and provided for. The provision amounted to RMB4,783 million as of 31 December 2017 (2016: RMB3,679 million). The amount of individually impaired receivables was RMB78,955 million (2016: RMB74,046 million) with the provision of RMB2,131 million (2016: RMB1,439 million). The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default or delinquency in payments. The Directors are of the opinion that only a portion of the receivables is expected to be recovered. The ageing analysis of these receivables (net of impairment provision) is as follows:

	2017	2016
	RMB million	RMB million
Within 6 months	**63,703**	54,070
6 months to 1 year	**29,519**	20,297
1 year to 2 years	**12,063**	9,775
2 years to 3 years	**2,229**	5,988
Over 3 years	**2,310**	2,968
	109,824	93,098

(f) Movements on provision for impairment of trade and other receivables are as follows:

	2017	2016
	RMB million	RMB million
At 1 January	**8,446**	7,524
Provision for the year *(Note 5)*	**8,421**	958
Receivables written off during the year as non-collectible	**(109)**	(30)
Disposal of subsidiaries	**–**	(6)
At 31 December	**16,758**	8,446

The provision and release of provision for impaired receivables have been included in other gains and losses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

	2017	2016
	RMB million	RMB million
RMB	**273,383**	234,736
USD	**4,266**	3,242
HKD	**26**	15
JPY	**34**	7
EUR	**30**	237
Other currencies	**2,418**	1,201
	280,157	239,438

As at 31 December 2017, other currencies mainly comprised of Sri Lanka Rupee, Malaysia Ringgit and Congolese Franc.

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

(j) As at 31 December 2017, bank borrowings amounting to RMB1,108 million (2016: RMB654 million) are secured by trade receivables with carrying amount of approximately RMB3,389 million (2016: RMB944 million).

10. TRADE AND OTHER PAYABLES

	2017	2016
	RMB million	RMB million
Trade and bills payables (a)	**336,388**	298,715
Advance from customers	**69,608**	54,542
Accrued payroll and welfare	**3,017**	2,688
Other taxes	**2,989**	2,556
Deposit received in advance	**989**	952
Dividend payables	**607**	510
Deposits from CRECG and fellow subsidiaries (b)	**98**	56
Other payables	**58,698**	48,085
	472,394	408,104
Analysed for reporting purposes:		
Non-current	**498**	686
Current	**471,896**	407,418
	472,394	408,104

The credit period on purchases of goods ranges from 180 days to 360 days. Included in trade and bills payables are retention payables of RMB6,084 million (31 December 2016: RMB6,548 million). Retention payables are interest-free and payable at the end of the retention period of the respective construction contract. The Group's normal operating cycle with respect to the construction contract is usually more than one year.

The balances of other payables mainly include payments made by the third parties on behalf of the Group, guarantee money payables and others.

(a) The ageing analysis of trade and bills payables (including amounts due to related parties of trading nature), based on invoice date, is as follows:

	2017	2016
	RMB million	RMB million
Less than 1 year	**306,155**	269,171
1 year to 2 years	**18,544**	18,217
2 years to 3 years	**5,504**	5,549
More than 3 years	**6,185**	5,778
	336,388	298,715

(b) China Railway Finance Co., Ltd. ("CREC Finance"), a subsidiary of the Company, accepted deposits from CRECG 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:

	2017	2016
	RMB million	RMB million
RMB	**468,961**	402,189
USD	**2,531**	3,674
Other currencies	**902**	2,241
	472,394	408,104

At 31 December 2017, other currencies mainly consist of Congolese Franc, Bolivar and Ethiopian Birr.

7 AUDIT COMMITTEE

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2017.

8 DIVIDENDS

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

9 REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries sell any securities of the Company, nor did they repurchase or redeem any of the securities of the Company during the year ended 31 December 2017.

10 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

11 PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2017 Annual Report prepared in accordance with the IFRS will be released on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.crec.cn). The 2017 Annual Report and its abstract prepared in accordance with CAS will be released on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.crec.cn).

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

29 March 2018

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